Research Announcement

The effects of inflation targeting on economic growth and inflation volatility: empirical approach

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Abstract

An increasing number of countries have adopted inflation targeting since 1990. Currently there are 26 countries using inflation targeting in each continent of the world. This paper empirically deals with the inflation targeting by using a dataset of 30 countries for the 1985-2010 period. This paper focuses firstly on the macroeconomic performance of inflation targeting. Secondly, we try to identify which factors are associated with a fall in the inflation volatility in the countries who adopt inflation targeting policy. The main conclusion is that inflation targeting has largely been a success in improving output growth and making down inflation during this period. The second contribution of this paper is to show that a number of economic conditions, structure, and institution variables are significantly associated with the fall of inflation volatility in the countries adopting inflation targeting.

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