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FEATURES OF INFLATION TARGETING AS A TYPE OF MONETARY STRATEGY

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Abstract. *Inflation targeting, at least in its best-practice form, consists of two parts: a policy framework of constrained discretion and a communication strategy that attempts to focus expectations and explain the policy framework to the public. Together, these two elements promote both price stability and well-anchored inflation expectations; the latter, in turn, facilitates more effective stabilization of output and employment. Thus, a well-conceived and well-executed strategy of inflation targeting can deliver good results with respect to output and employment as well as inflation. Although communication plays several important roles in inflation targeting, perhaps the most important is focusing and anchoring expectations. Clearly there are limits to what talk can achieve; ultimately, talk must be backed up by action, in the form of successful policies. Likewise, for a successful and credible central bank like the Federal Reserve, the immediate benefits of adopting a more explicit communication strategy may be modest. Nevertheless, making the investment now in greater transparency about the central bank's objectives, plans, and assessments of the economy could pay increasing dividends in the future. The aim of this paper is to analyse the main features of inflation targeting as a type of monetary policy regimes.*

Key Words: *Inflation targeting, Monetary strategy, Price stability*

INTRODUCTION

One of the most interesting developments in central banking in recent times has been the increasingly widespread adoption of the monetary policy framework known as inflation targeting. The central banks that call themselves inflation targeters are a diverse group indeed and institutional and operational features differ. It is a policy of announcing what you are going to do, and then doing it. Either the central bank or the elected government chooses and publicizes a target goal for the inflation rate per year. The bank then publicly estimates how high it expects inflation to be in the coming year. It steers monetary policy to try to hit the target inflation rate. If the inflation is getting above the target, the bank would ordinarily raise interest rates to cool the economy and bring inflation back

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down. If the inflation gets too low, the bank would lower rates to juice up growth, raising inflation.

Moreover, many central banks that have not formally adopted the framework of inflation targeting have clearly been influenced by the approach. In short, to draw a bright line between central banks practicing full-fledged inflation targeting and those that use any form of it is more difficult than one might first guess.

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 that 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. It is the official policy of Britain, Canada, Australia, Sweden, New Zealand, Brazil, and South Korea, among others.

BEGINNING OF INFLATION TARGETING

Early proposals of targeting the price level or the inflation rate, rather than the exchange rate, followed the general crisis of the gold standard after World War I. Irving Fisher proposed a "compensated dollar" system in which the gold content in paper money would vary with the price of goods in terms of gold, so that the price level in terms of paper money would stay fixed. This proposal was a first attempt to target prices while retaining the automatic functioning of the gold standard. At the same time John Maynard Keynes advocated what we would now call an inflation-targeting scheme. Namely, Keynes recommended a policy of exchange rate flexibility, appreciating the currency as a response to international inflation and depreciating it when there are international deflationary forces.

The approach evolved gradually from earlier monetary policy strategies that followed the demise of the Bretton Woods fixed-exchange-rate system most directly, especially from the practices of Germany's Bundesbank and the Swiss National Bank during the latter part of the 1970s and the 1980s. For example, the Bundesbank, though it conducted short-term policy with reference to targets for money supply growth, derived those targets each year by calculating the rate of money growth estimated to be consistent with the bank's long-run desired rate of inflation, normally 2 percent per year. Hence, the Bundesbank indirectly targeted inflation, using money growth as a quantitative indicator to aid in the calibration of its policy. Notably, the evidence suggests that, when conflicts arose between its money growth targets and inflation targets, the Bundesbank generally chose to give greater weight to its inflation targets (Bernanke and Mihov, 1997).

Inflation targeting was pioneered in New Zealand in 1990 [1], and is now also in use by the central banks in United Kingdom, Canada, Australia, South Korea, Egypt, South Africa and Brazil, among other countries, and there is some empirical evidence that it does what its advocates claim [2]. Many other countries have also adopted the inflation targeting or some form of it (Sweden, Finland, Israel, Chile, Hungary, Czech Republic, Poland, Serbia).[6] The US Federal Reserve's policy setting committee regularly publicly state a desired target range for inflation (usually around 1.5-2%), but do not have an explicit inflation target. This is under debate within the Fed, since inflation targeting is usually very successful in other countries because of its transparency and predictability to the markets.

