

BS2551 Money Banking and Finance Spring Assignment

Ever since October 1992 the UK has adopted an explicit inflation target. Discuss the advantages and disadvantages of having an inflation target. In your answer give empirical evidence for and against the target and express your opinion on whether you believe the target has been a success. All assignments must be typed and the deadline is on Friday 2nd May 4pm. Word Limit 2000 words.

Suggested Reading

Inflation and inflation uncertainty in the United Kingdom, evidence from GARCH modelling, by A. Kontonikas. *Economic Modelling*, 21 (2004), 525-543.

Inflation targeting and the stationarity of inflation: New Results from an ESTAR unit root test, by Andros Gregoriou and Alexandros Kontonikas. *Bulletin of Economic Research*, 58 (4), 2006, 309-322. [*Focus on the Table on page 322, which reviews all the targeting countries*].

Also read other published papers on inflation targeting, any paper mentioned in the assignment must be fully referenced.