

Keep in mind

The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

#### AUTHOR OR EDITOR

Luis Eduardo Arango, Ana María Iregui, Luis Fernando Melo

At the end of the last decade, the real activity in Colombia underwent the sharpest recession of the last fifty years. We postulate a non-triangular structural VAR model (Amisano and Giannini, 1997) to describe the dynamics of output, prices, unemployment and wages during the last two decades. The evidence suggests that, in the long-run, monetary policy has been neutral to both output and unemployment while the main reasons for the increase in the latter have been the lack of credibility of monetary policy, the way in which wages are set and the increase in non-wage labor costs.

