

Hutchins Center on Fiscal and Monetary Policy Event

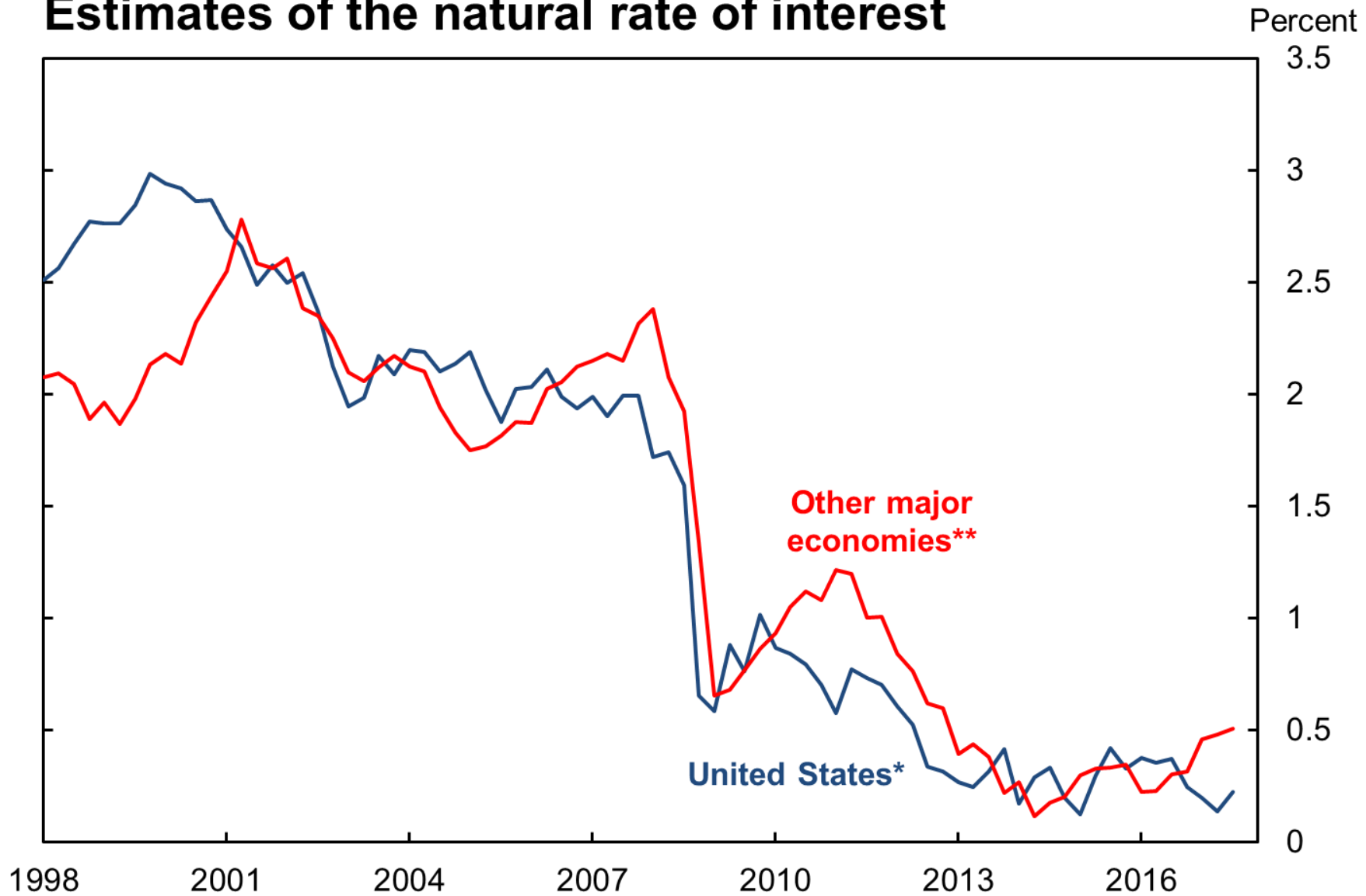
“Should the Fed stick with the 2 percent inflation target or rethink it?”

John Williams
Federal Reserve Bank of San Francisco

January 8, 2018

The views expressed here are those of the author and do not necessarily reflect those of anyone else in the Federal Reserve System.

