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Keep in mind

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This paper explores the relationship between central bank independence and inflation in Latin America, using as a case study the experience of Colombia (1923-2008). Since its creation, in 1923, Colombia's central bank has undergone several reforms that have changed its objectives and degree of independence. Between 1923 and 1951, it was private and independent, with a legal commitment to price stability. In 1962 monetary responsibilities were divided between a government-dominated Monetary Board, in charge of monetary policy, and the central bank, which carried them out. In the early 1990s, the bank recovered its independence and its focus on price stability. Inflation varied substantially during these subperiods. The analysis shows that central bank independence, combined with a commitment to price stability, renders the best results in terms of price stability.