Beyond Inflation Targeting
Assessing the Impacts and Policy Alternatives

Edited by Gerald A. Epstein, Professor of Economics and Co-Director, Political Economy Research Institute (PERI), University of Massachusetts-Amherst, US and A. Eric Yeldan, Professor of Economics, Bilkent University, Ankara, Turkey and Member, Executive Committee of the International Development Economics Associates (IDEAs), New Delhi, India

‘Inflation targeting (IT) has become the sacred cow of central banking. But its suitability to developing nations remains contested. The contributors to this volume perform the valuable service of sketching out plausible, more development-friendly alternatives. They are to be commended in particular for avoiding a one-size-fits-all approach and paying close attention to the needs of specific countries. Their proposals range from relatively minor tinkering in IT to comprehensive overhaul. A common theme is the central role of the real exchange rate, which the central banks ignore at their economies’ peril.’

– Dani Rodrik, Harvard University, US

‘As the world economy is devastated by a virulent financial crisis and jobs are lost in scores, central bankers are increasingly questioned as to why they have failed to sustain stability and growth even though they told us all along that conquering inflation would be necessary and sufficient to do so – while hoping to get a pat on the back for achieving a degree of price stability unprecedented in recent times. This book provides a lot of food for thought on why. It is a powerful critique of the orthodox obsession with inflation in neglect of the two deepseated problems of the unbridled market economy – financial instability and unemployment. It is a must for all policy makers, notably in the developing world, and for the mainstream.’

– Yılmaz Akyuz, formerly of the United Nations Conference on Trade and Development, Geneva, Switzerland

‘This collective volume makes a compelling case for balancing the developmental and stabilization functions of central banks. In particular, the authors emphasize that, as practiced in many successful developing countries, competitive real exchange rates can be good for growth and employment generation, and should thus be a specific focus of central bank actions. The book is a must read for those looking for a more balanced framework for central bank policies.’

– José Antonio Ocampo, Columbia University, US and former Under-Secretary-General of the United Nations for Economic and Social Affairs and Finance Minister of Colombia

This volume, written by an international team of economists, develops concrete, country specific alternatives to inflation targeting, the dominant policy framework of central bank policy that focuses on keeping inflation in the low single digits to the virtual exclusion of other key goals such as employment creation, poverty reduction and sustainable development.


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Beyond Inflation Targeting
Assessing the Impacts and Policy Alternatives
Edited by Gerald A. Epstein and A. Erinc Yeldan

The book includes thematic chapters, including analyses of class attitudes toward inflation and unemployment and the gender impacts of restrictive monetary policy. Other chapters propose improved monetary frameworks for Argentina, Brazil, India, Mexico, the Philippines, South Africa, Turkey, and Vietnam. Policy frameworks that are explored include employment targeting, and targeting a stable and competitive real exchange rate. The authors also show that to reach a larger number of targets, including higher employment and stable inflation, central banks must use a larger number of instruments, including capital management techniques.

This volume offers concrete, socially valuable alternatives that economists, policy makers, students and interested laypeople should consider before adopting one size fits all, often inadequate, policies that have become a virtual policy making fad.

Contents & Contributors

PART I: INTRODUCTION AND THEORETICAL FRAMEWORKS
1. Beyond Inflation Targeting: Assessing the Impacts and Policy Alternatives
   Gerald Epstein and Erinc Yeldan
2. Real Exchange Rate, Monetary Policy and Employment: Economic Development in a Garden of Forking Paths
   Roberto Frenkel and Lance Taylor
3. Inflation Targeting and the Real Exchange Rate in a Small Economy: A Structuralist Approach
   Jose Cordero

PART II: THEMATIC ISSUES: CLASS RELATIONS AND GENDER IMPACTS OF INFLATION TARGETING
4. Income, Class and Preferences Towards Anti-Inflation and Anti-Unemployment Policies
   Arjun Jayadev
   Elissa Braunstein and James Heintz
   Robert Pollin and Andong Zhu

PART III: INFLATION TARGETING: CRITIQUES AND COUNTRY SPECIFIC ALTERNATIVES
   Nelson H. Barbosa-Filho
8. Alternatives to inflation targeting in Mexico
   Luis Miguel Galindo and Jaime Ros
   Roberto Frenkel and Martin Rapetti
10. A General Equilibrium Assessment of Twin-Targeting in Turkey
    Cagatay Telli, Ebru Voyvoda and Erinc Yeldan
    Gerald Epstein
12. Inflation Targeting and the Design of Monetary Policy in India
    Raghbendra Jha
13. Towards An Alternative Monetary Policy in the Philippines
    Joseph Lim
14. Monetary Policy in Vietnam: Alternatives to Inflation Targeting
    Le Anh Tu Packard

Index