Inflation targeting is a monetary policy in which a central bank attempts to keep inflation in a declared target range —typically by adjusting interest rates. The theory is that inflation is an indication of growth in money supply and adjusting interest rates will increase or decrease money supply and therefore inflation [3]. If inflation appears to be above the target, the central bank is likely to raise interest rates. This usually (but not always) has the effect over time of cooling the economy and bringing down inflation and vice versa.

Inflation targeting involves several elements [4, pp. 591]: 1) public announcement of medium-term numerical targets for inflation; 2) an institutional commitment to price stability as the primary, long-run goal of monetary policy and to 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 policymakers; and 5) increased accountability of the central bank for attaining its inflation objectives.

Inflation is usually measured as the change in prices for consumer goods, called the Consumer price index (CPI). Inflation targeting assumes that this figure accurately represents the growth of money supply, but this is not always the case. The most serious exception occurs when factors external to a national economy are the cause of the price increases. The oil price increases since 2003 and the 2007–2008 world food price crisis combined to cause sharp increases in the price of food and consumer goods, which in turn resulted in a sharp increase in CPI. This is especially true in the very emerging markets that often follow the new policy of inflation targeting, because they are often dependent on imported oil or food [3].

ADVANTAGES AND DISADVANTAGES OF INFLATION TARGETING

This monetary regime enables monetary policy to ***focus on domestic considerations and to respond to shocks to the domestic economy.*** 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 [7].

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 [8]. Thus inflation targeting acts as the potential to reduce political pressures on the central bank to pursue inflationary monetary policy and thereby reduce the likelihood of time-inconsistent policymaking.

The decision by inflation targeters to choose inflation targets above zero and not price level targets reflects monetary policymakers' concerns that too low an inflation can have substantial negative effects on 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, pp.29-62]. Targeting inflation rates of above zero makes 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, pp.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.

This strategy is readily ***understood by the public***. In general, a central bank's communications strategy means the central bank's regular procedures for communicating with the political authorities, the financial markets, and the general public. It is closely linked to the idea of transparency and has many aspects and many motivations. Aspects of communication that have been particularly emphasized by inflation-targeting central banks are the public announcement of policy objectives, open discussion of the bank's policy framework and public release of the central bank's forecast or evaluation of the economy.

Inflation-targeting regimes also put great stress on making policy transparent, policy that is ***clear, simple and understandable,*** and on regular communication with the public. Channels for 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 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 targets. These communication efforts have improved private sector planning by reducing uncertainty about monetary policy, interest rates and inflation. Second, they have promoted public debate of 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 politicians in the conduct of 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 that use inflation targeting, accountability of central bank is less formalized.

As with fiscal policy, public beliefs about how monetary policy will perform in the long run affect the effectiveness of monetary policy in the short run. Suppose, for example, that the central bank wants to stimulate a weak economy by cutting its policy interest rate. The effect on real activity will be strongest if the public is confident in the central bank's unshakable commitment to price stability, as that confidence will moderate any tendency of wages, prices, or long-term interest rates to rise today in anticipation of possible future inflationary pressures generated by the current easing of policy [11]. Now the central bank's reputation and credibility may be entirely sufficient that no additional framework or guidelines are needed. Certainly, in general, the greater the inherited credibility of the central bank, the less restrictive need be the guidelines, targets, or the like that form the central bank's communication strategy. But credibility is not a permanent characteristic of a central bank; it must be continuously earned. Moreover, an explicit policy framework has broader advantages, including among others increased buy-in by politicians and the public, increased accountability, reduced uncertainty, and greater intellectual clarity. Hence, though a central bank with strong credibility may wish to adopt a relatively loose and indicative set of guidelines for communication with the public, even such a bank may benefit from increasing its communication with the public and adding a bit of structure to its approach to making policy. From the public's perspective, the central bank's commitment to a policy framework, including a long-run inflation target, imposes the same kind of discipline and accountability on the central bank that a long-term commitment to fiscal stability places on the fiscal authorities.

