The Theory of Average Inflation Targeting

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Figure 1: The Decline of R-star
Figure 2: Responses to Negative Demand Shock

- Inflation Rate
- Output Gap
- Nominal Interest Rate
- Real Interest Rate
Figure 3: Responses to Positive Demand Shock

![Graphs showing the responses to a positive demand shock for inflation rate, output gap, nominal interest rate, and real interest rate.](image_url)
Figure 4: Responses to Negative Demand Shock: Reifschneider-Williams