



International Monetary Fund

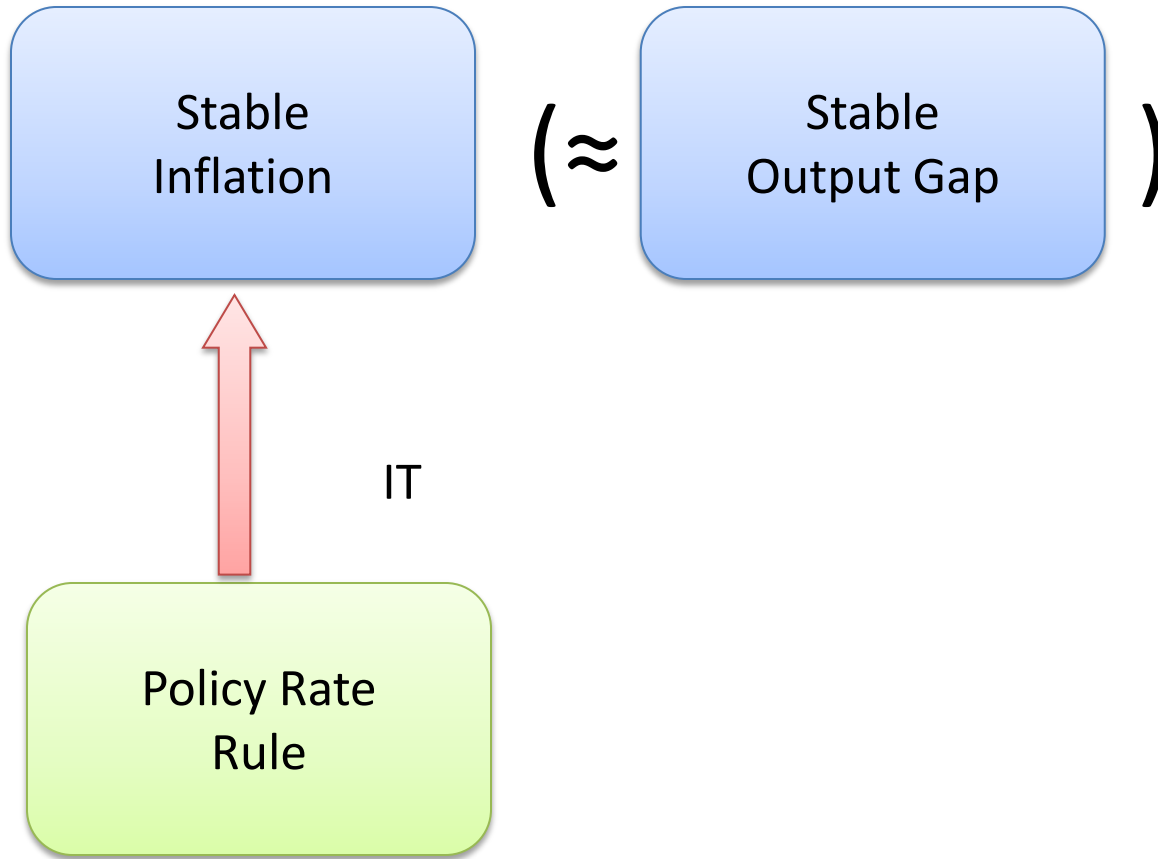
March 7-8, 2011



Monetary Policy in the Wake of the Crisis

