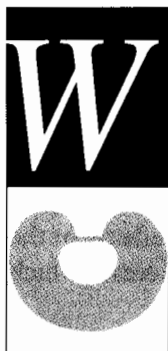


Seigniorage and the Welfare Cost of Inflation in Colombia

*Martha López P.**



e compute both seigniorage rate and welfare cost of inflation rate in Colombia using a Sidrauski-type model in which preferences are non-separable functions of the service flows of non-durable goods and money holdings. The set of the estimated parameters imply sizeable welfare cost of inflation and seigniorage rates. However, even though for low inflation rates seigniorage rate markedly increases with the rate of inflation, for very high inflation rates it reaches an asymptote.

* Central Bank of Colombia. I would like to thank for their comments to Doctors Alastair Hall and David Dickey from North Carolina State University, as well as Doctors Hernando Vargas, Carlos Esteban Posada and Javier Gómez from the Central Bank of Colombia. The suggestions of an anonymous referee were especially helpful in improving the paper. The views expressed in the paper are those of the author.