

The Evaluation of Monetary Policy within the Framework of Interest Rate Channel: The Case of Turkey

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Abstract

The impacts of monetary policies implemented by central banks on real economy are investigated with the help of transmission mechanisms. The extent to what monetary policy is successful not only depends on accurately evaluating of the effects and timing of the policies implemented by monetary otorities on economy, but also it depends on understanding of the mechanisms affecting the economy. In macroeconomic theory, interest rate channel is taken into account as traditional channel of monetary policy. This standard channel is summarized in terms of IS-LM model. This study aims to assess the effectiveness of monetary policy by TCMB from the point of view of interest rate channel. Operation of the interest rate transmission mechanism is researched considering high and low inflation regime by using TVAR method.

Keywords: Monetary Policy, Threshold VAR, Interest Rate Channel

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