

## Abstract

Disinflation is a painful exercise: it reduces output and increases unemployment at least in the short run. This paper analyses the effects of adopting inflation targeting as a monetary policy framework in order to reduce inflation and maintain it at a low level, on this output or employment sacrifice. Using OECD data for several countries and several empirical methodologies, sacrifice ratios are measured. Several important results emerge: first, adopting of inflation targeting has not been an overnight shift but a gradual process; second, in industrial countries, inflation targeting has resulted in lower inflation as well as lower unemployment; however, the experience of some Eurozone economies as well as emerging market inflation targeters show that maintaining low and stable inflation could lead to adverse unemployment outcomes.

**Keywords: Disinflation, Inflation targeting, Inflation-unemployment trade-off**

**JEL Classification: E24, E31, E52, E58,**