EXPERIENCES WITH DIFFERENT MONETARY STRATEGIES

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Abstract. *This paper examines the international experiences with five basic types of monetary policy regimes: exchange-rate targeting, monetary targeting, inflation targeting, nominal GDP targeting and monetary policy with an implicit but not an explicit nominal anchor. Transparency and accountability are crucial to constraining discretionary monetary policy so that it produces desirable long-term outcomes. What strategy will work best in a country depends on its political, cultural and economic institutions, as well as its past history.*
Key words: *Monetary strategy, Nominal anchor, Exchange rate targeting,*
    Monetary targeting, Inflation targeting, Nominal GDP targeting.

INTRODUCTION

Although there are institutional differences in the ways in which central banks conduct monetary policy, there are two important similarities in recent practices. First, most central banks in industrial countries have increasingly used short term interest rates as the operating target through which goals are pursued. Second, many central banks are focusing more on ultimate goals such as low inflation than on particular intermediate targets (1, p.496).

Targets are variables that a central bank can influence directly and that help achieve monetary policy goals. A central bank relies on two types of targets: intermediate targets and operating targets. Intermediate targets are financial variables (such as the money supply or short-term interest rates) that the central bank believes will directly help it to achieve its goals. When a central bank uses an intermediate target, such as a monetary aggregate like M1, it has a better chance of reaching a goal such as price stability or full employment, which is not directly under its control. From statistical studies, a central bank might estimate that a 3% increase in M1 would achieve the level of employment and degree of price stability it desired. If the money supply actually grew by 4%, the central bank would know immediately that it was stimulating the economy too much, setting the stage for future inflation. The central bank could then use its monetary policy tools to

slow M1 growth to the target of 3%. In fact, the central bank controls intermediate target variables only indirectly because private-sector decisions also influence these variables. The central bank seeks targets that are better links between its policy tools, intermediate targets and goals. These new targets, called operating targets, are variables that the central bank controls directly with monetary policy tools and that are closely related to intermediate targets. Examples of operating targets include short-term interest rate and monetary base.

THE ROLE OF A NOMINAL ANCHOR

A nominal anchor is a constraint on the value of domestic money, and in some form it is a necessary element in successful monetary policy regimes. It provides conditions that make the prices level uniquely determined, which is obviously necessary for price stability (2, p.580). It helps do this by tying down inflation expectations directly through its constraint on the value of domestic money.

However, a nominal anchor can be thought of more broadly as a constraint on discretionary policy that helps weaken the time-inconsistency problem, so that in the long run, price stability is more likely to be achieved. The time-inconsistency problem arises because discretionary policy at each point in time can lead to poor long-term outcomes. In the case of monetary policy, expansionary monetary policy will produce higher growth and employment, in the short run, and so policy makers have incentives to pursue this policy even though it ends up producing higher inflation, but not higher growth or employment, in the long run. However the time-inconsistency problem may not reside in the central bank because a central bank can avoid this by simply recognizing the problem that forward-looking expectations in the wage- and price-setting process creates for a strategy of pursuing expansionary monetary policy (3, p. 207-211). The central bank can just decide not to play that game. However, even so, there will still be pressures on the central bank to pursue overly expansionary monetary policy by the politicians. Thus even if the source of time inconsistency is not within central banks, a nominal anchor which limits political pressures to pursue overly expansionary monetary policies has an important role to play in the achievement of price stability.

MONETARY AGGREGATE TARGETING

Countries which are too large or countries whose currency can serve as the nominal anchor (The USA, Japan or the European Monetary Union) can not use exchange-rate targeting. These countries have to look to other monetary policy strategies, one of which is monetary aggregate targeting.

