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Research Article

MITIGATING INFLATION: A COMPREHENSIVE ANALYSIS OF POLICY MEASURES AND THEIR IMPACTS ON THE U.S. ECONOMY

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ABSTRACT

Background: Inflation is the continuous increase in the general price level of goods and services over time. In the context of the United States, managing inflationary pressures has been a permanent challenge tangled with economic stability and growth. The primary objective of this study is to systematically evaluate the impact of different policy measures on inflation dynamics in the U.S. economy.

Methods: This study utilized a mixed-methods approach, combining quantitative and qualitative data. Quantitative data were collected through surveys administered to U.S. policymakers. These survey responses were then analyzed using time series analysis techniques. On the other hand, qualitative data were gathered through interviews, providing valuable insights. Thematic analysis was employed to explore patterns and themes within the qualitative data.

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Results: To effectively address inflation and its volatility, the U.S. should maintain its existing M.P. framework while enhancing the precondition and subsequent requirements for its adoption.

Conclusion: It underscores the need for a comprehensive approach considering the interplay between different policy measures and their broader economic impacts. This research provides a foundation for the subsequent analysis to fill the identified gaps and contribute to the ongoing discourse on effective inflation control strategies in the U.S. economy.

KEYWORDS

Monetary Policy, Fiscal Policy, Supply Side Policy, Economic Impact, Quality Theory of Money.

INTRODUCTION

Among the significant macroeconomic challenges that have garnered attention from financial analysts, policymakers, and monetary authorities worldwide is the intricate interplay between inflation and economic growth, which has drawn significant interest from financial analysts, policymakers, and global monetary authorities (Ndoricimpa, 2017). Central banks are responsible for maintaining stability in domestic prices for goods and services. This commitment arises from the understanding that sound M.P. not only preserves the value of currency but also curtails inflation and its inherent uncertainties. By achieving relative stability, countries can lay the groundwork for sustained growth and positive prospects in the future. Maintaining relative stability remains a crucial objective for monetary authorities in any country (Anidiobu et al., 2018; Adaramola & Dada, 2020). Policymakers and analysts express growing concerns that substantial price increases could lead to prolonged U.S. inflation and raise consumer expectations, especially as retail prices continue to rise. Such expectations might become entrenched in wage and price-setting (Kilianv & Zhou, 2022). The Phillips curve, a commonly employed framework for analyzing and predicting inflation, amidst extensive literature exploring empirical and theoretical properties of economic models, discussions about the recent flattening of the Phillips Curve have garnered significant attention. In recent speeches, former

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Federal Reserve Board Chair Janet Yellen and current Chair Jerome Powell referenced an expectations-augmented econometric Phillips curve specification, particularly for modelling and forecasting consumer price inflation (Fulton & Hubrich, 2021). In the context of the United States, managing inflationary pressures remains a persistent challenge closely tied to economic stability and growth. Beyond mere price increases, inflation impacts consumer purchasing power, business investment decisions, and overall economic performance (Adaramola & Dada, 2020). Implementing effective policy measures to mitigate inflation remains essential for maintaining economic equilibrium and promoting sustainable development. Despite extensive research and numerous policy interventions aimed at controlling inflation, the effectiveness of these measures varies significantly. Given the intricate nature of economic systems and the multifaceted aspects of inflation, a nuanced understanding is necessary to determine which policies are most effective under different circumstances (Agénor & da Silva, 2013). This research aims to bridge the gap by thoroughly analyzing the diverse policy measures implemented to mitigate inflation in the United States. Its primary objective is to systematically evaluate the impact of these policy measures on inflation dynamics within the U.S. economy.

Specifically, the research seeks to:

- Identify and categorize key policy measures implemented to combat inflation.
- Assess the effectiveness of these policy measures based on empirical evidence.
- Understand the mechanisms through which these policies influence inflationary trends.
- Provide recommendations for policymakers based on the findings.

By addressing these objectives, the theoretical framework for understanding inflation and its mitigation revolves around several critical economic theories. The Quality Theory of Money asserts that inflation primarily stems from fluctuations in the money supply. This research holds significance for several reasons:

It enriches existing literature by providing a holistic analysis that combines qualitative insights with quantitative data.

The findings guide policymakers, economists, and stakeholders in implementing effective strategies

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to manage inflation within a dynamic economic context.

By delving into the intricacies of inflation mitigation, this study seeks to enhance public understanding of economic policy and its broader impact on societal welfare.

