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Evaluates proposals to afford central banks greater independence from government as a means of focusing monetary policy more consistently on monetary stability while providing a framework for realizing other macroeconomic policy goals. Explores issues of central bank independence and accountability. Examines the theoretical underpinnings of the case for central bank independence and the implications for what forms central bank independence should take. Critically examines some of the major studies on the relationship between central bank independence and economic performance and considers issues of causality and the endogeneity of central bank independence in light of the available evidence. Examines the 1989 reforms to the Reserve Bank of New Zealand Act, assessing the strengths and weaknesses of the new framework for the conduct of monetary policy. Evaluates the implications of the 1989 reforms for New Zealand's recent economic performance and tests the credibility of monetary policy under the new arrangements. Kirchner is an economist with Standard and Poor's Global Markets Bibliographic Index.