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Finansal İstikrar İle Geniřletilmiř Taylor Kuralı: Türkiye Uygulaması / Taylor Rule Augmented by Financial Stability: Turkey Application

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ABSTRACT

Central Bank of the Republic of Turkey has implemented the inflation targeting regime implicitly since 2001 and formally since 2006. The primary objective of the Bank is to achieve price stability. However, after the global financial crisis in 2007, as a result of changes in the international financial system, financial stability have become important in terms of the healthy operation of the financial system and the realization of the monetary policy objectives. Ignored financial stability threatens macroeconomic stability and price stability in the medium and long term. Therefore, the view that the central bank should not ignore the accumulation of risks in the financial system and asset price bubble gradually became widespread in the global platform. At this point, while providing of price stability remains primary objective of the central bank, financial stability has emerged as a secondary objective. The purpose of this study is construction a model of monetary policy with Taylor rule augmented by financial stability. Because financial stability includes a wide set of variables, the measurement of it requires a multidimensional analysis. In the study, financial stability indicator will be measured with factor analysis by the monthly data between 2002-2014. Parameters of the Taylor equality augmented by financial stability indicator will be estimated by Kalman Filter method and the changes in parameters during time will also be investigated.

KEYWORDS Augmented Taylor Rule; Financial Stability; Factor Analysis

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