

THE WALL STREET JOURNAL.

Fed's Plosser: Mild Deflation Not Necessarily a Bad Thing

By Jonathan House

November 14, 2013

Federal Reserve Bank of Philadelphia President **Charles Plosser** said Thursday he would like to see the central bank target a lower rate of inflation, adding he wouldn't be too concerned if the economy entered a period of deflation.

"It's not obvious a period of mild deflation is such a bad thing," Mr. Plosser said in response to a question after speaking at the **Cato Institute**.

In his speech, Mr. Plosser said the Fed needs to stop trying to effect short-term changes in the labor market and focus instead on what it can control, inflation. He said unsuccessful efforts to noticeably influence labor-market outcomes can undermine credibility.

Meanwhile, inflation is running far below the Fed's target of 2%. According to the price index for personal consumption expenditures, the Fed's preferred inflation gauge, prices rose 0.9% in September from a year earlier.

Mr. Plosser said he saw no reason the Fed couldn't target a zero inflation rate, which other Fed officials have argued against because of a greater risk of deflation. Many economists believe that falling prices bring economic stagnation.

Mr. Plosser, however, said many economic models have shown that a period of mild deflation, "at least in theory," could be positive.