

Unique Monetary Equilibria with Interest Rate Rules

(with B. Adão en I. Correia)

Abstract

In contrast to previous literature, we show that there are interest rate rules that implement unique global equilibria in standard monetary models. This is a contribution to a literature that either concentrates on conditions for local determinacy, or criticizes that approach showing that local determinacy might be associated with global indeterminacy. The interest rate rules we propose are price level targeting rules that respond to the forecasts of the future price level and future economic activity.