

# TAYLOR RULE AND THE MACROECONOMIC PERFORMANCE IN PAKISTAN pdf

## 1: EconPapers: The Taylor Rule and the Macroeconomic Performance in Pakistan

*Ever since the introduction of the Taylor rule, three issues that have occupied much space in research are positive analysis of central banks' strategy to control inflation, robustness of rule to changes in transmission mechanism and ex-post macroeconomic performance once the rule is adopted.*

The first essay deals with the estimation of Taylor rule for Pakistan and investigate whether the rule, if followed, leads to an improvement in macroeconomic performance of the economy as modern macroeconomics literature predicts. We also assess the optimal weights for inflation and output and the level of inflation to be targeted by State Bank of Pakistan. Ordinary least squares OLS technique is used to estimate Taylor rule for Pakistan using quarterly data over the period Q1 to Q4. The results indicate that the SBP has not been following the Taylor rule in the period under consideration, rather the actual policy seems to be in extreme deviation from it. Assuming Taylor rule as monetary policy strategy we then analyzed macroeconomic performance in terms of reduced variability in inflation and output in comparison to actual behavior of the economy. Results from backcasting the economy, based on a small macro model, confirm that macroeconomic performance could have been improved by following a simple Taylor rule. The model also predicts that performance can further be improved by setting inflation target and relative weights to the policy objectives according to the conditions of the economy rather than relying on the ones suggested by Taylor. The second essay deals with identification of monetary policy objectives in Pakistan. Taylor rule assumes only two objectives for monetary policy, viz. In practice, however, central banks are entrusted with other objectives as well, such as interest rate smoothing and exchange rate stabilization. We also focus on identification of other variables that may potentially explain variation in the short term interest rate the monetary policy instrument. The results are consistent with economic theory; short interest rate responds positively to output gap, inflation, trade deficit and exchange rate but negatively to changes in the foreign exchange reserves and government borrowing from the central bank. We also discover that most of the variation in the interest rate is explained by its own lagged values followed by inflation, government borrowing, exchange rate, output gap, trade deficit and foreign exchange reserves. The third essay deals with the monetary policy transparency issues in Pakistan. By virtue of making policy more predictable, transparency of the central bank is assumed to solve the time inconsistency problem pointed out by Kydland and Prescott. Notwithstanding the importance of monetary policy transparency in the literature, no effort has been made so far to analyze this issue with respect to the State Bank of Pakistan SBP. We have used Eijffinger and Geraats index to measure independently, the transparency level of SBP actions regarding monetary policy and to compare this with that of the most advanced central banks. According to that index SBP has been awarded the aggregate score of 4. SBP is completely opaque on the procedural issues, whereas it is least transparent in the policy transparency. On the political and the economic matters, SBP is partially transparent. An area where SBP is quite transparent with moderate score is the operational transparency. In comparison with the other central banks, SBP is at par with some of the central banks in the political and the operational transparency but quite behind on all other fronts. Year: Sorry, we are unable to provide the full text but you may find it at the following location s:

## 2: kumail naqvi - [www.enganchecubano.com](http://www.enganchecubano.com)

*for Pakistan and Taylor rule is assumed to be the monetary policy strategy. Finally to find the optimal weights on inflation and output in the reaction function and the optimal inflation target for Pakistan, economy has been.*

## 3: Three Essays On Monetary Policy In Pakistan - CORE

*Taylor Rule and Macroeconomic Performance 39 adopted and followed for a reasonably long period of time to reap the*

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*benefits of stabilisation and the credibility associated with the rule.*

## 4: A Small Open Economy DSGE Model for Pakistan - Munich Personal RePEc Archive

*Macroeconomic Performance according to the Taylor Rule With respect to the second objective of the paper, we have backcasted the economy from the period through and measured the.*

## 5: The Taylor Rule and the Macroeconomic Performance in Pakistan

*The Taylor Rule and the Macroeconomic Performance in Pakistan. Wasim Malik and Ather Maqsood Ahmed. Macroeconomics Working Papers from East Asian Bureau of Economic Research.*

## 6: Taylor Rule and the Macroeconomic Performance in Pakistan

*On the other hand, counterfactual simulation confirms that macroeconomic performance could have been better in terms of stability of inflation and output, had the Taylor rule been adopted as monetary policy strategy.*

## 7: Taylor, rules and central bank independence - When Taylor is right and wrong

*The Taylor Rule and the Macroeconomic Performance in Pakistan. Wasim Malik and Ather Ahmed (). No , PIDE-Working Papers from Pakistan Institute of Development Economics.*

## 8: Taylor rule - Wikipedia

*A widely agreed proposition in modern economics is that policy rules have greater advantage over discretion in improving economic performance. Simple monetary policy instrument rules are feasible options for developing countries lacking the pre-requisites for more sophisticated targeting rules.*

## 9: Taylor Rule, Solvency Rule and the "Mezzogiornification"™ of Europe - [PPT Powerpoint]

*BibTeX @MISC{Malik\_thetaylor, author = {Wasim Shahid Malik and Ather Maqsood Ahmed}, title = {The Taylor Rule and the Macroeconomic Performance in Pakistan}, year = {}.*

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