A major advantage of monetary targeting over exchange-rate targeting is that it enables a central bank to adjust its monetary policy to cope with domestic considerations. It enables the central bank to choose goals for inflation that may differ from those of other countries and allows some response to output fluctuations. Monetary targets can send almost immediate signals to both the public and markets about the stance of monetary policy and the intentions of the policy makers to keep inflation in check. These signals can then help fix inflation expectations and produce lower inflation. Monetary targets also

have the advantage of being able to promote almost immediate accountability for a monetary policy maker from falling into the time-inconsistency trap. All of the above mentioned advantages of monetary aggregate targeting depend on there being a strong and reliable relationship between the goal variable (inflation or nominal income) and the targeted aggregate. If there is velocity instability then monetary aggregate targeting will not work (4, p.77-125). The weak relationship implies that hitting the target will not produce the desired outcome on the goal variable and thus the monetary aggregate will no longer provide an adequate signal about the stance of monetary policy. The breakdown of the relationship between monetary aggregates and goal variables has occurred in the United States, Canada and the United Kingdom (5, p.285). The two countries which have pursued monetary targeting quite seriously are Germany and Switzerland.

The key fact about monetary targeting regimes in Germany and Switzerland is that the targeting regimes are very far from a Friedman-type monetary targeting rate in which a monetary aggregate is kept on a constant-growth-rate path and is the primary focus of monetary policy. A numerical inflation goal is prominently featured in the setting of target ranges. Then with the estimates of potential output growth and velocity trends, a quantity-equation framework is used to back out the target growth rate for the monetary aggregate. Second, monetary targeting, far from being a rigid policy rule, has been quite flexible in practice. Third, the monetary targeting regimes in these countries have demonstrated a strong commitment to the communication of the strategy to the general public. However, German's monetary-targeting regime has been quite successful in producing low inflation and its success has been envied by many other countries.

NOMINAL GDP TARGETING

The collapse in the previously stable relationships between money and nominal GDP caused some economists in the 1980s to suggest that the Fed use the rate of growth of nominal GDP as a target variable. They reasoned that if real GDP growth is independent of monetary policy in the long run, the use of a nominal GDP target focuses attention on the long-term price stability, and the unit-or-account function of money (1, p.492).

Keeping nominal GDP or some other measure of nominal spending close to a target path that grows smoothly, at a rate equal to the long-term average rate of real output growth plus a target inflation rate, would keep inflation close to its desired value on average and would perhaps diminish fluctuations in real cyclical aggregates (6, p.555). This approach would be superior to monetary targeting because of the large and unpredictable changes in payments technology and financial regulations that have been experienced, and probably will be again. Real fluctuations seem likely to be smaller than with, e.g., pure inflation targeting because of the implied response of the rule to very high or very low growth rates of output. One cannot be certain about this, for there is much professional ignorance and disagreement over the precise mechanism by which nominal income growth is split between inflation and output growth components. The growth rate version of nominal income targeting avoids the need to measure capacity or natural-rate output, as is required with several prominent rules, including the influential one. Namely, the US monetary policy in the period since 1987, a period considered very successful in terms of delivering low inflation alongside relatively stable and satisfactory output growth, is well

characterized as a regime in which the federal funds rate responds with positive, fixed coefficients to expected inflation and the output gap.

There is also strong criticism of the nominal income targeting strategy that has been expressed. The upshot is that arguments regarding NIT rules, relative to ones with inflation and output gap targets, depend upon details of the dynamic relationships between nominal and real variables, about which the prevailing theory is not particularly helpful.

EXCHANGE RATE TARGETING

Targeting the exchange rate is a monetary policy regime with a long history. It can take the form of fixing the value of the domestic currency to a commodity such as gold, the key feature of the gold standard. More recently, fixed exchange rate regimes have involved fixing the value of the domestic currency to that of a large, low inflation country. Another alternative is the adoption of a crawling target or peg in which a currency is allowed to depreciate at a steady rate so that the inflation rate in the pegging country can be higher than that of the anchor country.

