

# Conclusions – the “Forgotten Normal”

- Price stability and financial stability are linked
  - Money is created by financial sector
- Monetary policy and Macro-prudential policy interact
- Taylor rule has to be expanded
  - Instruments (LHS of Taylor rule) are multi-dimensional
- I Theory: Wealth/income effects vs. substitution effects
- Financial stability – price stability trade-off:  
More financial risk taking (in crisis), less disinflation
- QE/Forward guidance  $\neq$  interest rate cut (below zero)
- Reinterpretation of Optimal Inflation Index
  - Optimal inflation index depends on which sector is impaired