The research questions are:

1. What does the U.S. government employ the primary policy measures to mitigate inflation?

2. How effective have these policy measures been in controlling inflationary pressures?

3. What are the economic and social impacts of these policy interventions on different sectors of the economy?

4. What lessons can be drawn from historical and contemporary data to inform future policy decisions?

The subsequent sections of this paper are organized as follows: Chapter 2 offers an in-depth review of relevant literature, encompassing theoretical frameworks, historical perspectives on inflation in the U.S., and prior research on policy effectiveness. Chapter 3 outlines our research methodology, which incorporates a mixed methods approach for data collection and analysis. Subsequent chapters present the qualitative and quantitative analyses of policy impacts, followed by an integrated discussion and conclusions drawn from the findings. The paper concludes with policy recommendations and avenues for future research.

2.1 Theoretical Framework

Underpinning theory

Quality Theory of Money

The quantity theory of money, proposed by Milton Friedman in the 20th century, the monetarist theory focuses on long-term supply-side dynamics of the economy rather than short-term fluctuations. According to this theory, Inflation results from increased money supply and circulation velocity exceeding the economy's growth rate. Friedman emphasized that changes in the money supply significantly impact the general price level, especially when the demand for money remains stable (Ghatak, 2017). Notably, Friedman and Schwartz's influential work in 'Monetary History of the United States 1867–1960' (1963) underscored that Inflation is consistently and universally tied to monetary factors, emphasizing the pivotal role of money in

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economic dynamics. Inflation targeting, a Monetary Policy approach, relies on interest rates as its primary short-term tool. Central banks adjust interest rates to achieve the desired inflation level, aiming to regulate economic activity effectively. Conventional wisdom suggests that raising interest rates tends to cool the economy, curbing Inflation.

Conversely, lowering interest rates stimulates economic activity, potentially leading to higher Inflation. Central banks can influence the money supply in the context of inflation targeting, where the monetary policy rate serves as the policy instrument. When the monetary policy rate increases, the cost of capital rises, reducing the demand for money and decreasing the money stock in circulation.

On the other hand, when the Monetary Policy rate is reduced, it lowers the cost of capital, leading to increased demand for money and potentially expanding the money supply. Inflation targeting, which relies on the Monetary Policy rate, aims to regulate the currency in circulation. This approach draws insights from the Quality Theory of Money to manage inflation levels effectively. Some studies suggest that interest rate rules work optimally within specific ranges, and the theory remains relevant within certain parameters (Taylor, 2019; Adaletey et al., 2022).

2.2 Policy Measures to Combat Inflation

Policy measures to combat Inflation can fall into two main categories: monetary and fiscal policies. The Federal Reserve primarily manages monetary policy, utilizing reserve requirements. Fiscal policy, on the other hand, involves decisions related to government spending and taxation. Additionally, supply-side policies such as deregulation and productivity-enhancing initiatives also play a role in controlling Inflation. The effectiveness of these measures varies depending on the economic context and the efficiency of their implementation (Ayodele, 2021; Adegbite, 2019). Taxation, a Fiscal Policy tool employed by underdeveloped countries to combat Inflation, is a crucial safeguard against rising prices. However, its impact can vary significantly. Whether in the short term or the long term. Notably, a study conducted in Nigeria found that all components of taxation (as part of fiscal policy) did not Granger-cause Inflation (Salako & Oyeleke, 2019). Instead, the study identified government spending as positively affecting actual economic activity.

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Interestingly, the relationship between public revenue and RGDP exhibited an inverse pattern. Based on these findings, it is recommended that the government consider tax cuts to enhance disposable income and stimulate actual aggregate output in Nigeria. According to the study (Tule et al., 2020), expansionary monetary policy can positively affect society, while expansionary Fiscal Policy does not always result in growth. Fiscal expansion tends to exacerbate inflation levels. Researchers have found that when monetary and fiscal policies are coordinated effectively, they can stimulate economic growth without jeopardizing price stability. In addition, infrastructure projects can further enhance the economy and boost private sector investment demand (Ayodele, 2021).