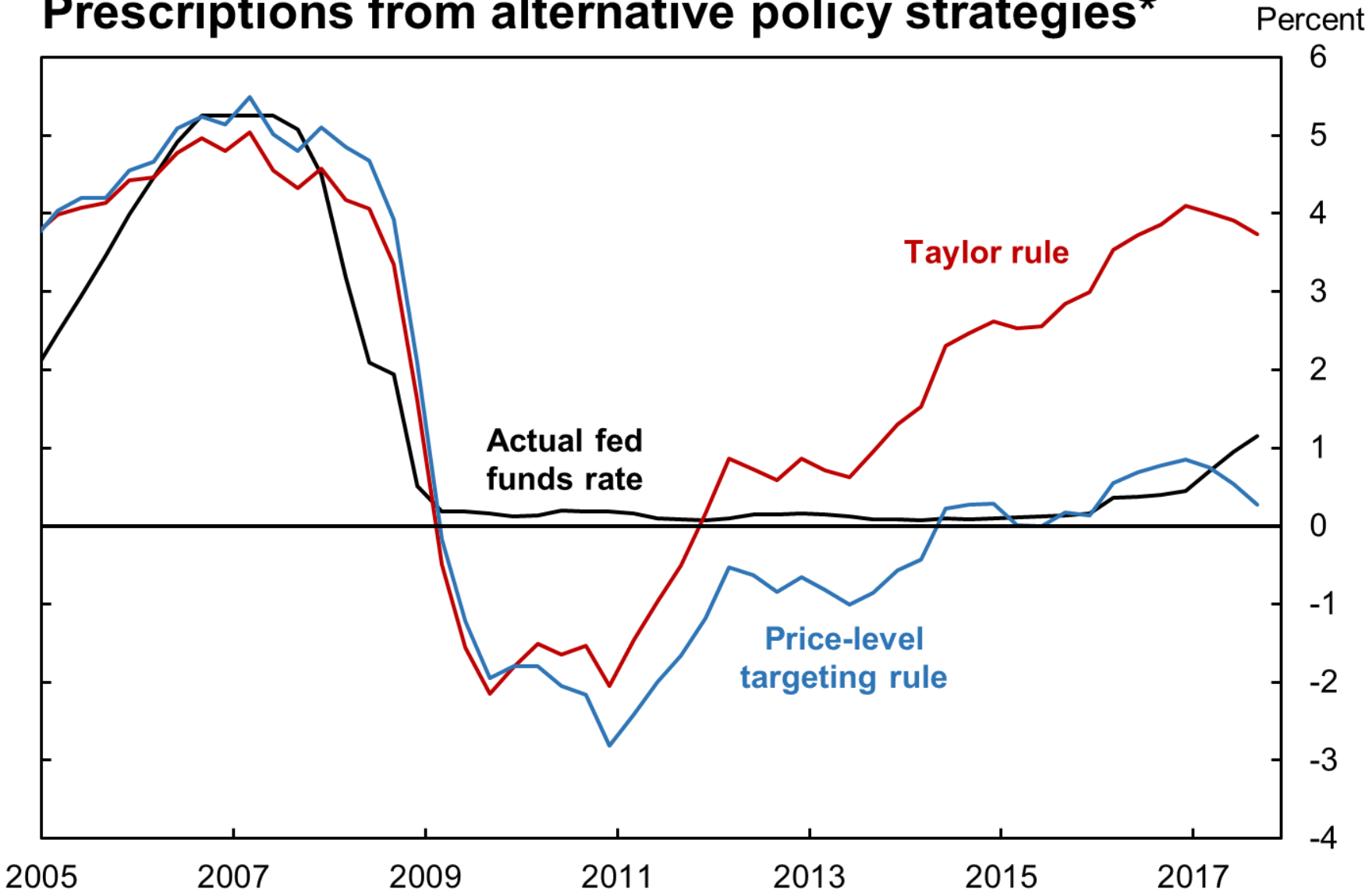
Estimates of the natural rate of interest



*Average of estimates from Laubach and Williams (2003), Holston, Laubach, and Williams (2016), and Christensen and Rudebusch (2017) [estimates begin 1998q2].

**GDP-weighted average of Euro Area, Canada, and United Kingdom from Holston, Laubach, and Williams (2016).

Prescriptions from alternative policy strategies*



Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Board, and FRBSF staff calculations
*Updates of calculations described in "Preparing for the Next Storm: Reassessing Frameworks and Strategies in a Low R-star World" (Williams 2017).