Inflation targeting strategy is not without potential problems. The greatest problem with inflation targeting is arguably ***the central bank's imperfect control of inflation***. Inflation control is imperfect due to lags in the transmission mechanism, uncertainty about the transmission mechanism, the current state of the economy and future shocks to the economy and the influence of other factors than monetary policy on inflation, in particular shocks that occur within the control lag [14]. The imperfect control makes the implementation of inflation targeting hard. It also makes the monitoring of inflation targeting difficult, since it is hard to extract how much of observed inflation is due to monetary policy some two years ago rather than to shocks and other factors having occurred during the control lag. With monitoring made difficult, the accountability and transparency of inflation targeting is reduced, and many potential benefits of this policy regime may not materialize. Namely, ***inflation is not easily controlled by the monetary authorities***. It 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 [12]. 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 has previously been achieved*** [13, pp.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 t***o 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 policymakers*** that does not allow them enough discretion to respond to unforeseen circumstances [13, pp.77-125]. This criticism is one that has featured prominently in the rules-versus-discretion debate.

MISCONCEPTIONS ABOUT INFLATION TARGETING

Inflation targeting involves mechanical rule-like policymaking. As Mishkin and Bernanke emphasized in their paper [15], inflation targeting is a policy framework, not a rule. If it is to be coherent and purposeful, all policy is made within some sort of conceptual framework, the only question is the degree to which the framework is explicit. This strategy provides one particular coherent framework for thinking about monetary policy choices that, importantly, lets the public in on the conversation. If this framework succeeds in its goals of anchoring inflation expectations, it may also make the policymaker's ultimate task easier. But making monetary policy under inflation targeting requires as much insight and judgment as under any policy framework [11]. Indeed, inflation targeting can be particularly demanding in that it requires policymakers to give careful, fact-based, and analytical explanations of their actions to the public.

Inflation targeting focuses exclusively on control of inflation and ignores output and employment objectives. There are authors who have made the distinction between so-called "strict" inflation targeting, in which the only objective of the central bank is price stability, and "flexible" inflation targeting, which allows attention to output and employment as well. At the beginning of inflation targeting, this distinction may have been a useful one, as a number of inflation-targeting central banks talked the language of strict inflation targeting and one or two came close to actually practicing it. For quite a few years now, however, strict inflation targeting has been without significant practical relevance. In recent times there is no real-world central bank that does not treat the stabilization of employment and output as an important policy objective. In short, in both theory and practice, today all inflation targeting is of the flexible variety.

A second issue is ranking of inflation and unemployment (i.e. the output gap) among the central bank's objectives. Countries differ in this regard, both in formal mandate and in current practice. The general approach of inflation targeting is fully consistent with any set of relative social weights on inflation and unemployment. Constrained discretion is the heart of the inflation-targeting approach, and it is the possibility of using it to get better results in terms of both inflation and employment. Namely, it is the best available technology for achieving both sets of policy objectives.

Inflation targeting is inconsistent with the central bank's obligation to maintain financial stability. This is the argument of the Federal Reserve. The most important single reason for the founding of the Federal Reserve was the desire of the Congress to increase the stability of American financial markets, and the Fed continues to regard ensuring financial stability as a critical responsibility. There are opinions that it can be a bedrock principle that when the stability or very functioning of financial markets is threatened, as during the October 1987 stock market crash or the September 11 terrorist attacks, that the Federal Reserve would take a leadership role in protecting the integrity of the system. But from theoretical and practical view there is no conflict between that role and inflation targeting.