Exchange rate targeting has several advantages (2, p.581). First, the nominal anchor of an exchange rate target fixes the inflation rate for internationally traded goods, and thus directly contributes to keeping inflation under control. Second, if the exchange rate target is credible, it anchors inflation expectations to the inflation rate in the anchor country to whose currency it is pegged. Third, with a strong commitment mechanism, an exchange rate target provides an automatic rule for the conduct of monetary policy that helps mitigate the time-inconsistency problem. Fourth, an exchange rate target has the advantage of simplicity and clarity, which make it easily understood by the public.

Given its advantages, it is not surprising that exchange rate targeting has been used successfully to control inflation in industrialized countries. Both France and the United Kingdom, for example, successfully used this strategy to lower inflation by tying the value of their currencies to the German mark. Exchange rate targeting has also been an effective means of reducing inflation quickly in emerging market countries. An important recent example has been Argentina, which in 1991 established a currency board arrangement, requiring the central bank to exchange US dollars for new pesos at a fixed exchange rate of 1:1.

Except previous advantages, there are several serious shortcomings of exchange rate targeting (7, p. 73-96). The first is that, with open capital markets, an exchange rate target results in the loss of independent monetary policy, since the targeting country loses the ability to use monetary policy to respond to domestic shocks that are independent of those hitting the anchor country. Furthermore, an exchange rate target means that shocks to the anchor country are directly transmitted to the targeting country because changes in interest rates in the anchor country lead to a corresponding change in interest rates in the targeting country. A striking example of these problems occurred when Germany reunified in 1990. The massive fiscal expansion required to rebuild East Germany led to rises in long-term and short-term interest rates. This shock to the anchor country in the exchange rate mechanism was transmitted directly to the other countries in the ERM whose currencies were pegged to the mark and their interest rates now rose in tandem with those in Germany. The result was that continuing adherence to the exchange rate target produced a

significant slowing of economic growth and rising unemployment, which is exactly what France experienced.

Second, an exchange rate target has the additional disadvantage that it removes the signal that the foreign exchange market provides about the stance of monetary policy on a daily basis. Under this regime, central banks often pursue overly expansionary policies that are not discovered until too late, when a successful speculative attack had got underway. The problem of the lack of accountability of the central bank is particularly acute in emerging market countries where the balance sheets and actions of the central banks are not as transparent as in the developed countries. This can make it harder to ascertain the central bank's policy actions, as was the case in Thailand before the currency crisis.

The third problem with exchange rate targets is that they leave countries open to speculative attacks on their currencies. Indeed, one aftermath of German reunification was the foreign exchange crisis of September 1992. Speculators were in effect presented with one-way bets because the currencies of countries like France, Spain, Sweden, Italy and the United Kingdom could only go in one direction, depreciate against the mark. Selling these currencies thus presented speculators with an attractive profit opportunity with potentially high expected returns, and the result was the speculative attack in September 1992. The different response of France and the United Kingdom after the crisis illustrates the potential cost of an exchange rate target. France, which continued to peg to the mark and thereby was unable to use monetary policy to respond to domestic conditions, found that economic growth remained slow after 1992 and unemployment increased. The United Kingdom dropped out of the ERM exchange rate peg and adopted inflation targeting which had a much better economic performance: economic growth was higher, the unemployment rate decreased, and yet the inflation performance was not much worse than that in France.

For emerging market countries it is far less clear that these countries lose much by giving up an independent monetary policy when they target exchange rates. Because many emerging market countries have not developed the political or monetary institutions that result in the ability to use discretionary monetary policy successfully, they may have little to gain from an independent monetary policy, but a lot to lose. Mishkin pointed out an additional disadvantage of an exchange rate target in the emerging market countries because this regime promotes financial fragility and possibly a full-fledged financial crisis that can be highly destructive for the economy (8, p.81-101). Because of the uncertainty about the future value of the domestic currency, many non-financial firms, banks and governments in these countries find it much easier to issue debt if the debt is denominated in foreign currencies. With an exchange rate target regime, depreciation of the currency when it occurs is a highly nonlinear event because it involves devaluation. In most developed countries devaluation has little direct effect on the balance sheets of households, firms and banks because their debts are denominated in domestic currency. But in the emerging market countries where debt contracts are denominated in foreign currency, when a devaluation of the domestic currency occurs, the debt burden of domestic firms increases. In addition, devaluation can lead to a dramatic rise in both actual and expected inflation in these countries because their central banks are unlikely to have deep-rooted credibility of inflation fighters. Indeed, Mexican inflation surged to 50% in 1995 after the foreign exchange crisis in 1994 and a similar phenomenon has been going on in Indonesia.

