Central Bank Independence

Political Science

Why monetary policy is often removed from elected control.

The case for

- Removes the electoral cycle from rates
- Makes low inflation commitments credible
- Technical decisions need continuity
- Empirically associated with lower inflation

The objections

- Unelected officials make distributive choices
- Accountability is weak in practice
- Mandates narrow relative to their real effects
- Crisis actions blur the fiscal boundary

THE DIFFERENCE THAT MATTERS

Independence solves a real credibility problem while creating a genuine democratic accountability question.

Educational reference. Independence is always bounded: the mandate itself is set by elected legislatures.