Ben Bernanke believes that U.S. monetary policy would be better in the long run if the Fed chose to make its policy framework somewhat more explicit [11]. First, the Fed is currently in a good and historically rare situation, having built a consensus both inside and outside the Fed for good policies. Second, making the Fed's inflation goals and its medium-term projections for the economy more explicit would reduce uncertainty and assist planning in financial markets and in the economy more generally. Finally, any additional anchoring of inflation expectations that we can achieve now will only be helpful in the future. If the Fed move further in the direction of inflation targeting, it would have to take two principal steps: first, to quantify what the Federal Open Market Committee means by "price stability", and second, to publish regular medium-term projections or forecasts of the economic outlook. The FOMC already releases (and has released since 1979) a range and a "central tendency" of its projections for nominal GDP growth, real GDP growth, PCE inflation, and the civilian unemployment rate twice each year, publishing them as part of the semiannual Monetary Policy Report to the Congress.[1] These projections are actually quite interesting, as they represent the views of Fed policymakers of the future evolution of the economy, conditional on what each policymaker views as the best path for future policy.

Countries that implement inflation-targeting policies tend to stabilize their inflation rates while keeping economic growth on an even keel [22]. The study found that the U.S. and Japan, which do not have formal targets, have more volatile stock and bond markets, perhaps indicating more investor uncertainty about the direction of inflation.

In the USA exist different opinions about this strategy. Bernanke thinks that a more "transparent" Federal Reserve policy would promote stable, non-inflationary economic growth by giving businesses and consumers more certainty about the future course of interest rates and inflation. On the other hand, Greenspan thinks the Fed can control inflation without announcing a target rate. He worries that an announced rate would make it harder to respond flexibly and intuitively to a financial crisis or changing economic conditions.

THE MAIN ATTRIBUTES OF INFLATION TARGETING IN THE CZECH REPUBLIC

In the pursuit of its primary monetary policy objective, i.e. maintaining price stability, the central bank can opt for any one of several monetary policy regimes. The four basic types of regime are:

(1) a regime with an implicit nominal anchor,
(2) money targeting,
(3) exchange rate targeting,
(4) inflation targeting.

In December 1997, the CNB Bank Board decided to change its monetary policy regime and at the start of 1998 it switched to inflation targeting. This did not involve any change in objective, only in the way of achieving this objective.

The main features of inflation targeting are its medium-term focus, the use of an inflation forecast and the explicit public announcement of an inflation target or sequence of targets. In its monetary policy decision-making the CNB Bank Board assesses the latest CNB forecast and evaluates the risks of non-fulfillment of this forecast [23]. Based on

[1] The Monetary Policy Report is required by the Congress under Section 2B of the Federal Reserve Act. The report is required to contain "a discussion of the conduct of monetary policy and economic developments and prospects for the future . . ." The projections may be interpreted as satisfying part of the requirement to provide the Federal Reserve's view on prospects for the future.

these considerations, the Bank Board then votes on whether and how to change the settings of monetary policy instruments. By changing these instruments the central bank seeks to offset excessive inflationary or disinflationary pressures that are deviating future inflation from the inflation target or from the tolerance band around this target. For example, an increase in the repo rate generally leads, via the transmission mechanism, to a weakening of aggregate demand, which in turn causes inflation to fall. Lowering the repo rate generally has the opposite effect. If the central bank expects that inflationary effects deviating inflation above the targeted value will prevail in the future, this is a signal that monetary policy should be tighter, i.e. that the repo rate should be raised.

Inflation can, however, result from extraordinary shocks - as a rule on the supply side - whose inflationary or disinflationary effects unwind over a period of time. Any attempt to entirely offset these effects by changing the settings of monetary policy instruments would needlessly cause short-term fluctuations in the economy. If the inflation forecast moves outside the inflation target tolerance band for a time due to such shocks, this is usually regarded under inflation targeting as an exemption from the central bank's objective of keeping inflation close to the target. The CNB - like many other inflation-targeting central banks - has adopted this practice and in justified situations works with " caveats", i.e. exceptions from its obligation to hit the inflation target.

