

[Home](#) > [Open Economies Review](#) > Article

Central Bank Independence, Speed of Disinflation and the Sacrifice Ratio

Published: October 2004

Volume 15, pages 385–402, (2004) [Cite this article](#)

[Open Economies Review](#)

[Aims and scope](#) →[Submit manuscript](#) →[Giuseppe Diana](#)^{1,2} & [Moïse Sidiropoulos](#)² 204 Accesses 20 Citations [Explore all metrics](#) →

Abstract

Using a theoretical model in which the degree of central bank independence affects the degree of inflation persistence and therefore the speed of disinflation, this paper suggests that sacrifice ratios are lower when central bank independence is higher. Empirical tests, using estimates of sacrifice ratios based on disinflation episodes for 18 OECD countries during the 1960–90 period, show that this result also holds empirically. This finding seems to be consistent with the credibility hypothesis by pointing out that an independent central bank may produce a credibility bonus.

Access this article

[Log in via an institution →](#)

[Buy article PDF 39,95 €](#)

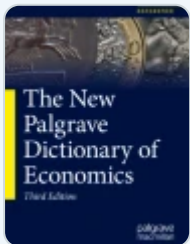
Price includes VAT (Poland)

Instant access to the full article PDF.

Rent this article via [DeepDyve](#) 

[Institutional subscriptions](#) →

Similar content being viewed by others



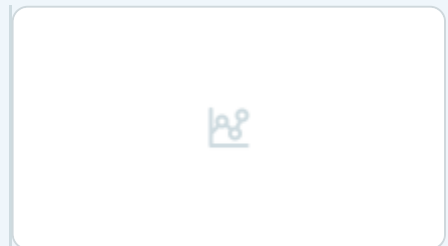
[Central Bank Independence](#)

Chapter | © 2018



[The limits of central bank independence for inflation performance](#)

Article | 02 January 2020



[Does Central Bank Financial Strength Really Matter for Inflation? The Key Role of the Fiscal Support](#)

Article | 26 April 2018

References

Alesina, Alberto and Lawrence Summers (1993) "Central Bank Independence and Macroeconomic Performance: Some Comparative Evidence." *Journal of Money, Credit, and Banking* 25(2):151-162.

[Google Scholar](#)

Alogoskoufis, George and Ronald Smith (1991) "The Phillips Curve, The

Persistence of Inflation, and the Lucas Critique: Evidence from Exchange-Rate Regimes." *The American Economic Review* 81:1254-1275.

[Google Scholar](#)

Andersen, Palle and William Wascher (1999) "Sacrifice Ratios and the Conduct of Monetary Policy in Conditions of Low Inflation." BIS Working Papers, No. 82, Basel, November.

Ball, Laurence (1994) "What Determine the Sacrifice Ratio?" in N.G. Mankiw (eds.) *Monetary Policy*, University of Chicago Press, Chicago, IL.

[Google Scholar](#)

Baltensperger, Ernst and Peter Kugler (2000) "Central Bank Independence and Sacrifice Ratios: Some Further Considerations." *Open Economies Review* 11:111-125.

[Google Scholar](#)

Barro, Robert and David Gordon (1983) "Rules, Discretion and Reputation in a Model of Monetary Policy." *Journal of Monetary Economics* 12:101-121.

[Google Scholar](#)

Bleaney, Michael (2001) "Exchange Rate Regimes and Inflation Persistence." *IMF Staff Papers* 47(3):387-402.

[Google Scholar](#)

Bruno, Michael and Jeffrey Sachs (1985) *The Economics of Worldwide Stagflation*. Cambridge, MA: Harvard University Press.

[Google Scholar](#)

Brumm, Harold and Richard Krashevski (2003) "The Sacrifice Ratio and Central Bank Independence Revisited." *Open Economies Review* 14:157-168.

[Google Scholar](#)

Burdekin, Richard and Pierre Syklos (1999) "Exchange Rate Regimes and the Shifts in Inflation Persistence: Does Nothing Else Matter?" *Journal of Money, Credit and Banking* 31:235-247.

[Google Scholar](#)

Cecchetti, Stephen and Robert Rich (2001) "Structural Estimates of the US Sacrifice Ratio." *Journal of Business and Economics Statistics* 19(4):416-427.