Monetary Policy:

Monetary economists, guided by (Friedman, 1973), regard Monetary Policy as the most effective way to manage inflation while supporting overall economic output. According to (Humphery, 1986), inflation is fundamentally a monetary phenomenon resulting from an expansion of the money supply at a pace exceeding aggregate output growth. Inflation occurs when the money supply exceeds the economy's absorptive capacity (Totonchi, 2011). Monetarists emphasize that money supply significantly influences short-term output levels and prices, as well as long-term price levels. The perspective of monetary economists is encapsulated in the quantity theory of money, which posits a straightforward linear relationship. Numerous studies have aimed to assess the effectiveness of Monetary Policy in managing inflation. Specifically, researchers have made several attempts to examine the impact of MP instruments on controlling inflation in Kenya between 1997 and 2015. One notable study (Kinya, 2019) employed the factor-augmented vector autoregression (FAVAR) technique. This approach integrated various Monetary Policy tools, including repo rates, with intermediate outcomes such as exchange rates, broad money supply, and bank lending rates. Additionally, another study (Mbutor, 2014) argues that reducing the money supply is essential for curbing inflation, which, in turn, leads to higher interest rates, slowing down inflation and affecting aggregate demand. This study aligns with the quality theory of money, which emphasizes that money supply and interest rates are critical factors for achieving price

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stabilization and economic growth (Ibrahim & David, 2022).

Fiscal Policy:

Fiscal Policy is crucial in promoting economic growth through macroeconomic and microeconomic channels. At the macro level, prudent fiscal policies influence aggregate demand, stabilize economic cycles, foster business confidence, and promote long-term growth. On a micro level, fiscal measures impact private sector behavior by encouraging employment, investment, and productivity. For example, strategic public investments in infrastructure enhance the productivity of all firms and industries, while reforms in capital income taxes can stimulate private investment. Recognizing the interplay between microeconomic effects and aggregate outcomes is crucial (Gerson, 1999). Notably, the new Keynesian model, characterized by imperfect competition, forward-looking expectations, and price or wage rigidity, remains dominant in policy modelling (Gali, 2018). After the 2009 global fiscal crisis (GFC), near-zero interests rates renewed interest in new Keynesian models for assessing the effectiveness of fiscal Policy when nominal interest rates approach the zero lower bound (Eggertson, 2009). Policymakers worldwide implemented fiscal stimulus packages during the GFC to enhance economic growth (Ramey & Shapiro, 1999). The US and European countries adopted countercyclical fiscal policies, including tax cuts and increased government expenditures, primarily stimulating short- and medium-term growth (Cogan et al., 2010). Similarly, several developing Asian economies adopted countercyclical fiscal measures to boost domestic demand (Jha et al., 2014). Notably, a comparison of government spending multipliers in the US showed that estimates from the new Keynesian model were smaller than those from traditional Keynesian models (Kim et al., 2021)

Supply Side Policy:

The Supply Side Policy of the economy encompasses start-ups, labor supply, growing incumbents, capital access, technological progress, and innovation. Entrepreneurs play a crucial role by introducing new products, identifying business models, and exploring markets. Creative destruction processes, essential for economic renewal after a crisis, rely on these entrepreneurial activities (Williams et al., 2017; Bradley et al., 2011). While traditional stabilization policies like negative interest rates

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or infrastructure projects do not directly create value, they lay the groundwork. The fundamental business cycle theory highlights supply shocks from technological advancements, raw material price hikes, natural disasters, or pandemics (Kydland & Prescott, 1982). In crises with sectoral unemployment, SSP measures become vital. Traditional demand-stimulating policies may be less effective, prompting more targeted approaches such as subsidies for the unemployed or improved access to finance (Stiglitz & Guzman, 2020; Guerrieri et al., 2022). These strategies align with, yet extend beyond, conventional fiscal demand measures (Braunerhjelm, 2022). Fundamental business cycle theories posit that supply shocks can arise from technological changes, spikes in raw material prices (such as oil), natural disasters, or pandemics (Kydland & Prescott, 1982). Nominal interest rates are near zero, and traditional monetary and fiscal policies to boost aggregate demand become less effective. In such scenarios, direct targeting of the supply side becomes crucial (Stiglitz & Guzman, 2020). During crises with sectoral unemployment, Keynesian multipliers may be partially muted, impacting the effectiveness of demand-stimulating policies. Instead, more discretionary measures, such as subsidies for the unemployed and improved access to finance for firms or sectors, are considered efficient responses (Guerrieri et al., 2022). These approaches align closely with traditional fiscal demand measures (Braunerhjelm, 2022).

