



Submission Number:EB-22-00560

Implications for Determinacy with Average Inflation Targeting

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Abstract

We use a standard New Keynesian model to explore implications of backward- and forward-looking windows for monetary policy with average inflation targeting and investigate the conditions for determinacy. A unique equilibrium rules out sunspot shocks that can lead to self-fulfilling shocks for inflation expectations. We find limitations for the length of the forward window and demonstrate how this depends on other parameters in the model, including parameters governing monetary policy and expectations formation.

September 29, 2022

Dear Professor Ahmad,

Thank you for submitting "Implications for Determinacy with Average Inflation Targeting" (EB-22-00560) to the *Economics Bulletin*. I have attached two referee reports. The referees are generally supportive of publication, however, they point out several ways that the paper should be improved. I agree that the paper would benefit from these changes and I would therefore like to invite a revision along the lines suggested by the referees. Thanks for sending us your work.

Sincerely,

John



John P Conley
Editor
Economics Bulletin