

Editor's Note

The first number of volume two is a special issue covering the proceedings of the First SBP International Conference on "Monetary-cum-Exchange Rate Regime: What Works Best for Emerging Market Economies?" held at Karachi on 14-15 November 2005. The theme of the conference comprised three competing hypotheses focusing on the optimality of inflation targeting monetary policy strategy with flexible exchange rates, exchange rate targeting monetary policy strategy with fixed or quasi-fixed exchange rates, and the need for establishing credible monetary, fiscal, and financial institutions over and above any monetary and/or exchange rate regime in emerging market economies.

Nearly all the aforementioned hypotheses, spread over twelve papers with various focuses, appeared in the conference. As summarized by Shaghil Ahmed in the 'Concluding Remarks' of this number, the papers dealt with six major issues in the context of Pakistan's economy: (i) what are the leading determinants of inflation? (ii) which exchange rate regime would work best: fixed, flexible, or managed float? (iii) what are the institutional strengths and macroeconomic technicalities for the feasibility of inflation targeting monetary policy and if Pakistan is ready for the very strategy? (iv) which interest rate rules are appropriate? (v) does the State Bank of Pakistan have control over money supply? and (vi) why is it important to improve institutions for the effective conduct of policies?

This issue reproduces all the twelve papers along with the discussant's comments. We hope that this effort would enhance the understanding of our readers on the optimality of monetary-cum-exchange rate policy issues within the context of Pakistan's economy.

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Editor