2.3 Economic Impacts of Inflation:

Inflation significantly affects various economic agents, including consumers, businesses, and the government. High inflation erodes purchasing power, disproportionately impacting low-income households. It also introduces uncertainty, leading to reduced investment and hindering economic growth (Karki et al., 2020). Conversely, moderate inflation is often a positive signal for a growing economy. Understanding these impacts is essential for evaluating policy effectiveness and implications.

a. Influence of the Amount of Money Supply on Inflation

According to the quantity theory (Mankiw, 2006), countries experiencing high rates of money growth tend to exhibit elevated inflation levels, and conversely, low money growth corresponds to lower inflation rates. Specifically, a 1% increase in the money growth rate typically leads to a corresponding 1% rise in inflation.

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b. Effect of Investment on the Economy

According to (Todaro, 2000), economic growth hinges on three fundamental factors, one of which is capital accumulation. This encompasses various new investments, including land, physical equipment, resources, and human labor. Capital stock resulting from these investments serves as a tool for economic recovery. Both domestic and foreign capital investments play a crucial role in meeting investment requirements. Capital accumulation refers to the process by which a portion of income is saved and reinvested, resulting in the expansion of output and future income. This can involve establishing new factories and acquiring machinery, equipment, and raw materials that increase a country's physical capital stock, thereby facilitating future output growth.

c. The Effect of Labor on the Economy

According to (Pratama, 2018), the addition of labor inputs significantly impacts output in an economy. However, the extent to which additional labor enhances output depends on the rate at which the Law of Diminishing Returns (TLDR) sets in. This process is influenced by the quality of human resources and their interaction with technological advancements. When labor and technology work synergistically, adding labor contributes to economic growth.

d. Inflation and Economic Causality

According to (Maqrobi & Pujiatu, 2011), inflation and economic growth are closely intertwined. When inflation levels are high, they can impede economic growth. Conversely, low, and stable inflation tends to foster economic expansion. Additionally, robust economic growth can lead to higher inflation due to increased aggregate demand (Angelina & Nugraha, 2020).

METHODOLOGY

3.1 Research Design

The research design for this study employs a mixed methods approach, integrating both qualitative and quantitative methods. This approach allows for a comprehensive exploration of policy measures to mitigate inflation and their impacts on the US economy. By combining these methods, the study aims to provide a nuanced understanding beyond what could be achieved with either method only.

3.2 Mixed Methods Approach

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The mixed methods approach involves collecting and analyzing both qualitative and quantitative data in parallel, intending to triangulate findings for a more robust interpretation of results.

3.2.1 Qualitative Component

Interviews: Semi-structured interviews with key policymakers, such as officials from the Federal Reserve and relevant government agencies. These interviews aim to gather insights into policy formulation, decision-making processes, and perceptions of policy effectiveness in inflation control.

Expert Opinions: Consultations with economic experts and academics specializing in monetary policy, fiscal policy, and macroeconomic dynamics. These opinions provide additional context and interpretations of the quantitative findings.

Data Collection: Gathering secondary data from economic indicators, such as inflation rates, GDP growth, interest rates, government spending patterns, and other relevant macroeconomic variables. This data provides empirical evidence on the impacts of policy measures over time.

Statistical Analysis: Employing statistical methods such as regression analysis, time series analysis, and econometric modelling to analyze quantitative data. These analyses identify correlations, causal relationships, and predictive factors related to inflation and policy effectiveness.

3.3 Data Collection

3.3.1 Primary Data

While the study primarily relies on secondary data for the quantitative component, primary data in policymaker interviews and expert opinions constitute the qualitative component. These interviews will be conducted using semi-structured interview guides to ensure consistency while allowing flexibility for exploratory discussions.

3.3.2 Secondary Data

- Government publications and reports from Federal Reserve, BEA, and CBO.
- Academic journals and research articles on monetary policy, fiscal policy, and inflation dynamics.

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- Data repositories such as economic databases for macroeconomic indicators.

3.4 Data Analysis

3.4.1 Qualitative Data Analysis

Qualitative data from policymaker interviews and expert opinions will be analyzed using thematic analysis. This involves identifying recurring themes, patterns, and interpretations relevant to policy formulation and effectiveness in inflation control. Coding and categorization of qualitative data will be conducted systematically to ensure reliability and validity.

3.4.2 Quantitative Data Analysis

- Descriptive Statistics: Summarizing data through mean, median, standard deviation, and graphical representations.

- Inferential Statistics: Using techniques like regression analysis to examine relationships between policy variables and inflation outcomes. Time series analysis will also assess trends and patterns over time.

- Econometric Modeling: Building models to simulate the effects of policy interventions on inflation and economic variables, incorporating variables identified from the literature and qualitative findings.

