

Abstract

The aim of the bachelor thesis is to investigate central bank independence with the stress on its international dimension. We use spatial analyses to show the spatial spillover effect of central bank independence. We give few possible economic explanations, why central banks influence each other's independence.

Because our data suffer from spatial correlation in error terms we had to use GMM estimation of our models. The most important finding of our research is that the distance is an important factor when describing the international dimension of central bank independence. Interested reader can look at the estimates of our control variables (Central bank transparency, Rule of law, Growth of GDP, membership in international organizations, Openness to trade and Inflation targeting regime) to better understand what determines the level of Central bank independence.

Probably the most important findings are the estimates of Rule of Law, Growth of GDP and OECD and WTO membership. Surprisingly, Rule of Law has a negative impact on the level of central bank independence. On the other hand, countries that are members of OECD and WTO tend to have more autonomous central banks.

Finally, we have compared our results to existing literature.