

Comments on:

Jean-Philippe Bouchaud, Stanislao Gualdi, Marco Tarzia, and Francesco Zamponi (2017). Optimal inflation target: insights from an agent-based model. Economics Discussion Papers, No 2017-64, Kiel Institute for the World Economy.
<http://www.economics-ejournal.org/economics/discussionpapers/2017-64>

The paper "Optimal Inflation target: insight from an agent-based model" by Bouchard, Gualdi, Tarzia and Zamponi, is quite interesting.

I totally agree with the "destruens part" dedicated to the DSGE models. Therefore, I'll insist on their "construens part". I have two technical questions and two broader observations.

Technical questions

- i) I do not understand equation (5). $S(t)$ is badly defined. It looks like financial wealth, i.e the sum of deposits. If this is so, one needs to have the accumulation equation.
- ii) Price and quantity adjustment. In a disequilibrium situation, firms can adjust both prices and quantities, or simply one of the two variables depending on the macro context. Unfortunately, the two adjustment mechanisms are kept separated.

Broader questions

- A) Inflation. Since DSGE models are mainly expressed in real terms, except for some adjustments, it is obvious that inflation has a limited role. In the present paper, the situation is different but still the channels of impact of inflation are limited. There are two constraints: negative saving and the risk of hyperinflation. If investment were present, a broader range of assets considered and balance of payments imbalance taken into account, monetary policy would become more complex.
- B) In any case, referring to "rules of thumb" prevents the use of the concept of "optimality". In these cases, one can only deal with "sustainable" target.