RESULT

Mixed methods approach.

4.1 Qualitative Analysis

The qualitative component of this study aims to gain in-depth insights into the perspectives of key stakeholders on the effectiveness of various policy measures in mitigating inflation. Data was collected through semi-structured interviews with policymakers, economists, and industry experts. A total of twenty interviews were conducted, each lasting between 45 minutes to 1 hour. The interviews were recorded, transcribed, and analyzed using thematic Analysis.

4.1.1Thematic Analysis:

Thematic Analysis entails identifying and analyzing patterns within qualitative data. Researchers categorize sources based on relevant attributes, such as interview transcripts, focus group discussions, or open-ended survey responses. This categorization allows for assessing how these attributes impact the data. The flexible classification system aids in coding, annotation, and drawing connections among

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sources. The Analysis accepts primary themes, streamlining the analytical process and extracting insights from individual sources (Batra, 2021).

4.1.2 Key Themes and Findings

Policymaker Interviews

Theme 1: Policy Effectiveness

Policymakers play a crucial role in policy development. They find co-creation beneficial because it allows them to influence research projects, ensuring that the results apply to policy. This is particularly valuable for policymakers collaborating with specific cohorts, such as rural and remote populations. Often, research studies proving the efficacy of interventions focus on cohorts, leaving others out. Policymakers also emphasize the importance of solution-based research rather than just highlighting problems. Co-creation enables them to actively shape the research process, aiming to find practical solutions to policy challenges. Additionally, policymakers recognize that different policy measures vary in effectiveness. While monetary policies, such as interest rate adjustments, are frequently effective in the short term, there is consensus that relying solely on these measures is insufficient for achieving long-term stability in a specific research area (Ingram et al., 2024):

Adjusting interest rates can help control inflation in the short term, but without addressing underlying structural issues, we are just applying a band-aid solution.

Theme 2: Challenges in Implementation

Policymakers frequently encounter practical challenges when implementing anti-inflation policies. These challenges encompass political opposition, the impact of public perception, and the inherent complexities of economic forecasting. Policymakers emphasize that these obstacles often delay the effective execution of essential measures, thereby complicating the achievement of long-term inflation control. Addressing political opposition, managing public perception, and navigating the intricacies of economic forecasting requires expertise and careful handling (Ion et al., 2019):

One of the biggest challenges we face is the political pushback when implementing necessary but unpopular measures.

Theme 3: Structural Reforms

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From the perspective of policymakers, an important facilitator of research transfer lies in the research community assuming greater responsibility for disseminating findings from structural reforms. These reforms, which include enhancing productivity and addressing supply chain inefficiencies, play a crucial role in long-term inflation mitigation. Experts emphasize that researchers should proactively enhance the visibility and accessibility of their results. Policymakers also acknowledge their duty to maintain close interactions with stakeholders involved in the research process and, as one of the policymakers highlighted, this is because (Ion et al., 2019)

Long-term mitigation of inflation requires structural reforms that enhance productivity and efficiency across various sectors.

Theme 4: Role of Fiscal Policies

Fiscal policies play a crucial role in managing inflation. As fiscal policies strengthen a country's external position, they can also weaken the exchange rate when the domestic policy rate differential vis-à-vis the rest of the world decreases. This weakening exchange rate can hinder the effectiveness of tighter fiscal policies in combating inflation, aligning with arguments presented by (Chen et al., 2023) Experts emphasize that well-targeted fiscal measures such as government spending and taxation can support vulnerable populations and stimulate economic growth. When effectively coordinated with monetary measures, fiscal policies contribute to a more comprehensive approach to inflation control.

Fiscal policies, when effectively targeted, can provide a cushion n against inflationary pressures and support economic stability.

These themes provide a deeper perceptive of the challenges and strategies concerned with mitigating inflation, highlighting the need for a balanced and integrated policy approach. The gained insights from qualitative interviews enrich the quantitative analysis, providing an overall view of the policy measures and their impacts on the US economy.

4.2 Quantitative analysis

Quantitative data collection for this study focuses on gathering numerical information related to inflation rates, policy measures, economic indicators, and other relevant variables impacting the US economy. The data sources were selected

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to provide a comprehensive view of how different policy interventions influence inflation dynamics over time. The statistical method used for this research is Time series analysis to explore how inflation rates change over time in response to policy interventions the inflation rates exhibited [2006], with periods of [2023] corresponding to specific policy interventions.

