

عنوان مقاله:

The Effect of Inflation Targeting Policy Implementation on Production Gap in Iran

محل انتشار:

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خلاصه مقاله:

Given the increasing importance of achieving low and stable inflation rate during the last decades, adopting the most suitable practices to implement monetary policies has always been of concern by monetary authorities of different countries. Inflation targeting (IT) regime is the most recent strategy to guide monetary policies that have been introduced following the occurrence of exchange rate targeting and monetary targeting problems. In this respect, in the present research, the performance of a number of IT countries versus that of the non-targeting ones was first investigated employing the difference in difference (DID) method. Then, considering monetary and oil shocks, IT performance in production gap in the economy of Iran was practically examined using smooth transition autoregressive regression (STAR) model. The Results indicated that implementation of IT policy was successful in applying the four main and most influential indicators in the production of treatment countries. In addition, it was revealed that variables such as IT, oil shock, and facility and exchange rates had a statistically negative effect on production shock in the economy of Iran. However, the monetary shock was found to have a statistically positive impact on production shock. Therefore, according to the findings regarding the successful performance of targeting countries, policymakers are recommended to implement IT policy during a long-term interval in order to stabilize it and also provide its prerequisites in the economy of Iran. JEL classification: E۳۱, E۵۸, E۵۲

کلمات کلیدی:

Difference in difference method, Inflation Targeting, Production gap, STAR models

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