Another potential danger of an exchange rate target is that by providing a more stable value of the currency, the perceived risk for foreign investors might be lower and thus encourage capital inflows. Although these capital inflows might be channeled into productive investments and thus stimulate growth, they might promote excessive lending, manifested by lending boom, because domestic banks play a key role in intermediating these capital inflows. The financial crises in East Asia and Mexico, where the weakness of the banking sector and the speculative attack on the currency tipped their economies into full-scale financial crises, illustrate how dangerous exchange rate targeting can be for the emerging market countries.

In those countries where political and monetary institutions are particularly weak and which have, therefore, been experiencing continued bouts of hyperinflation, exchange rate targeting may be the only way to break inflationary psychology and stabilize the economy. In this situation, this regime of monetary policy is the stabilization policy of last resort.

INFLATION TARGETING

Given the breakdown of the relationship between monetary aggregates and goal variables such as inflation, many countries have recently adopted inflation targeting as their monetary policy regime. New Zealand was the first country to formally adopt inflation targeting in 1990, with Canada following in 1991, the United Kingdom in 1992, Sweden in 1993, Finland in 1993, Australia in 1994 and Spain in 1994. Israel and Chile have also adopted a form of inflation targeting.

Inflation targeting involves several elements (2, p. 591): 1) public announcement of medium-term numerical targets for inflation; 2) an institutional commitment to price stability as the primary, long-term goal of monetary policy and to the achievement of the inflation goal; 3) an information-inclusive strategy, with a reduced role for intermediate targets such as money growth; 4) increased transparency of the monetary policy strategy through communication with the public and the markets about the plans and objectives of monetary policy makers; and 5) increased accountability of the central bank for attaining its inflation objectives.

Inflation targeting has several important advantages. It enables the monetary policy to focus on domestic considerations and to respond to the domestic economy shocks. Inflation targeting also has the advantage that velocity shocks are largely irrelevant because the monetary policy strategy no longer relies on a stable money-inflation relationship. Another advantage of this strategy is that it is readily understood by the public and is thus highly transparent. Because an explicit numerical inflation target increases the accountability of the central bank, inflation targeting also has the potential to reduce the likelihood that the central bank will fall into the time-inconsistency trap in which it tries to expand output and employment by pursuing overly expansionary monetary policy. Thus inflation targeting has the potential to reduce political pressures on the central bank to pursue inflationary monetary policy and thereby reduce the likelihood of time-inconsistent policy-making.

The decision by inflation targeters to choose inflation targets well above zero and not price level targets reflects monetary policy makers' concerns that a too low inflation can

have substantial negative effects on the real economic activity. There are particularly valid reasons for fearing deflation, including the possibility that it might promote financial instability and precipitate a severe economic contraction (9, p.29-62). Targeting inflation rates of above zero make periods of deflation less likely. The evidence on inflation expectations from surveys and interest rate levels suggest that maintaining a target for inflation above zero, but not too far above, for an extended period does not lead to instability in inflation expectations or to a decline in the central bank's credibility (10, p.1-24).

Another key feature of inflation-targeting regimes is that they do not ignore traditional stabilization goals. Namely, inflation targets can increase the flexibility of the central bank to respond to declines in aggregate spending, because declines in aggregate demand that cause the inflation rate to fall below the floor of the target range will automatically stimulate the central bank to loosen monetary policy without fearing that its action will trigger a rise in inflation expectations.

