



## International Monetary Stability: A Multiple Equilibria Problem?

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St. Louis Fed President James Bullard addresses two ways of approaching the classic question of whether monetary policy should be better coordinated across countries. The traditional approach assumes all central banks follow “good” policy, defined as obeying the Taylor principle. In the alternative view, some countries do not follow the Taylor principle and, therefore, have “bad” policy. The first approach leads, in theory, to a unique worldwide equilibrium; the second approach leads to multiple equilibria with potentially more volatility in global financial markets. The choice of which way to look at this question these days, in a post-crisis world, may come down to a judgment of whether U.S. and foreign policymakers are still following “good” policy rules as they were, in theory, before the financial crisis. Bullard’s remarks were prepared as part of a panel discussion at a conference at the Hoover Institution at Stanford University in California.

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*"Rationally, let it be said in a whisper, experience is certainly worth more than theory."*  
Amerigo Vespucci

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