Table 1. The CNB's inflation targets set in terms of net inflation

Year	Target level	Target month	Set in
1998	5.5% - 6.5%	December 1998	December 1997
1999	4% -5%	December 1999	November 1998
2000	3.5% -5.5%	December 2000	December 1997
2001	2% -4%	December 2001	April 2000
2005	1% - 3%	December 2005	April 1999

Source: http://www.cnb.cz/en/monetary_policy/inflation_targeting.html

The inflation target set in terms of headline inflation of 3% with effect from January 2006 to December 2009. The CNB strives to ensure that actual inflation does not differ from the target by more than one percentage point in either direction. The inflation target set in terms of headline inflation of 2% with effect from January 2010 until the Czech Republic's entry to the euro area. As before, the CNB will strive to ensure that actual inflation does not differ from the target by more than one percentage point in either direction.

In the initial period of inflation targeting, the Czech National Bank used "net" inflation as its main analytical and communicative indicator of inflation. The CNB's medium-term inflation target for end-2000 was announced at the same time as the switch to inflation targeting, i.e. in December 1997. The central bank committed itself to employing its monetary policy instruments so as to achieve annual net inflation within the 3.5%-5.5% range at the end of 2000. To better anchor inflation expectations, the CNB also announced a target range for net inflation of 5.5%-6.5% for end-1998. In November 1998, a short-term net inflation target range of 4%-5% was set for end-1999. The CNB Monetary Strategy document published in April 1999 formulated a long-term objective of price stability in terms of net inflation within the 1%-3% range for end-2005. In April 2001, a decision was made to switch to targeting headline inflation (i.e. growth in the total consumer price index) and to expressing the target trajectory for headline inflation by means of a continuous band. A band was announced starting in January 2002 at 3%-5% and ending in December 2005 at 2%-4%. An inflation target of 3% with a tolerance band of one percentage point in either direction was announced for the period from January 2006. In March 2007, a new inflation target of 2% was announced with effect from January 2010.

THE CASE AGAINST INFLATION TARGETING

Last year the Federal Reserve seemed to be inexorably moving toward adopting an inflation targeting policy regime. Fed Chairman Ben Bernanke is known to support such a framework.

Former Federal Reserve Chairman Alan Greenspan long opposed inflation targeting. Though known as an opponent of inflation, Greenspan's view was that an explicit inflation target would be a millstone around the Fed's neck [24]. In particular, it would limit flexibility and discretion to adjust policy in response to unexpected circumstance. Additionally, inflation targeting could promote damaging mechanical policymaking, as happened with money supply targeting in the late 1970s. Lastly, it could provide an anvil on which financial markets could hammer and corner policy.

Today's economic consensus is rooted in Milton Friedman's notion of a natural rate of unemployment that harkens back to classical economics, which ruled thinking in the Great Depression era. According to this classical view, inflation and monetary policy have no lasting impacts on the unemployment rate or real wages, which are determined by labor supply and demand conditions that are independent of inflation. Moreover, inflation cannot affect economic growth, which is determined by labor force growth and the rate of technological advance that are again independent of inflation. This is a theoretical view. On the other hand, practice shows that financial markets worry every moment of every day about the Fed's policies and practices, knowing they will affect employment and growth, and the markets are right in that regard.

But there is another view that holds there is a trade-off between inflation and unemployment. Slightly higher inflation can reduce unemployment because it greases the wheels of adjustment in labor markets. It is hard to lower wages because of trust and conflict issues. Consequently, instead of lowering wages in depressed sectors it is more efficient to raise wages and prices in the rest of the economy, thereby accomplishing the relative price adjustments needed to restore full employment.

The important point is there are two competing coherent views of the economy, and they generate very different policy perspectives. According to the current consensus, monetary policy only affects inflation, which encourages very low inflation as the Fed's goal. However, the minority post Keynesian view sees monetary policy as having lasting impacts on inflation, unemployment, real wages, and maybe growth. That makes inflation one concern among many.

