

can be measured in several ways. A reasonable and commonly used measure of resource utilization is the so-called output gap, that is, the difference between actual output and potential output. However, potential output is not a magnitude that can be observed directly—it must be estimated. There is considerable uncertainty, both theoretically and empirically, about the best way to define, estimate, and forecast potential output. The output gap shown in the figures are output deviations from an HP trend, which has significant weaknesses. It is important and desirable from several points of view that the Riksbank and other central banks develop better measures of resource utilization and potential output and that they publish their measurements and forecasts. Such work is under way at the Riksbank.

More recently, observing the difficulties with the Riksbank's estimates and forecasts of potential output, I have come to the conclusion that a better, more transparent, and more robust indicator of resource utilization is the unemployment gap between the unemployment rate and the long-run sustainable unemployment rate (the steady-state equilibrium unemployment rate), see Svensson (2011a, c).

### **Was monetary policy well-balanced?**

Assuming, however, that we nevertheless conclude that monetary policy has not been clearly inefficient in the sense that I described earlier, the next step is to focus on what combination of the stabilization of inflation and the real economy the central bank actually selected or, in other words, which of all the possible points on the Taylor curve the central bank selected. There are many different efficient monetary policy alternatives to choose between every time a monetary policy decision is made. But did the central bank make a good choice? In the event of a conflict between stabilizing inflation and stabilizing the real economy, did the combination chosen by the central bank represent a reasonable balance between the two? Did the central bank attach reasonable importance to the stabilization of the real economy in relation to the stabilization of inflation?