Now it´s used car prices and plane fares that “frustrate” the Fed

According to Bloomberg:

> U.S. consumer prices rose by less than forecast in April as costs for automobiles and airfares declined, reducing chances that inflation will run significantly above the Federal Reserve’s target in coming months.

The “analytical” example comes from above; after all, didn´t the Fed just recently put the “blame” for low inflation on cellphone connections and drug prices?

Until the Fed (and pundits) start analyzing inflation from a monetary (not interest rate), instead of from an unemployment or price perspective, not much will be accomplished.

The idea that the stance of monetary policy is indicated by the level of the fed funds rate is another of those misleading ideas that live on.

Interestingly, in his August 2008 FOMC farewell speech, Mishkin gave this warning (right before NGDP growth plunged):

> What I’d like to spend some time on—because I feel this is sort of my swan song, but maybe because I’m a classy guy, I’ll call this my “valedictory remarks”—are three concerns that I have for this Committee going forward. I’m not going to be able to participate, but I have a chance now to lay them out.
>
> The first is the **real danger of focusing too much on the federal funds rate as reflecting the stance of monetary policy**. **This is very dangerous**. I want to talk about that.

A much better gauge of the stance of monetary policy is provided by spending (NGDP) growth. The chart indicates that relative to the Greenspan years, monetary policy has been tight. Since NGDP is stable, there´s no way inflation can ‘blossom’. Nevertheless, we are left with an economy that falls short of its potential!


NGDP Growth & Core CPI - % YoY
Bernanke/Yellen/Powell
Greenspan
Mishkin´s FOMC farewell speech
NGDP
CPI Core
NGDP-Advisers
8
6
4
2
0
-2
-4
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018