



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

Download Keep in mind

In the journal Essays on Economic Policy (ESPE) - we disclose the results and policy proposals that arise from academic research carried out at the *Banco de la República*. When you read us, always keep in mind that the content of our articles, as well as the analyzes and conclusions derived from them, are the sole responsibility of their authors. The material disclosed in our ESPE magazine does not compromise or represent the opinion of *Banco de la República* or that of its Board of Directors.

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.