

The present dissertation consists of three studies on the issues of inflation, monetary policy effects and dollarization in three economies in Central Asia—Kazakhstan, the Kyrgyz Republic and Tajikistan. These economies have undergone a deep transformation from central planning to market economies. The profound economic transformation which took place after these countries became independent, combined with liberalization of prices and trade, resulted in hyperinflation, general economic instability, and large fiscal and external imbalances. Central banks in the region had managed to combine the policies and tools to take control of inflation in the late 1990s. This was the period when positive economic growth was observed in the region. A negative shock for these countries was caused by the Russian crisis in 1998, though the consequences of this financial turmoil were softened by the measures of the regional central banks concerning the flexibility of the exchange rates. Since 2000, these economies have been characterized by single-digit inflation rates, except Tajikistan, and high positive economic growth.

The monetary policy framework has evolved over the transition period. Macroeconomic stabilization has brought important developments in the financial systems of the countries while at the same time a need for elaborate and efficient monetary policy. Economic developments, financial system advances, and the recent financial crisis stipulate the role of monetary policy as an important tool to maintain financial stability, to support local currencies' purchasing power, and to affect the external sector balance in these economies.