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**Debt, Inflation and Central Bank Independence**

Abstract
Consider a reform that aligns the objectives of the central bank closer to the preferences of society and away from those of a non-benevolent fiscal authority. In the short run, the reform leads to lower inflation and a higher primary deficit. In the long run, the accumulation of deficits induces an increase in inflation to accommodate the higher public debt, reversing the initial success of the reform. Alternatively, endowing the central bank with an appropriate inflation target would lower inflation permanently and insulate the primary deficit from political distortions.