This difference means that inflation targeting is an undesirable frame for public policy. Inflation is bad in the sense that we would all prefer high employment without inflation. Consequently, if monetary policy is presented purely in terms of an inflation target, there will be a tendency to choose a low target. If the choice is presented as two versus three percent inflation, two percent is likely to win out and policy will also tend to privilege addressing inflation risks over employment risks.

However, if the reality is that monetary policy impacts a quadruple consisting of inflation, unemployment, real wages, and growth, two percent inflation may be inferior to three percent inflation accompanied by higher real wages, lower unemployment, and possibly faster growth. That is the economic logic behind skepticism about inflation targeting as a policy framework.

The best outcome for employment, economic growth and inflation is provided by Fed policy targeting stable value for the dollar. That eliminates inflation entirely, and allows labor to compete for higher wages whenever labor or skills are in short supply in a growing economy, without the Fed dampening the opportunity on every occasion. In a non-inflationary economy, wages give important signals to producers and workers, just like prices do.

CONCLUSION

A number of countries recognize the many potent benefits of price stability and consequently have explicitly adopted it as the principal goal of monetary policy. The inflation targeting experience of many foreign central banks has been quite successful and promises to continue to provide excellent results. A number of very important lessons can be learned from the accumulated knowledge and experience in The United Kingdom, New Zealand, Australia, Spain, Canada, Sweden, Finland, and other countries.

There are many key lessons derived from international experience with price stability. Inflation targets should take the form of bands rather than point estimates. The single, explicit goal of price stability can be successfully implemented by the monetary authority. The CPI can be used as the inflation target. Price stability targets can take the form of inflation targets rather than price level targets. Inflation objectives should be multi-year in nature. Establishing the credibility of a price stabilizing monetary policy takes time. Inflation targets should be consistent with other macroeconomic policies of the government. Inflation targets should be accompanied by more open, transparent monetary policy reporting. Inflation targets should not be accompanied by directives on how to achieve these goals.

At the end, we can conclude that inflation targeting is the most used monetary strategy in recent times, both in developed and in transitional countries.

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KARAKTERISTIKE TARGETIRANJA INFLACIJE KAO VRSTE MONETARNE STRATEGIJE

Jadranka Đurović-Todorović, Marina Đorđević

Najbolji primeri iz prakse pokazuju da se targetiranje inflacije sastoji iz dva dela: utvrđenog okvira monetarne politike i komunikacione strategije, čija se suština ogleda u fokusiranju na očekivanja i objašnjenju ciljeva monetarne politike širokoj javnosti. Zajedno ova dva elementa promovišu cenovnu stabilnost i precizna inflatorna očekivanja, što kasnije rezuzltira u značajnoj stabilizacije autputa i zaposlenosti. Prema tome, dobro osmišljena i dobro sprovedena strategija targetiranja inflacije može dati dobre rezultate, kako po pitanju autputa i zaposlednosti, tako i po pitanju inflacije.

Iako komuniciranje ima višestruku ulogu u targetiranju inflacije, možda je najvažnija fokusiranje i precizno utvrdjivanje inflatornih očekivanja. Krajnji limit je ono što se može ostvariti. Konačno, obećanja moraju biti praćena akcijom, u obliku uspešne monetarne politike. Takodje, za uspešnu i kredibilnu centralnu banku, kakva je Fed, neposredne i trenutne koristi od prihvatanja eksplicitnije komunikacione strategije mogle bi biti skromne. I pored toga, orijentacija na značajniju transparentnost ciljeva i planova centralne banke, kao i procene o budućem kretanju ekonomije mogu da rezultiraju u porastu dividendi u budućnosti.

Cilj ovog rada je da analizira ključne karakteristike targetiranja inflacije kao posebne vrste režima monetarne politike.

Ključne reči: *Targetiranje inflacije, monetarna strategija, stabilnost cena.*