

Keep in mind

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AUTHORS AND/OR EDITORS

[López-Piñeros, Martha Rosalba](#)

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.

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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.