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Parasal Aktarım Kanallarının Etkinliği: Merkezi ve Doğu Avrupa Geçiş Ekonomileri İçin Bir Uygulama / The Effectiveness of Monetary Transmission Channels: The Case of Central and Eastern European Transition Economies

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ABSTRACT

The Effectiveness of Monetary Transmission Channels: The Case of Central and Eastern European Transition Economies Many factors including government actions, the depth of financial markets, the structure of banking sector, capital movements, etc. affect the functioning of the monetary transmission mechanism. Thus, the determination of the channels playing an active role in the transmission mechanism is of vital importance for making policy decisions aimed at ensuring price stability. The present study aimed at investigating the effectiveness of the monetary transmission channels in Central and Eastern European transition economies. In this regard, the study tested the effects of the monetary policy decisions in the transition economies of Bulgaria, Slovenia, Slovakia, Estonia, Lithuania, Poland, The Czech Republic, Hungary, and Romania in the 1995-2012 period on such macroeconomic variables as GDP and inflation, through the channels of interest rate, exchange rate, money supply and credit. Firstly, the VAR analysis was carried out based on the World Bank and the International Monetary Fund (IMF) data in order to determine the short-term dynamics of the effects of the transmission channels in transition economies on macroeconomic variables. Secondly, the long-term dynamics of the effects of each transmission channel on the above-mentioned macroeconomic variables were searched via ARDL analysis. Finally, the effects of transmission channels were determined through panel data analysis technique. It was concluded in study that monetary and exchange rate were the channels influential on economic variables in most of the said economies, but credit and interest rate did not function as an effective channel.

KEYWORDS Monetary Transmission Channels; VAR Analysis; ARDL Approach; Panel Data Analysis

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