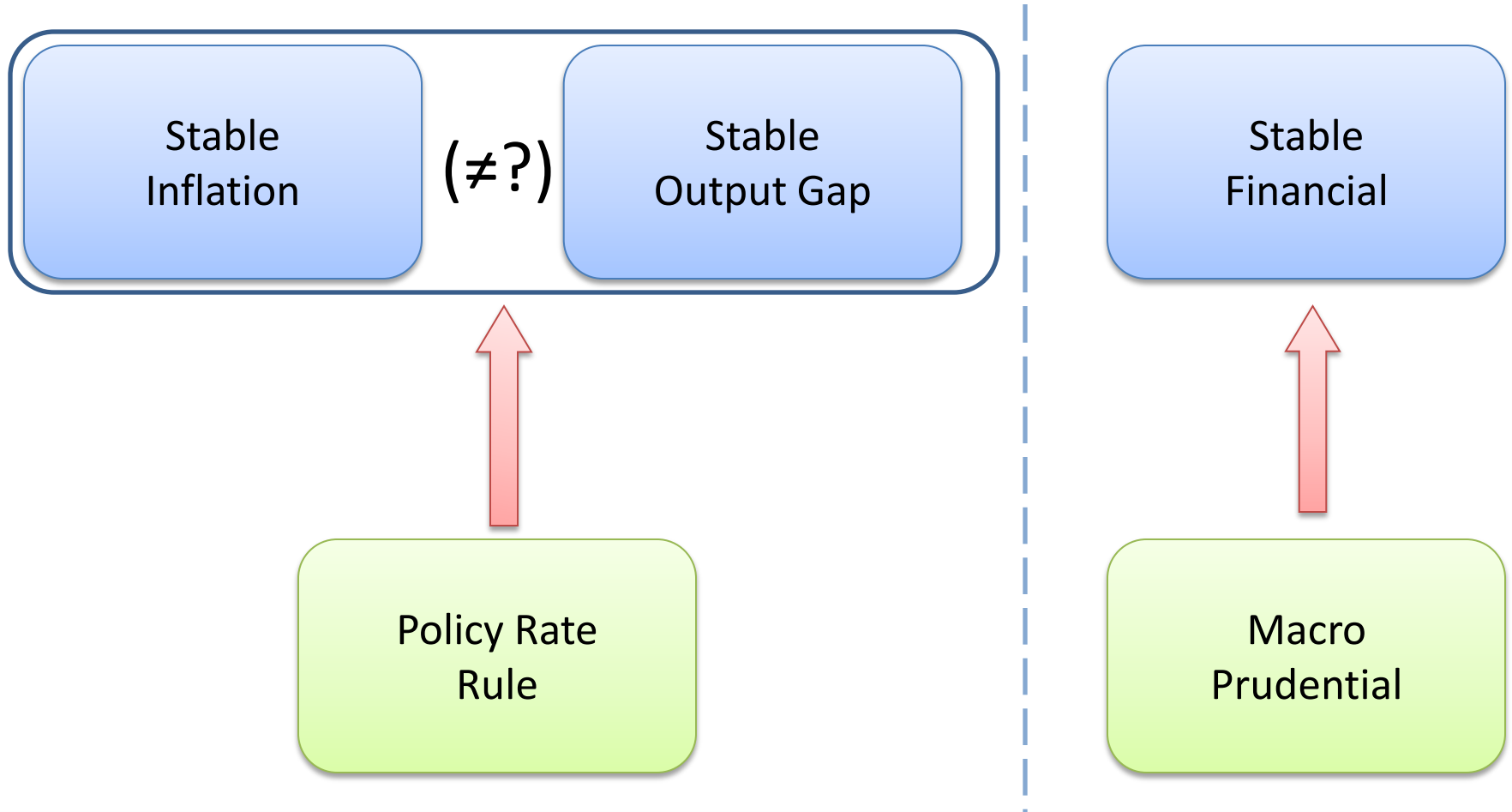
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Pre-Crisis Orthodoxy: Inflation Targeting (IT)



