

Deflation Determinants, Risks, and Policy Options

**Manmohan S. Kumar, Taimur Baig, Jörg Decressin,
Chris Faulkner-MacDonagh, and Tarhan Feyzioglu**

Contents

	Page
Foreword	v
Acknowledgments	ix
I Overview	1
Conclusions	1
II Measurement, Determinants, and Costs	3
Definition and Recent Experience	3
Determinants	4
Costs of Deflation	7
III Historical Experiences of Deflation and Policy Lessons	9
Deflation in the Nineteenth Century	9
Deflation in the Early Twentieth Century	10
IV Risks of Deflation	12
Global Deflationary Pressures	12
Overall Assessment	16
Deflationary Pressures in the Major Economies	17
China	25
V Policy Response	27
Policy Before the Onset of Deflation	27
Policy Once Deflation Has Set In	29
Appendices	
I Index of Deflation Vulnerability—Data Sources and Definition of Variables	31
II Supplementary Material	33
References	50
Boxes	
1. United States: Economic Outlook and Deflation Risks	18
2. Deflationary Pressures in Germany	20
3. Deflation in Japan	22
4. China: Recent Deflation Episodes	26
5. Inflation Targeting and Deflation Risks	28