4.2.1. Price indexes by income quintile

We investigate inflation rates across different income quintiles using the R-CPI-I data. Our analysis uncovers intriguing trends. Households in the lowest income quintile consistently encounter higher inflation rates compared to those in the highest quintile. Specifically, the lowest quintile experiences an average inflation rate that is 0.28 percentage points higher than the highest quintile. Over the period from 2006 to 2023, this cumulative inflation gap between the lowest and highest income groups persisted household amounts to 7.70 percentage points. Interestingly, overall urban inflation rates closely align with those observed for households in the fourth quintile. This suggests that the fourth quintile serves as a representative group for urban inflation dynamics. We also investigate specific periods where deviations from the overall trend occur. These deviations may provide insights into economic changes.

Figure1 Annualized R-CPI-I inflation rate by index population, 2006-23

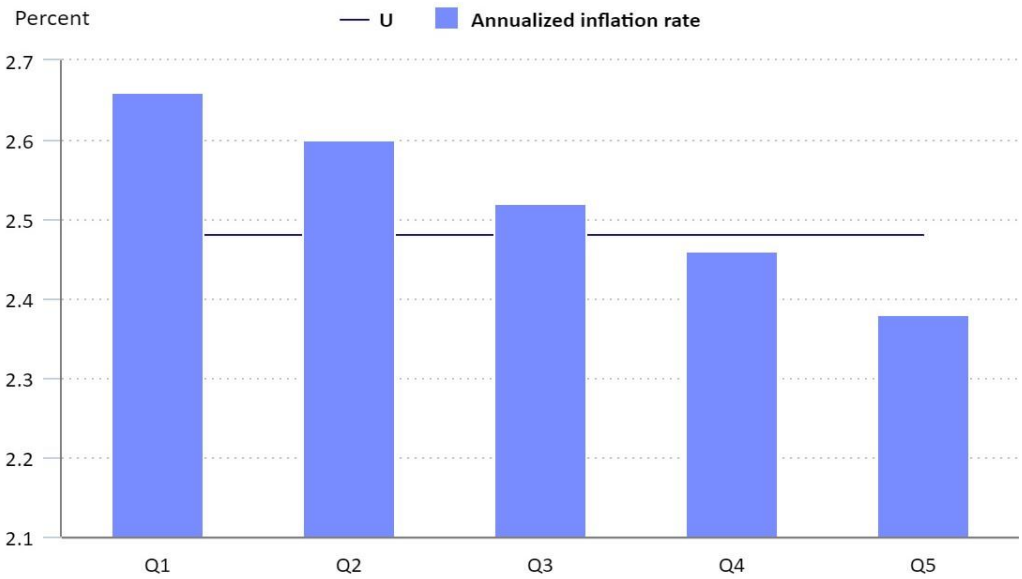

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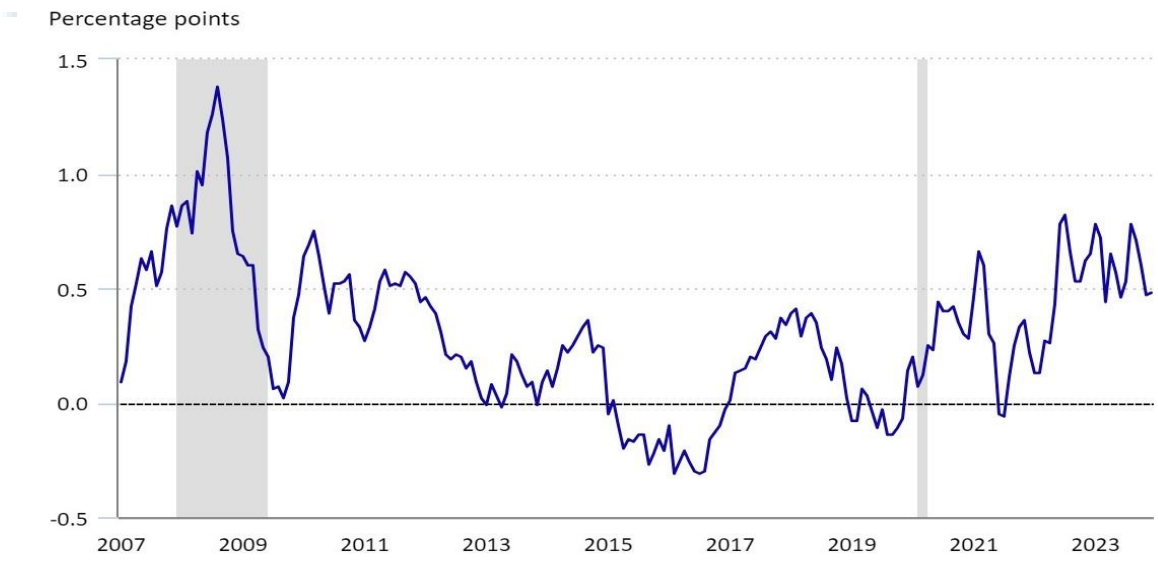
Table 1. Annualized R-CPI-I inflation rate by index population, 2006-23(in percent)