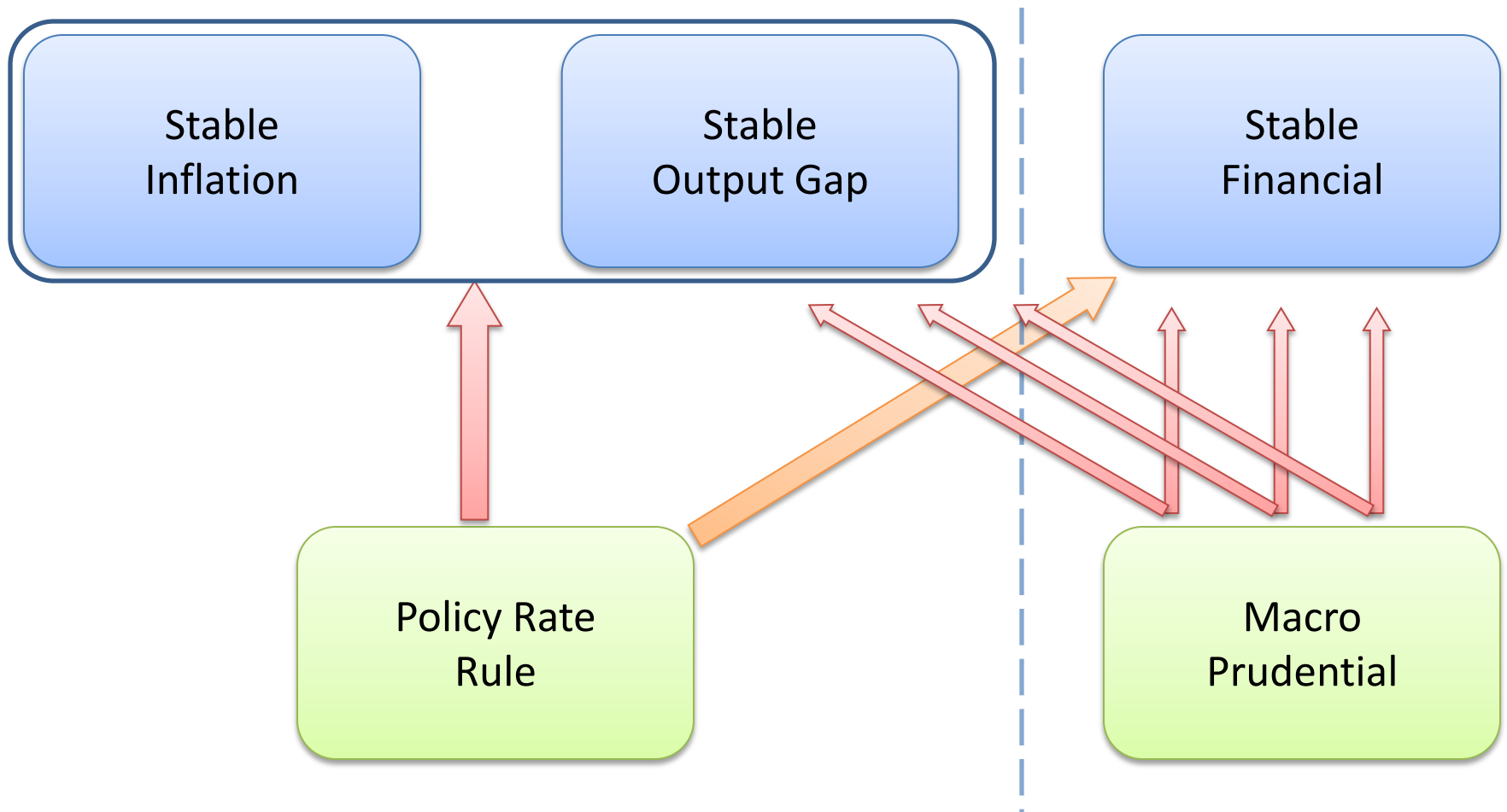
- One target, one instrument
- Divine coincidence, or close enough. Flexible inflation targeting.

Post-Crisis: This Way ?



