

Abstract

Karel Husník: Economic and Legal Position of the Czech National Bank in the Environment of Inflation and Deflation

The aim of this thesis is to analyse the position of the Czech National Bank (CNB) from the legal and economic point of view and to analyse the monetary policy instruments which the central bank can use efficiently in inflation targeting. The primary criterium is macroeconomic environment of inflation, respectively deflation. The thesis newly divides the monetary policy instruments on conventional and non-conventional.

The thesis uses multidisciplinary approach, it combines economic and legal point of view. The methodology of this thesis is analysis, description in historical projection and comparison. The laws of the Czech Republic and the documents of CNB, which are available online, are used. Author also worked with data from the Czech Statistical Office and with various economic studies and papers.

The first chapter of the thesis analyses position of independent Czech National Bank in its constitutional and lawful position. The Law of the Czech National Bank and the Constitution of the Czech Republic defines the purpose of the CNB and her relationship with other components of state power. The CNB's monetary policy objective is set forth in Article 98 of the Constitution of the Czech Republic and in Article 2 of Act No. 6/1993 Coll., on the Czech National Bank. The aim of CNB is price stability and it falls under the term "inflation rate". The second chapter defines the term inflation, its measuring and the term "deflation" and "deflationary trap". The main part of the thesis lays in the third, fourth and fifth chapter. The third chapter focuses on regimes of monetary policy and the targeting of various economic quantities. The monetary regimes in the Czech Republic from 1997 are described. The thesis covers the inflation targeting of CNB. The monetary regimes are described from the view of history of the currency regime in the Czech Republic until 1997. The inflation target of CNB is described, firstly in so-called net inflation, which is since 2001 measured in the whole inflation as a change of the price level of the CPI. The mechanism of targeting of inflation and the inflation target, which is determined by the price policy of CNB, which is achieved by the monetary instruments, is described in the fourth chapter. Firstly, the author analyses the standard (conventional) instruments, used in the case of reducing the inflation rate, and then the reaction of national economy through the transmission mechanism by the changes of interest rates is showed. Transmission mechanism acts through the exchange rate channel, interest and credit channel and the channel of the asset prices of the price level. Unconventional instruments, used in the conditions of deflation, are described in the fifth chapter.

In the sixth chapter, there is mentioned the prognosis, which have influence on the settings of the interest rates of CNB. The thesis is supplemented by the graphs, tables and clear schemas. Conclusion summarises the position, legal and economic options and the limits of monetary policy instruments of the Czech National Bank.

Key words: central bank, monetary policy instruments, inflation targeting