Index population	Annualized inflation rate
CPI-U	2.48
R-CPI-I, Q1	2.66
R-CPI-I, Q2	2.6
R-CPI-I, Q3	2.52
R-CPI-I, Q4	2.46
R-CPI-I, Q5	2.38

4.2.2 Variation in inflation gap over time:

Figure 2 depicts the divergence in R-CPI-I inflation rates between the lowest and highest-income households from 2007 to 2023. The peak of this inflation gap occurred in August 2008, with the lowest-income households experiencing rates 1.38 percentage points higher than their highest-income counterparts. In contrast, the trough occurred in February 2016, when the highest-income households faced inflation rates only 0.31 percentage points higher than those of the lowest-income households.

Figure 2 Difference in R-CPI-I inflation rates between first and fifth equivalized-income quintiles, 12-month percent change, 2007–23



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4.2.3 Variation in inflation gap by item category

When analyzing the entire CPI market basket, we observed that inflation rates were consistently higher for lower-income households compared to their higher-income counterparts. This section focuses on specific item categories within eight major CPI groups, as defined by the BLS. Furthermore, we conduct a detailed analysis of each significant group's contribution to the overall inflation gap between the lowest and highest-income households.

Figure 3 visually represents inflation rates (R-CPI-I) for each significant group from 2007–2023. It highlights the divergence in inflation experiences between the lowest and highest-income households. Notably, households in the lowest quintile faced higher inflation rates in categories such as other goods and services, housing, and transportation than those in the highest income quantile. Conversely, apparel, medical care, education and communication, and food and beverages exhibited different inflation dynamics. In absolute terms, the smallest inflation gap occurred in the recreation category, while the enormous gap was observed for other goods and services.

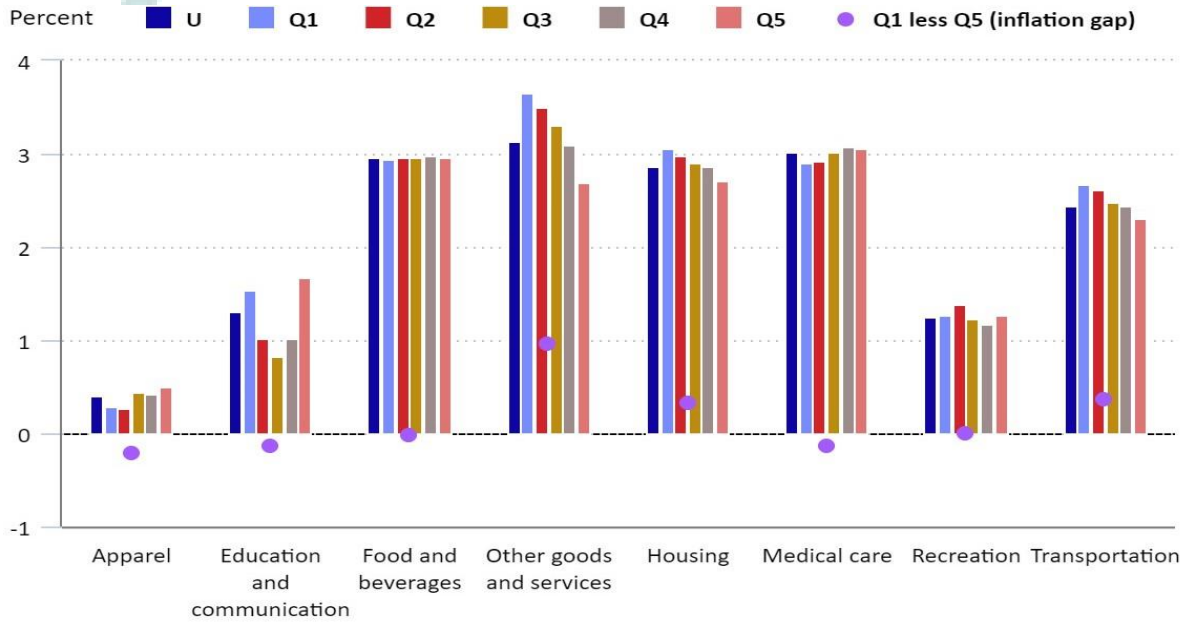

Figure 3. R-CPI-I annualized inflation rates by major group, 2006–23.

