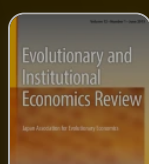


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Financial structure, financial instability, and inflation targeting

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The results of this paper demonstrate that inflation targeting stabilizes an economy in both competitive and oligopolistic systems.

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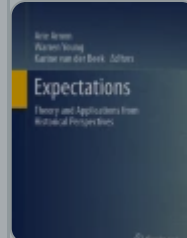
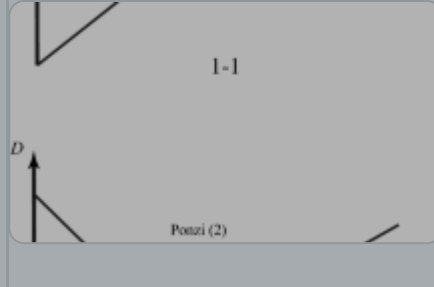
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Notes

1. New Zealand adopted an inflation-targeting policy in 1990, and other developed countries such as the UK and Canada have followed New Zealand's example. The Reserve Bank of New Zealand and the Bank of England both set explicit inflation targets.

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financial instability and structural change in an open economy.

5. Dalziel ([2002a](#)) pointed out that the central banks no longer use the quantity theory of money, the cornerstone of monetarism, in practice. In other words, inflation targeting is not based on the quantity theory of money. Ninomiya ([2002](#)) examined the effect of inflation targeting in a Keynes–Goodwin model.
6. The Bank of Japan adopted an inflation-targeting policy in 2013 and also announced new quantitative and qualitative monetary easing measures, including the doubling of high-powered money within 2 years. The x percent rule indicates a quantitative monetary easing measure without the inflation targeting. Therefore, the x percent rule is different from Friedman's k percent rule.

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the long run equilibrium investment and the Keynesian multiplier (1/s). This property is exactly the same as Asada ([1991](#)).

12. See Ninomiya ([2007b](#)) for details on this point.
13. We think that this case is consistent with “new consensus macroeconomics”.
14. New Zealand adopted an inflation-targeting policy and market-oriented economic reforms to cope with stagnation after the oil crisis (see Dalziel and Lattimore [2001](#)). The stagnation was not a financial instability. However, the effect of the inflation-targeting policy is independent of the financial structure in the oligopolistic economy. Dalziel ([2002b](#)) criticized the market-oriented economic reforms. Conversely, the US adopted an explicit inflation-

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(S) has a pair of purely imaginary roots $(\lambda_1 = \sqrt{a_2} i)$ and $(\lambda_2 = -\sqrt{a_2} i)$ at $(\epsilon = \epsilon_0)$.

From the Orlando formation, we obtain

$$a_1 a_2 - a_3 = -(\lambda_1 + \lambda_2)(\lambda_2 + \lambda_3)(\lambda_3 + \lambda_1) = -2h_1(\lambda_3^2 + 2h_1 \lambda_3 + h_1^2 + h_2^2),$$

where (h_1) is the real part of two complex conjugate numbers and (h_2) is the absolute value of the imaginary part. By differentiating this equation with (ϵ) , we obtain

$$\frac{\partial (a_1 a_2 - a_3)}{\partial \epsilon} = -2 \left[\frac{\partial h_1}{\partial \epsilon} (\lambda_3^2 + 2h_1 \lambda_3 + h_1^2 + h_2^2) + 2h_1 \frac{\partial \lambda_3}{\partial \epsilon} \right]$$

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From the above discussion, all of the conditions in which Hopf bifurcation occurs are satisfied at the point $(\varepsilon = \varepsilon_0)$. Q.E.D.

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