



FEDERAL RESERVE BANK *of* NEW YORK

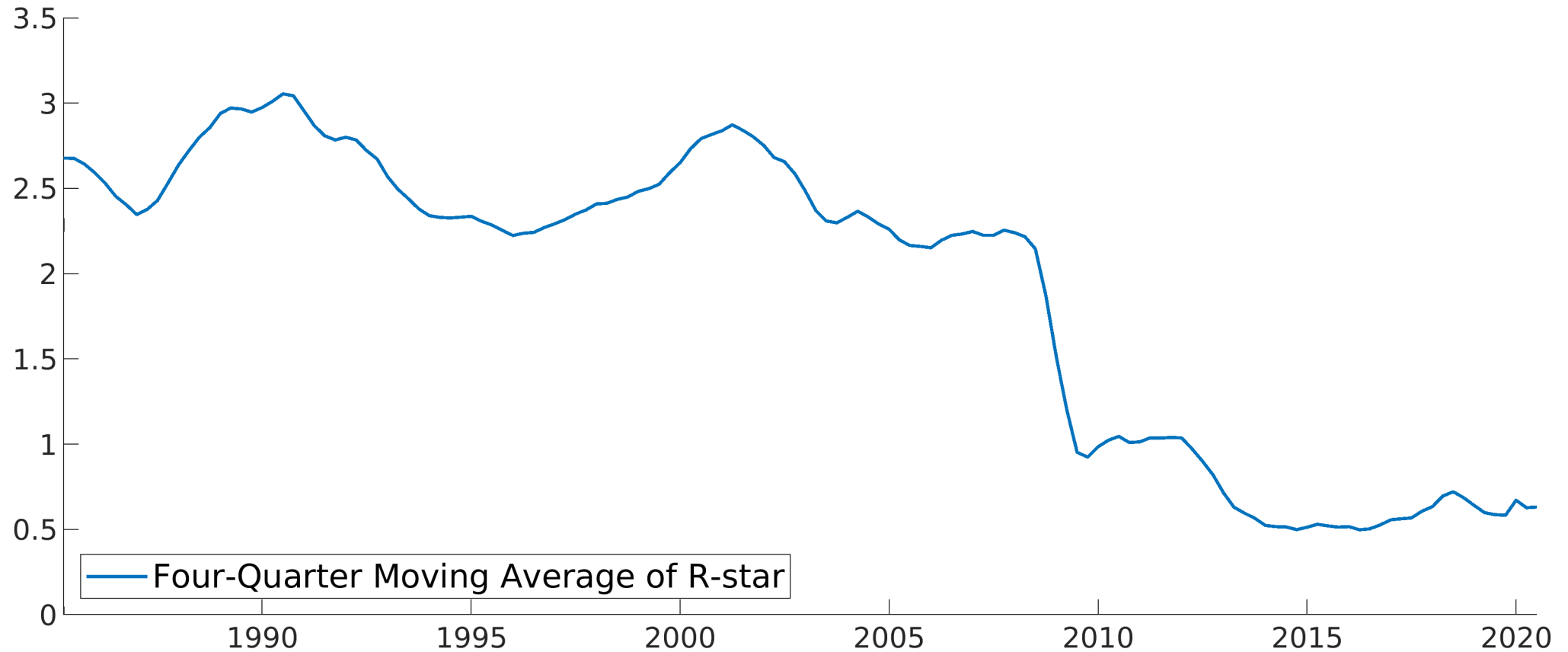
# The Theory of Average Inflation Targeting

Bank of Israel/CEPR Conference on “Inflation: Dynamics, Expectations, and Targeting”