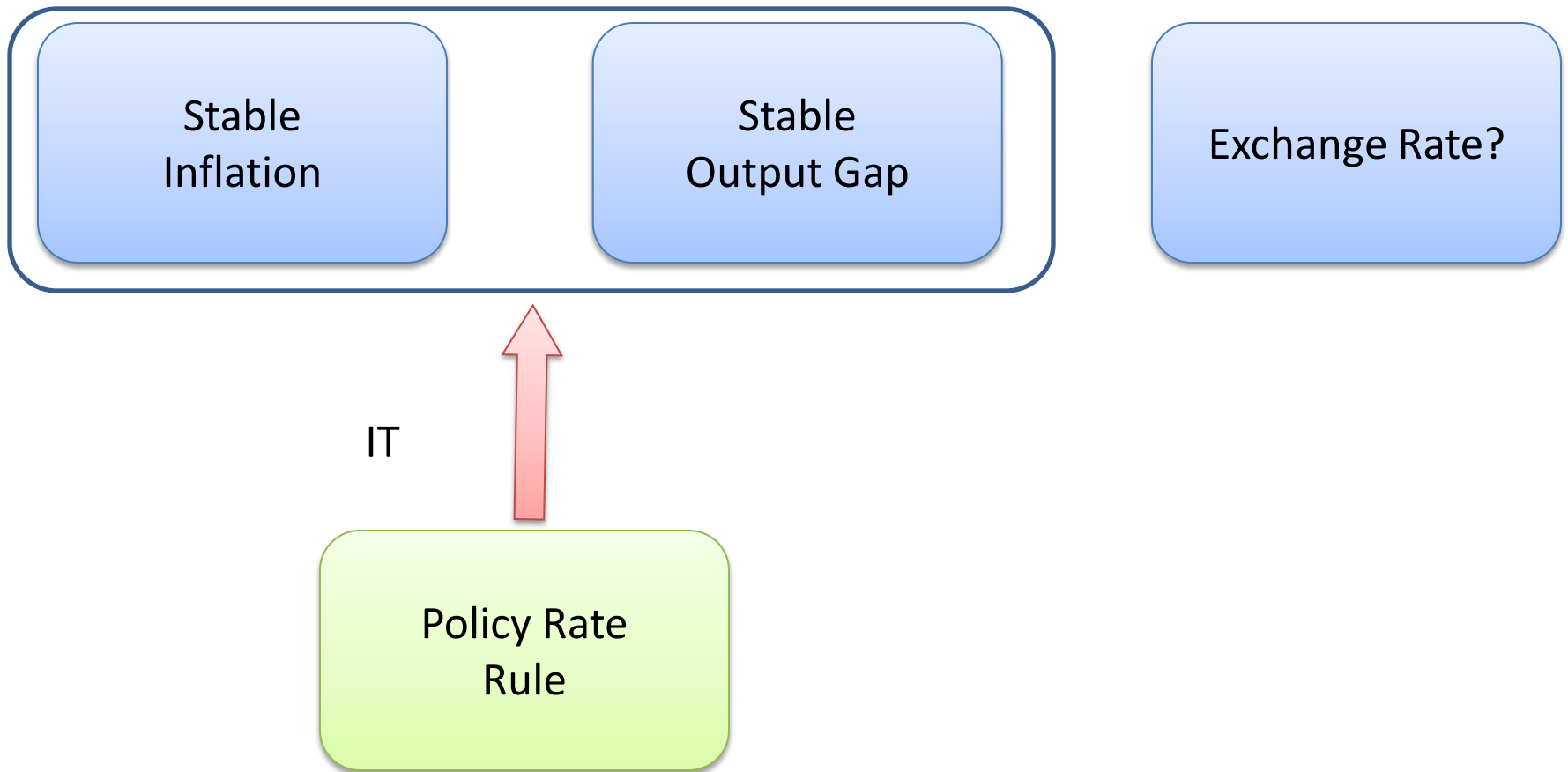
- Divine coincidence? Poor relation inflation output gap
- Two targets. Macroeconomic as well as financial stability

Or That Way?