Inflation-targeting regimes also put great stress on making the policy transparent, clear, simple and understandable, as well as the regular communication with the public. Channels to communication are used by central banks in inflation-targeting countries to explain the following to the general public, financial market participants and the politicians: a) the goals and limitations of the monetary policy, including the rationale for inflation targets; b) the numerical values of the inflation targets and how they were determined; c) how the inflation targets are to be achieved, given current economic conditions and d) reasons for any deviations from the targets. These communication efforts have improved private sector planning by reducing uncertainty about the monetary policy, interest rates and inflation. Second, they have promoted public debate on monetary policy, in part by educating the public about what a central bank can and cannot achieve. Third, they have helped clarify the responsibilities of the central bank and of the politicians in the conduct of the monetary policy.

Transparency and communication go hand in hand with increased accountability. The strongest case of accountability of a central bank in an inflation targeting regime is in New Zealand, where the government has the right to dismiss the Reserve Bank's governor if the inflation targets are breached. In other countries whish use inflation targeting accountability of the central bank is less formalized.

The performance of inflation targeting regimes has been quite good. These countries seem to have significantly reduced both the rate of inflation and inflation expectations beyond those which would likely have occurred in the absence of inflation targets. The use of this strategy seems to ameliorate the effects of inflationary shocks. For example, shortly after adopting inflation targets in February 1991, the Bank of Canada was faced with a new goods and services tax, an indirect tax similar to a value-added tax, an adverse supply shock that in earlier periods might have led to a ratcheting up in inflation.

The inflation targeting strategy is not without potential problems. Namely, the inflation not easily controlled by the monetary authorities can be a particularly severe problem for an emerging market country that is trying to bring down inflation from a previously high level and so is more likely to experience large inflation forecast errors. This suggests that hard targets from inflation might be worth phasing in only after there has been some successful disinflation. This is exactly the strategy followed by Chile which adopted a weak form of inflation targeting in September 1990 (11). Over time, as inflation fell, this procedure was changed and inflation targets came to be viewed by the central bank and

the markets as hard targets. Generally, inflation targeting was not implemented until after substantial disinflation had previously been achieved (12, p.79-110).

Another potential problem with this strategy is that, because of the long lags of monetary policy, inflation outcomes are revealed only after a substantial lag. Thus inflation targeting does not provide immediate signals to both the public and the markets about the stance of monetary policy. It is also important to recognize that the likely effects of inflation targeting of the real side of the economy are more ambiguous.

Some economists have criticized inflation targeting because they believe that it imposes a rigid rule on monetary policy makers that does not allow them enough discretion to respond to unforeseen circumstances (13, p.77-125). This criticism is one that has featured prominently in the rules-versus-discretion debate.

MONETARY POLICY WITH AN IMPLICIT NOMINAL ANCHOR

Several countries have achieved excellent macroeconomic performance without using an explicit nominal anchor such as a target for the exchange rate, a monetary aggregate, or inflation. This strategy has been used in the USA. It involves an implicit nominal anchor in the form of an overriding concern by the Federal Reserve to control inflation in the long run. The presence of long lags means that monetary policy cannot wait until inflation has already reared its ugly head before responding. If the central bank waited until overt signs of inflation appeared, it would be too late to maintain stable prices. Inflation becomes much harder to control once it has been allowed to gather momentum because higher inflation expectations become ingrained in various types of contracts and pricing agreements. So, monetary policy needs to act well before inflationary pressures appear in the economy. This preemptive monetary policy strategy is clearly also a feature of inflation targeting regimes because monetary policy instruments are adjusted to take into account the long lags in their effects in order to hit future inflation targets.

The main argument for the "just do it" strategy is simply its demonstrated success. The Federal Reserve has been able to bring down inflation in the USA from double digit levels in 1980 to around the 3% level by the end of 1991. Since then inflation has been stable at about that level or a bit below it. But 'just do it" strategy has some disadvantages that may cause it to work less well in the future.

