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Central Bank Independence in Sub-Saharan Africa: An Analysis, 1960-1989

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Oral Presentation O1.3

CENTRAL BANK INDEPENDENCE IN SUB-SAHARAN AFRICA: AN ANALYSIS, 1960-1989

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Central banks are instrumental to shaping and implementing monetary policy in both industrialized and developing countries. They affect exchange rates, interest rates, and the success of private banks within their home country. A vast amount of research has been devoted to looking at the autonomy of central banks in developed countries and factors that affect their autonomy. Research suggests that a high level of informal central bank independence, as opposed to legal, or formal, central bank independence is a precondition for macroeconomic stability in developing countries. This study aims to examine the behavior of central banks in sub-Saharan Africa.

The evidence presented in this article suggests that the legal autonomy of a central bank in sub-Saharan Africa cannot solely account for its policymaking capacity. On the other hand, the measure of informal independence, central bank governor turnover, appears to have little explanatory power, with respect to bank capacity either. This research implies that further research must employ alternative measures of central bank independence in order to explain fluctuations in exchange rates. Central bank independence in sub-Saharan African countries is driven mainly by the political climate, as opposed to the economic climate.