Central Banking and Macroeconomic Coordination: The Case of Colombia

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Autor o Editor Clavijo-Vergara, Sergio Autores y/o editores Clavijo-Vergara, Sergio
This short paper addresses the issues of objectives, organizational arrangements and policy instruments of autonomous central banks, with particular reference to Colombia. Instead of resorting to mechanical extrapolations of other countries' experiences, we discuss the institutional "checks and balances" existing in the new Constitution adopted back in 1991, when the Banco de la República was granted autonomy. We underscore the importance of coordination between the Ministry of Finance and the Central bank, if disinflation is to have a long-term effect.

The Banco de la República has the peculiarity of being, besides the monetary and credit authority, the exchange rate market manager and regulator. Hence, the degree of coordination required under such institutional arrangement is certainly above some other central banks. Under current circumstances, neither the number of Boards Members (seven, below an international average of eight(nor its chairing by the Minister of Finance (with no veto power or tight-breaking vote) are serious obstacles to maintaining single-digit inflation, while recovering fast economic growth. JEL Classification: Monetary Policy (e52), Central Banking (E58), Inflation (E31).

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