Efficient policy rule for Inflation Targeting in Colombia

Working Paper No. 240 Keep in mind
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In a small macroeconomic model of the Colombian economy I investigate the problem of selecting a policy rule that is consistent with inflation targeting. I spell out the characteristics of the optimal feedback and output parameters in the rule, as well as for the optimal forecasting horizon for inflation targeting. Using stochastic simulations of the model it is found that, as expected, rules that use forecasts of inflation rather than just contemporaneous inflation have better stabilization properties.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/en/efficient-policy-rule-inflation-targeting-colombia