Abstract

The main objective of the thesis is to analyse the suitability of inflation targeting, a monetary policy regime which focuses on the achievement of the price stability, for the emerging market economies. The performance of inflation targeting countries is compared to the performance of non-inflation targeting countries which use other monetary policies such as the monetary aggregate target or exchange rate anchor. Regressions, using the difference-in-differences estimation approach, are run to assess the contribution of the inflation targeting framework to the development of economic variables such as the CPI, GDP, national interest rate etc. Economic outcomes of the financial crisis period (2007-2010) are crucial part of the thesis. The convenience of the inflation targeting framework for the emerging market economies is derived. This holds also for the severe situations such as the crisis since it lowers the volatility of the main variables of the interest.

Keywords: inflation targeting, monetary economics, monetary policy, emerging market economies, difference in differences estimation, financial crisis