
Essays on Economic Policy (ESPE in Spanish) - Inflation Targeting in Emerging Economies

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AUTHOR OR EDITOR Walker, Todd B. Publication Date: Saturday, 10 of November 2018

Abstract

I document the decline in the rate of inflation in 14 emerging economies after the implementation of an inflation targeting (IT) regime. I briefly describe how each country implements the IT, and argue that the new regime forced policy coordination amongst various governmental units, allowed for a more singular focus, and more transparent policy making process. This allowed agents to better coordinate expectations which precipitated the decline in the rate of inflation. I also document the difficulty with hitting a precise inflation target over a short period of time in the same countries. A model of policy coordination is presented to show how inflation is determined by joint behavior of monetary and fiscal policies.