

Use of the monetary instruments of the Czech National Bank

Abstract

The aim of the thesis is to chronologically analyze the use of the monetary instruments of the Czech National Bank with emphasis on the issue of changing the primary objective of our central bank in the legislation order and answer the question whether there was a change in the use of the monetary instruments of the CNB or not.

The thesis uses mainly descriptive method, analytical method, and comparative method. The sources of this thesis are mainly professional economic publications (professional articles, textbooks), legal regulations, including the case law of the Constitutional Court, and freely available data listed on the website of the CNB or the website of the Czech Statistical Office.

The first chapter of my thesis defines the term "Monetary Policy". It theoretically analyses the basic types of the monetary policy and functions. This includes the processes that lead from the use of the monetary instruments to influence the economy. The emphasis here is mainly on explaining the term "inflation targeting" and its use. The second chapter presents the monetary instruments that central banks can use in their monetary policy. The chapter divides monetary instruments into direct and indirect and conventional and unconventional. The third chapter places the CNB in the context of the legal order of the Czech Republic. The fourth chapter compares the significance of the CNB's two primary objectives, which have historically been enshrined into the Czech law: the *maintenance of currency stability* and the *maintenance of price stability*, including the circumstances of their change. The last fifth chapter focuses on the practical use of the monetary instruments from 1993 to the present, with regard to the change in the CNB's legally enshrined primary objective in 2002. This last chapter also disproves a hypothesis of the causality between the change of the primary objective CNB in the legal order, and the change in the use of the CNB's monetary instruments. The CNB's monetary policy is also assessed on the basis of the analysis.

The thesis is supplemented by concrete data and graphs, which make the mentioned issue clearer. The appendices of the diploma thesis present specific settings of the monetary interest rates (from 1993 to the present), which are crucial for the contemporary monetary policy.

Key words:

The Czech National Bank, monetary policy instruments, the primary objective of the Czech National Bank.