Central bankers spurn call for radical approach

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Central bankers aren't retreating from the fight against low inflation, although they're wary of launching a fresh assault on any daring new fronts.

Faced with disappointing growth after years of ultra-low interest rates, Federal Reserve Chair Janet Yellen and her peers who met this weekend in Jackson Hole, Wyoming, reaffirmed their belief in the power of monetary policy to stop economies from slipping into deflation.

They were less keen on academic proposals that included the abolition of cash, raising their inflation targets, or keeping permanently large balance sheets.

Yellen, in her keynote address at the Kansas City Fed's annual mountain retreat, said that additional tools remain "subjects for research" and were not being actively considered.

Visiting policymakers from Europe and Japan echoed her caution, while also reaffirming that they stand ready to boost stimulus if fiscal action proves insufficient to spur growth and inflation.

Central bankers in advanced economies are struggling with low inflation, low productivity and weak levels of investment. For now, however, they're being cautious in what they're signaling about the future and are keeping more activist options at arm's length.

Policymakers such as San Francisco Fed President John Williams have proposed that central banks consider unorthodox measures, such as a higher inflation target or nominal gross domestic product targeting.

In stressing that monetary policy is adequate, Yellen and three other Fed officials at Jackson Hole urged structural reforms or a greater reliance on fiscal action.

"The toolkit is pretty strained," said former Fed governor Jeremy Stein, whose paper on the Fed's balance sheet as a financial-stability tool was the most discussed presentation of the three-day meeting.

Central bankers are "keen to reassure we have got more tools as opposed to saying, 'Guys, we are kind of running low on ammunition here and the fiscal side needs to step up.' "

The symposium in Grand Teton National Park, held each year since 1978, attracts central bankers from around the world and notables such as former Fed Chairman Ben Bernanke, who has twice used the venue to signal unconventional fiscal policies.

This year's conference theme was designing resilient monetary policy frameworks; the topic has taken on greater urgency as the U.S. expansion has moved into its eighth year and the federal funds rate remains in a range of 0.25 to 0.5 percent.