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Tenga en cuenta

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Colombian inflationary experience is explained using a theoretical model that stresses two elements: the effect of shocks and the type of policy designed to respond to them. The empirical investigation uses the event-study methodology and finds that the model successfully accounts for the main characteristics of the country's inflationary process; foreign exchange reserves, agricultural and policy shocks, as well as lack of commitment to low infaltion by the authorities are the main causes behind the sustained high/moderate level of inflation. As assessment of the costs of inflation and price variability, widely documented for other countries, is not found during the periods of high but stable inflation in Colombia.