John C. Williams, President and Chief Executive Officer

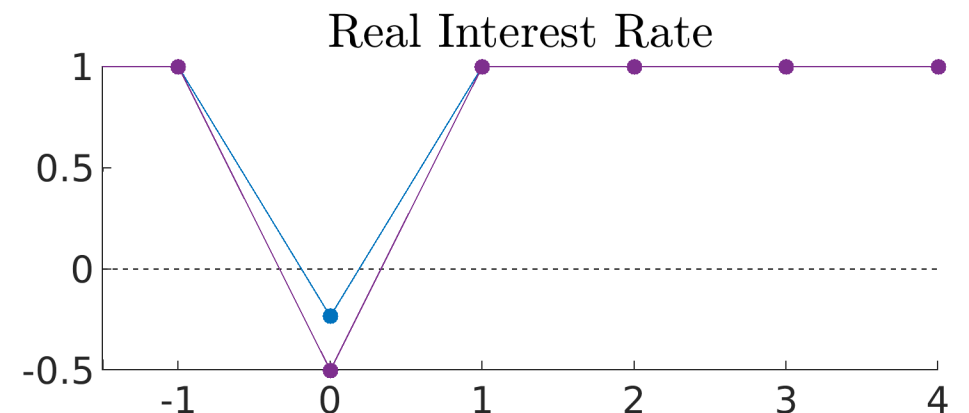
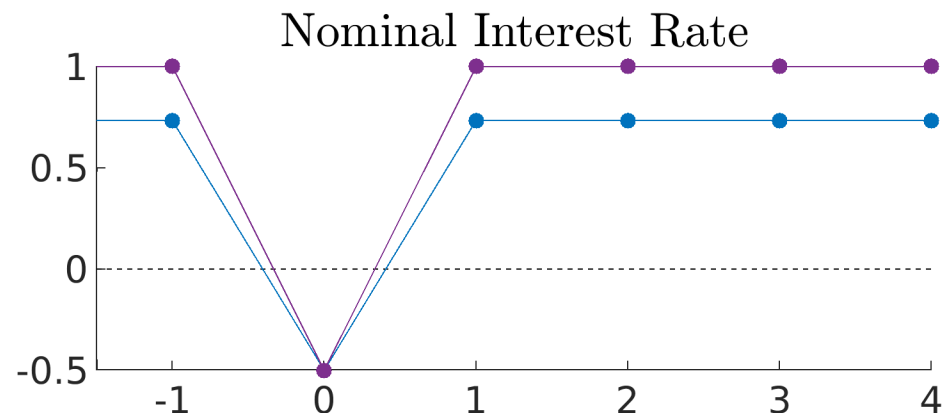
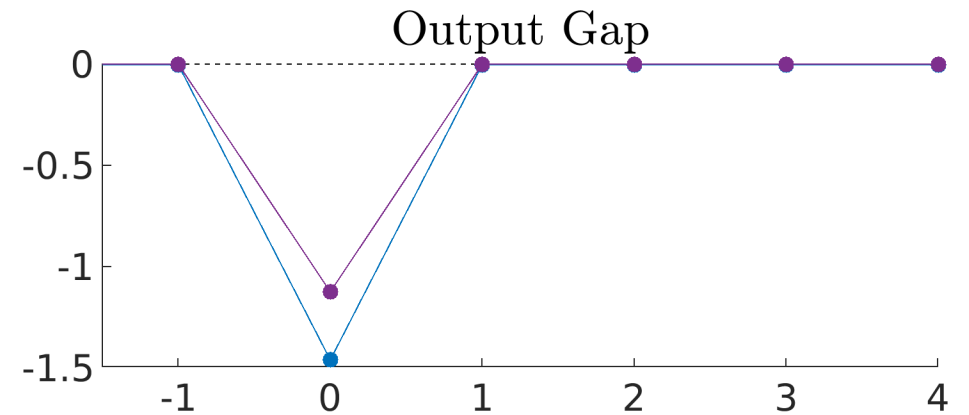
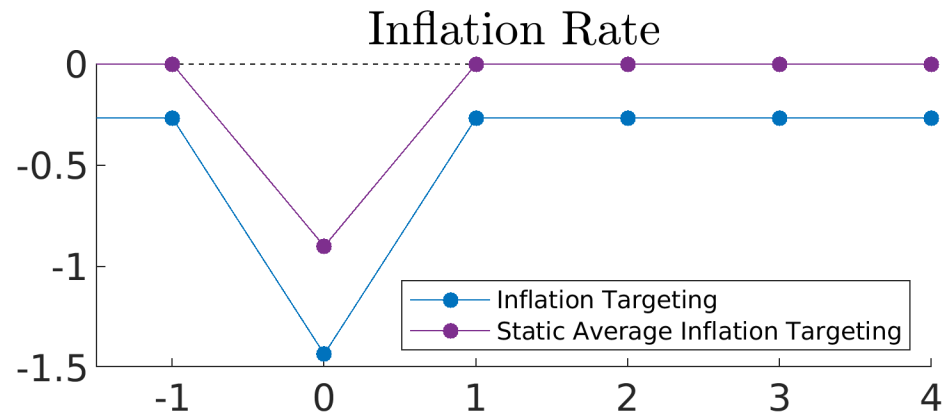
July 12, 2021

