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This paper examines whether central banks in Latin America have implemented conventional inflation

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targeting (IT) prescriptions, with a focus on foreign exchange intervention and official reserves accumulation policies. To this end, the paper reviews the experiences of Brazil, Chile, Colombia, and Peru, and finds significant departures from the dominant theory of IT. Foreign exchange intervention has often been used to prevent excessive financial volatility, bubbles, and panics. Ongoing patterns of reserves accumulation have been the outcome of an effort to build “war chests” against speculative attacks and, more recently, of a fight against real exchange appreciation. Possible justifications of the discrepancies between conventional IT theory and practice are discussed and generally found unsatisfactory.

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