[Google Scholar](#)

Clarida, Richard, Gali Jordi, and Mark Gertler (1999) "The Science of Monetary Policy: A New Keynesian Perspective." *Journal of Economic Literature* 37:1661-1707.

[Google Scholar](#)

Cukierman, Alex (1992) *Central Bank Strategy, Credibility, and Independence*. MIT Press.

Cukierman, Alex (2002) "Does a Higher Sacrifice Ratio Mean that Central Bank Independence is Excessive?" *Annals of Economics and Finance* 3:1-25.

[Google Scholar](#)

Debelle, Guy and Stanley Fischer (1994) "How Independent Should a Central Bank Be?" In J. Fuhrer (eds.) *Goals, Guidelines, and Constraints Facing Monetary Policymaker*, Federal Reserve Bank of Boston.

Fischer, Andreas (1996) "Central Bank Independence and Sacrifice Ratios." *Open Economies Review* 7:5-18.

[Google Scholar](#)

Fischer, Stanley (1983) "On Indexing and Inflation." *Journal of Monetary Economics* 12:519-541.

[Google Scholar](#)

Fuhrer, Jeffrey (1995) "The Persistence of Inflation and the Cost of Disinflation." Federal Reserve Bank of Boston, *New England Economic Review*, Jan./Feb., 3-16.

Gaertner, Manfred (1997) "Central Bank Independence and Sacrifice Ratio: The Dark Side of the Force." *Swiss Journal of Economics and Statistics* 133(3):512-538.

[Google Scholar](#)

Gray, Jo Anna. (1976) "Wage indexation: A Macroeconomic Analysis." *Journal of Monetary Economics* 2:221-235.

[Google Scholar](#)

Grilli, Vittorio, Donato Masciandaro and Guido Tabellini (1991) "Public Financial Policies in Industrialized Countries." *Economic Policy* 13:341-392.

[Google Scholar](#)

Grubb, Dennis, Richard Jackman, and Richard Layard (1983) "Wage Rigidity and Unemployment in OECD Countries." *European Economic Review* 21:11-39.

[Google Scholar](#)

Hutchinson, Michael and Carl Walsh (1998) "The Output Inflation Trade-Off and Central Bank Re-form: Evidence from New Zealand." *Economic Journal* 703-725.

Jordan, Thomas (1997) "Disinflation Costs, Accelerating Inflation Gains, and Central Bank Independence. " *Weltwirtschaftliches Archiv* 133(1):1-21.

[Google Scholar](#)

Jordan, Thomas (1999) "Central Bank Independence and Sacrifice Ratio." *European Journal of Political Economy* 15:229-255.

[Google Scholar](#)

Posen, Adam (1998) "Central Bank Independence and Disinflation Credibility: A Missing Link?" *Oxford Economic Papers* 50:335-359.

[Google Scholar](#)

Rogoff, Kenneth (1985) "The Optimal Degree of Commitment to an Intermediate Monetary Target." *Quarterly Journal of Economics* 100:1169-1189.

[Google Scholar](#)

Sargent, Thomas (1983) "Stopping Moderate Inflation: The Methods of Poincare and Thatcher." In R. Dornbusch and M. Simonsen (eds.) *Inflation, Debt, and Indexation*, MIT Press.

Taylor, John B. (1980) "Aggregate Dynamics and Staggered Contracts." *Journal of Political Economy* 88:1-23.

[Google Scholar](#)

Walsh, Carl (1995) "Central Bank Independence and the Costs of Disinflation in the European Community. " In B. Eichengreen, J. Frieden, and J. von Hagen

Author information

Authors and Affiliations

BETA-theme, University Louis Pasteur, Strasbourg, France

Giuseppe Diana

GRICE-Tipee, University Robert Schuman, Strasbourg, France

Giuseppe Diana & Moïse Sidiropoulos

Rights and permissions

[Reprints and permissions](#)

About this article

Cite this article

Diana, G., Sidiropoulos, M. Central Bank Independence, Speed of Disinflation and the Sacrifice Ratio. *Open Economies Review* **15**, 385–402 (2004). <https://doi.org/10.1023/B:OPEN.0000048526.52803.b9>

Issue Date

October 2004

DOI

<https://doi.org/10.1023/B:OPEN.0000048526.52803.b9>

[central bank independence](#)

[disinflation](#)

[credibility](#)

[sacrifice ratio](#)

Search by keyword or author



Navigation

Find a journal

Publish with us

Track your research

