

ABSTRACT

As a contribution to an overall effort and research work by different economists and our policy makers to find the appropriate monetary policy initiatives for steering the economy in the right direction in the prevailing recession, the present study thoroughly examined the effects of present tight monetary policy, followed by the state bank of Pakistan, on our national economy with the view to suggest appropriate changes for making the policy most suitable to bring the national economy out of the forth-coming dangers posed by the prevailing recession. The effects of the monetary policy were evaluated in depth to ascertain whether the policy is meeting its objectives in the prevailing economic conditions created by the recession. The specific dependant measures were the economic growth rate and inflation. No significant evidence was found to support the stance of State Bank of Pakistan for implementing the tight monetary policy to control the inflation and put the economy back on the growth track. Based on the findings of the study, a comparatively cheap monetary policy has been recommended.

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