# Figure 1: The Decline of R-star

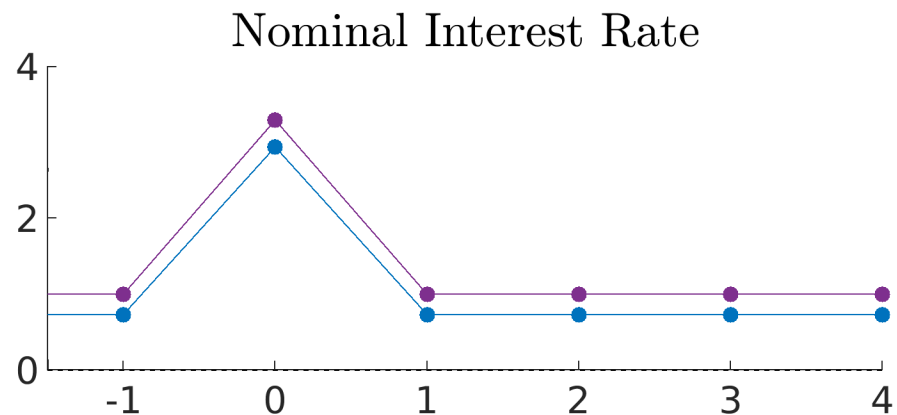
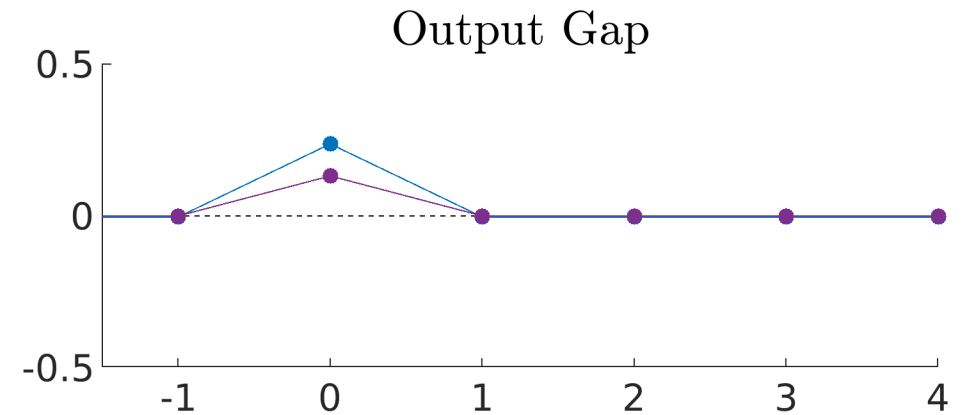
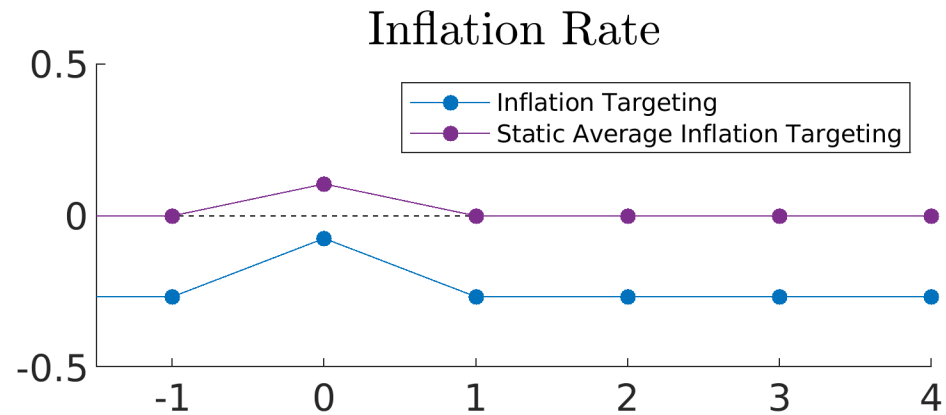




# Figure 2: Responses to Negative Demand Shock



# Figure 3: Responses to Positive Demand Shock



# Figure 4: Responses to Negative Demand Shock: Reifschneider-Williams

