

The independence of the Czech national bank and its development since 1993 to the present

Summary

The purpose of my thesis is to describe independence of the CNB as the crucial principle for the fulfilment of its primary monetary objective, which for the vast majority of central banks including CNB is to maintain price stability. The importance of price stability ensues from empirical experience with the world economy, which confirms that high and volatile inflation has negative economic consequences.

The importance of central bank independence comes to the forefront here primarily because politicians may seek to compel the central bank to adopt measures that although in the short-run may boost economic growth, in the long run will lead to an undesirable rise in inflation. Economic growth will meanwhile return to its original level, or even sink to a lower level (as a result of the higher inflation). A sufficient degree of independence from political influence allows the central bank to resist such pressures.

The thesis is composed of six sections, which are subdivided into chapters and subchapters. *Section one* is really an introduction to the thesis representing its whole structure and also purpose, for which topic of the thesis has been chosen.

Section two is dedicated to development of central bank, The State Bank of Czechoslovakia, in the period of socialist economy since 1948 to the establishment of CNB in 1993 with the aim of demonstrating wholly different conception of banking system in comparison with present situation. The State bank of Czechoslovakia as a mono-bank of Soviet type concentrated almost all banking operations and combined the functions of a central bank with those of commercial banks. It was a central planning institution, which was ruled by Czechoslovak Communist Party. The time after 1989 is characterized by returning to the market roots of banking. The basic prerequisite for monetary policy in a newly emerging market economy was the creation of the two-level banking (act no. 130/1989). The

SBČS act (no. 21/1992) endowed the central bank with the standard responsibilities of a central bank in the market economy.

Section three describes the creation of the CNB as a standard central bank in a market economy and its incorporation to the Constitution of the Czech republic including description of relationship among the CNB and other central state power authorities. Part of this section is also composed of two significant findings of the Czech Constitutional court referring to pursuit of acquirement of influence over CNB decisions by czech politicians.

Section four is dedicated to the european proportion of a questions dealing with independence of central bank. After entrance to the European Union is Czech Republic also legally bound by appropriate european legislature, hence it is necessary to examine the position and the independence of a general european monetary policy authority, The European Central Bank, and also of The European System of Central Banks, an institution for coordination of monetary policy, which is consist of ECB and particular national central banks.

Section five describes „the european principles of central banks independence“, that are determining not only for ECB, but also for CNB in all their aspects, distinguishing between institutional, functional, personal and finacial (budgetary) independence.

Section six is dedicated to the final summary, to the relationship between independence and accountability and to „de lege ferenda“ thinking.

Klíčová slova:
(key words)

centrální banka

nezávislost

měnová politika

central bank

independence

monetary policy