An important disadvantage of this strategy is the lack of transparency. The constant guessing game about the Fed's intentions created by its close-mouthed approach creates unnecessary volatility in financial markets and arouses uncertainty among producers and the general public about the future course of inflation and output as well. Here the central bank is more susceptible to the time-inconsistency problem, whereby it may pursue short term objectives at the expense of long term ones. Probably the most serious problem with the 'just do it" approach is strong dependence on the preferences, skills and trustworthiness of the individuals in charge of the central bank. If the leadership of the central bank eventually changes, there is no guarantee that the new team will be committed to the same approach.

CONCLUSION

In examining international experiences with different monetary policy regimes, we have looked at five basic types of frameworks: exchange rate targeting, nominal GDP targeting, monetary targeting, inflation targeting and monetary policy with an implicit but not an explicit nominal anchor.

A major advantage of ***monetary targeting*** is that it enables a central bank to adjust its monetary policy to cope with domestic considerations. It enables the central bank to choose goals for inflation that may differ from those of other countries and allows some response to output fluctuations. Monetary targets can send almost immediate signals to both the public and markets about the stance of monetary policy and the intentions of the policy makers to keep inflation in check. But monetary aggregates are not a particularly useful guide for monetary policy unless the relationship between monetary aggregates and inflation is strong and reliable.

Keeping ***nominal GDP*** or some other measure of nominal spending close to a target path that grows smoothly, at a rate equal to the long-term average rate of real output growth plus a target inflation rate, would keep inflation close to its desired value on average and would perhaps diminish fluctuations in real cyclical aggregates. This approach would be superior to monetary targeting because of the large and unpredictable changes in payments technology and financial regulations that have been experienced, and probably will be again.

Exchange rate targeting has several advantages. First, the nominal anchor of an exchange rate target fixes the inflation rate for internationally traded goods, and thus directly contributes to keeping inflation under control. Second, if the exchange rate target is credible, it anchors inflation expectations to the inflation rate in the anchor country to whose currency it is pegged. Third, with a strong commitment mechanism, an exchange rate target provides an automatic rule for the conduct of monetary policy that helps mitigate the time-inconsistency problem. Fourth, an exchange rate target has the advantage of simplicity and clarity, which make it easily understood by the public. However, if a country does not have political, economic and cultural institutions that allow them to conduct their own monetary policy successfully, then a transparent form of exchange rate targeting, such as a currency board, might have enough benefits to outweigh the potential costs.

Inflation targeting has been gaining popularity in recent years and has several major strengths. It enables monetary policy to focus on domestic considerations as does monetary targeting, but is not subject to velocity shock problems. It is readily understood and highly transparent. It allows flexibility and discretion in the conduct of monetary policy, but because it increases the accountability of the central bank it constrains discretion so that the time-inconsistency problem is ameliorated. It helps shift the public debate to focus on what monetary policy can do in the long run and thus helps reduce political pressure to engage in time-inconsistent policies. However, inflation targeting is no panacea: it does not seem to enable countries to eliminate inflation from their systems without cost, and anti-inflation credibility is not achieved immediately upon the adoption of an inflation target. The evidence seems to suggest that the only way for this strategy of monetary policy is to earn credibility the hard way: it has to earn it.

The final monetary regime discussed in this paper is the "just do it" approach followed by the United States in which there is an implicit, but not an explicit nominal anchor. The

key argument for this approach is that it has worked in the past. However, this strategy suffers from the lack of transparency and accountability of the central bank, which not only may weaken the support for anti-inflationary monetary policy, but is also not fully consistent with democratic principles.

At the end we can conclude that transparency and accountability are crucial to constraining discretionary monetary policy so that it produces desirable long-term outcomes. Which strategy will work best in a country depends on its political, cultural and economic institutions and its prior history. The best monetary strategy is the one which is more likely to produce low inflation, a stable economic environment and a healthy economy.