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Table 2. R-CPI-I annualized inflation rates by major group, 2006–23(rates in percent, inflation gap in percentage points)

Item category (major group)	U	Q1	Q2	Q3	Q4	Q5	Q1 less Q5 (inflation gap)
Apparel	0.4	0.28	0.27	0.45	0.43	0.5	-0.22
Education and communication	1.3	1.53	1.02	0.83	1.02	1.67	-0.14
Food and beverages	2.96	2.95	2.97	2.97	2.98	2.97	-0.02
Other goods and services	3.14	3.66	3.5	3.3	3.1	2.69	0.97
Housing	2.86	3.05	2.98	2.91	2.86	2.72	0.33
Medical care	3.01	2.91	2.93	3.02	3.07	3.05	-0.14
Recreation	1.25	1.27	1.38	1.24	1.17	1.27	0
Transportation	2.44	2.67	2.62	2.48	2.44	2.3	0.37

DISCUSSION

First, the effectiveness of the monetary policy has diminished due to persistently low interest rates. Even though it is still important in maintaining financial market stability and liquidity access, MP has become less effective due to persistently low interest rates. Simultaneously, fiscal policies have gained traction, driven by these same low rates. However, the landscape could change rapidly as massive fiscal stimulus packages are implemented, particularly in the USA and

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partially within the EU. This situation may pose constraints for countries already burdened with substantial debt and significant budget deficits.

Second, even though fiscal policies implemented during the current crisis have introduced several unconventional measures, the effects remain uncertain. Subsidies aimed at firms and employees have proliferated. A fundamental principle should involve linking subsidy access to firms' and employees' engagement in knowledge-upgrading activities. Overall, rigorous evaluation of policy measures is essential to identify the most efficient tools for enhancing crisis flexibility.

Third, stabilization policies tended to focus on the demand side of the economy, often overlooking supply-side considerations. However, there is now renewed interest in large-scale infrastructure investments, especially in environmental initiatives and infrastructure maintenance. The key lies in achieving a balance: boosting demand while also considering supply-side factors. This realignment of policies should occur at both micro and macro levels. Hence, centrally mitigating inflation in the US necessitates an extended stabilization policy framework that addresses the SSP of the economy. Long-term reforms, including investments in natural and human capital, improved access to finance, and policies aimed at mitigating cyclical effects at the firm level, play a crucial role. These reforms instill confidence among economic agents regarding future market opportunities, strengthening growth potential through knowledge augmentation and reducing social costs during structural adjustments, such as higher unemployment (achieved through employee training and facilitating firm entry). By adopting this approach, we not only enhance the future competitiveness of the business sector but also strengthen the economy's knowledge base—both critical objectives. Furthermore, this strategy has the potential to partially localize an economy's ability to stabilize economic activity when faced with shocks, thereby increasing resilience. However, a comprehensive exploration of this topic would require more extensive discussion than is currently feasible and remains a subject for future research.

CONCLUSION

The study found that the official adoption of inflation targeting significantly affected inflation rates in the United States. Consequently, research disputing the benefits of inflation targeting should consider factors such as economic

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structure, policy credibility, institutional efficiency, and public responsiveness to policy information. Notably, inflation was characterized by volatility and unpredictability during the observed period. In this context, inflation targeting demonstrated a meaningful impact on reducing inflation volatility in the US. Based on these findings, several recommendations emerge. Firstly, central banks, including monetary, fiscal, and supply-side policy committees, should regularly communicate with the business community and the public regarding the country's inflation targets. This initiative-taking approach can improve inflation forecasting, manage inflation expectations, and reduce anxiety. Secondly, Countries considering inflation targeting should refrain from piloting it. The study revealed that the piloting period did not significantly impact US inflation until the prescribed announcement was made. Finally, maintaining the current MP framework, the US should enhance the experiences of non-industrial inflation marketers. This strategic approach aims to enhance inflation management and reduce volatility.

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