Project title: Estimating a Taylor rule for Vietnam: An approach using Johansen Cointegration method

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Prize: Consolation prize at UEB level

1. Summary of research purpose and content

1.1 Purpose

Estimating a Taylor rulewhich is suitable for Vietnam's economy.

1.2 Scientific meaning of research

The research contributes to develop the theory of mechanism and rule-based monetary policy. In addition, the researchpresents a new point of view at monetary policy through the perspective of Vietnam's monetary rules as well as proposes a Taylor rule for Vietnam. Basing on which, the central bank candetermine the appropriate interest rate for the economy.

1.3 Literature review

- Provide atheory overviewof operating mechanism of monetary policy which the central bank formulatesas well as an overview of rule-based monetary policy in general and Taylor rule in particular.

- Assess Vietnam monetary policy through the perspective of monetary rules by qualitative method, data analysis andestimating the econometric models.

- Define a Taylor rule in accordance with Vietnam by using Johansen cointegration method.

2. Research results, scientific achievement

-The research has provided asystematical theory overview of the operating mechanism of monetary policy as well as an overview of the monetary policy rules. It has been suggested by the research that rule-based policy, rather than discretion, can work well in the real world in that macroeconomic performance has been better.

- By analyzing data and estimating Taylor rule the research demonstrates thatthe central bank of Vietnam employs full discretionary policy while implementing monetary policy. The monetary policy of Vietnam State Bank aims at interest rates stability and it has been indicated that interest rates were maintainedin a lowerlevel than a necessary level in a long time.

- Research has launched a Taylor rule for Vietnam's economy in the long term and short term based on Johansen Cointegration method.