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ISKUSTVA SA RAZLIČITIM MONETARNIM STRATEGIJAMA

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Odgovornost monetarne politike je velika, jer je njen osnovni zadatak očuvanje zdravog novca i cenovne stabilnosti. Radi ostvarenja ovih ciljeva centralna banka koristi monetarnu strategiju. Velika odgovornost pada na kreatore monetarne politike, jer oni odlučuju koju će strategiju primeniti u datom monetnu. Na raspolaganju stoji više strategija. Najčešće korišćene strategije monetarne politike su: targetiranje monetarnih agregata, targetiranje deviznog kursa, targetiranje nominalnog društvenog proizvoda, targetiranje inflacije i monetarna politika sa implicitnim nominalnim sidrom.

Glavna prednost targetiranja monetarnih agregata je ta što je centralna banka u mogućnosti da prilagodjava svoju monetarnu politiku domaćim uslovima poslovanja. Centralna banka postavlja ciljeve nezavisno od okruženja, tako da može da odgovori na fluktuacije koje potiču iz inostranstva. Javnost i učesnici na tržištu dobijaju pravovremene signale o stanju monetarne

politike i njenim namerama u pogledu inflacije. Medjutim, ova strategija može da se koristi samo ako je odnos izmedju monetarnih agregata i inflacije snažan i pouzdan.

Držanje nominalnog društvenog proizvoda ili nekog drugog pokazatelja nominalne potrošnje blizu targetnih veličina po stopi jednakoj prosečnoj dugoročnoj stopi realnog domaćeg proizvoda uvećanoj za ciljnu stopu inflacije, omogućava da se inflacija kontroliše na željenom nivou. Ova strategija pokazuje superiornost u odnosu na prethodnu, jer može da podnese nepredvidjene promene u tehnologiji platnog prometa i finansijskoj regulativi.

Targetiranje deviznog kursa, takodje ima brojne prednosti. Zahvaljujući nominalnom sidru inflacija se drži vrlo uspešno pod kontrolom. Omogućava izbegavanje problema vremenske nedoslednosti monetarne politike. Ova strategija je jednostavna za upotrebu i veoma je jasna, tako da je prilično razumljiva za javnost. Medjutim, ako u zemlji ne postoje odgovarajuće institucije, jedini transparentni oblik ovog režima je valutni odbor.

Targetiranje inflacije fokusira se na domaće uslove, razumljiva je i transparentna strategija. Dozvoljava vodjenje fleksibilne i diskrecione monetarne politike, što otvara prostor za pojavu problema vremenske nedoslednosti. Medjutim i ova strategija ima svoju cenu, koja se ogleda u tome da se željeni nivo inflacije ne može postići u momentu, već mora da mu prethodi antiinflatorna monetarna politika. Njen uspeh zavisi od kredibiliteta kreatora monetarne politike.

Ključni argument koji opravdava upotrebu strategije monetarne politike sa implicitnim nominalnim sidrom su njeni rezultati ostvareni u praksi, pre svega SAD-a. Medjutim, glavna mana ove strategije je nedostatak transparentnosti i odgovornosti centralne banke u slučaju pojave neželjenih efekata.

Prema tome, odgovornost i transparentnost su preduslovi vodjenja diskrecione monetarne politike koja omogućava ostvarivanje željenih dugoročnih rezultata. Koja strategija će biti najbolja za neku zemlju zavisi od razvijenosti njenih političkih, kulturnih i ekonomskih institucija, kao i od prethodnih rezultata. Naime, najbolja monetarna strategija je ona koja rezultira u niskoj inflaciji, stabilnom ekonomskom okruženju i zdravoj ekonomiji.

Ključne reči: *monetarna strategija, targetiranje deviznog kursa, targetiranje inflacije, targetiranje nominalnog BDP*