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Debate on inflation targeting is live

From Dr Sanjay G Reddy.

Sir, Your article "India weighs inflation targeting" (January 23) reports only gushing opinions in favour of the adoption of inflation targeting by India's central bank. However, in the very same edition, your editorial "Much ado about forward guidance" highlights the "illusory simplicity of single-target guidance" and calls on the Monetary Policy Committee of the Bank of England to "look at a range of variables before deciding on rates".

Further, Scott Miner's Insight column "History of the Fed is key to Bernanke's legacy" states that "any policy explicitly targeting one price inevitably distorts other prices" and notes the danger that such targeting may "lead to a prolonged period of rising asset prices that may prove difficult to reverse".

In short, one need go no further than the pages of the FT (let alone read the sizeable literature making the case against this restrictive policy, in particular in developing countries) to see that the debate on inflation targeting is a live one – although it appears that the FT believes this to be true in some countries and not in others.

If there is broad enthusiasm for the proposal in India among those the FT has chosen to ask, it is only because there is less debate than there ought to be.

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