Referee report on:

"Inflation targeting is a success, so far: 100 years of evidence from Swedish wage contracts"

The reviewed paper presents an informative account of various monetary policy regimes and wage contract practices in Sweden over the period between 1908 and 2007. The paper is clearly written. The main argument of the paper can be stated that inflation targeting in Sweden has contributed to a longer horizon of collective wage contracts. In spite of its informative content, the paper seems to suffer from a number of rather substantive problems.

1. It seems that the three-year lenghts of wage contracts prevalent since 1992, which is roughly coinciding with inflation targeting policy, stems directly from synchronized agreements of LO and SAF labor union federations. The authors need to provide evidence that the unions actually increased the contract length in response to inflation targeting, and not as a result of the overall price stability following the inflation episodes associated with the two oil shocks of the 1970s and 1980s.

2. What specific features of inflation targeting contribute to a longer time horizon of wage contracts? This issue needs to be addressed in the paper. In particular, the forward-looking and the forecast-based nature of inflation targeting are likely to generate such result.

3. The authors' imply that inflation targeting has reduced 'macroeconomic uncertainty' by containing wage indexation. Macroeconomic uncertainty entails a much broader range of factors than just merely the wage indexation; it is associated with containment of shocks to various real and nominal macroeconomic variables.

4. It seems that during the gold standard period and the later stage of Bretton Woods fixed exchange rate regime the wage contract lenght exceeded the three-year period prevalent during the inflation targeting policy. Therefore, it needs to be proven that inflation targeting is still superior to these two alternative regimes.

5. The variance analysis based on Eq.(3) and reported in Table 2 seems rather irrelevant for this paper considering that the variance of wage contracts during the inflation targeting period is zero.

6. What was the role of fiscal discipline in expanding the length of wage contracts? The authors correctly point out that Sweden has followed the policy discipline prescribed by the Maastricht criteria since the early 1990s.

There are also several less important technical imperfections:

1. The abstract is too long and too descriptive – it should specify the main argument of this paper only.
2. The claim that ‘evaluations of inflation targeting compared to alternative monetary regimes are few and contradictory’ needs to be supported with relevant references.
3. The standard deviation of wage inflation is in fact the lowest during the inflation targeting period, as reported in Table 1. But the coefficient of variation is considerably lower for both the gold standard and the Brettom Woods regime periods. This deserves further explanation.

In sum, the paper tackles an interesting problem of the effectiveness of inflation targeting for expanding the length of wage contracts. However, the analysis is not very convincing considering the problems and queries stated above.