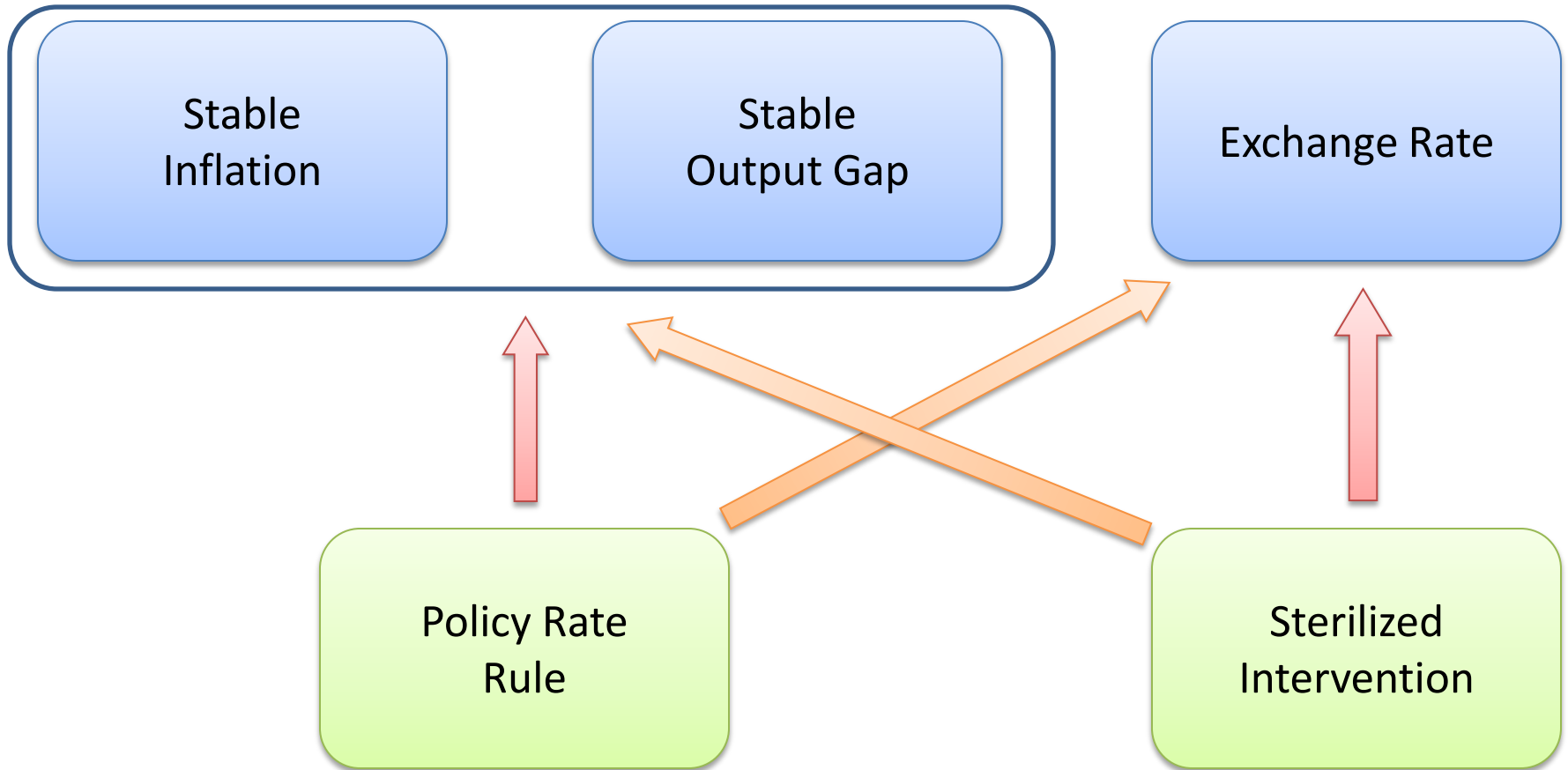
- Largely virgin territory
- Political economy issues
- Back to the 1950s?

Pre-crisis: IT in Emerging Market Countries



- “Exchange Rate only as it affects inflation”

Post-Crisis: A More Explicit Approach?



- Two (3?) targets and two instruments