ABSTRACT

In this paper we investigate the foundations of forward guidance in the light of the theory of controllability in a strategic context. The announcement of future suitable policies can facilitate the control of the economic system by the policymaker, where the term ‘control’ is used in the sense of the ‘classical’ theory of economic policy developed by Tinbergen (1952) and others and recently revived in a strategic context. In this context the contribution of forward guidance to controllability has been recognized. However, existing studies have not indicated either the ways through which the different types of announcement can have this effect or the necessary conditions for that.

Classification JEL: D84, E52, E61
Keywords: Forward guidance, Controllability, Theory of economic policy in a strategic context.

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