

Abstract: Rudebusch and Williams conclude "A Wedge in the Dual Mandate: Monetary Policy and Long-Term Unemployment" with a policy prescription. "Optimal policy should trade off a transitory period of excessive inflation in order to bring the broader measure of underemployment to normal levels more quickly," they claim. The question that I address is whether our knowledge of the dynamics linking monetary policy, inflation and real growth is sufficiently well-developed that policy recommendations of the sort that Rudebusch and Williams proffer can be effective. I present two bodies of empirical evidence pertinent to this issue. The first has to do with the Phillips Curve itself; the second to the class of models that now are used in analyzing the effects of monetary policy on the economy.