

Niparat Mookda 2010: The Relationship between The Central Bank Independency and Inflation in Inflation Targeting Countries. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Assistant Professor Arunee Punyasavatsut, Ph.D. 114 pages.

Central bank independency is an important requirement for the success of inflation-targeting implementation. The objective of this study is to analyze the relationship between central bank independency index and inflation in 10 developing countries, those recently adopted inflation targeting regime. The period of study is during 2003 -2007. The measurement of central bank independency index followed the method of Grilli, Masciandaro, and Tabellini (1991). The study employed an econometric model estimated by panel data analysis.

The study found that the central banks of all ten developing countries had higher independency index after inflation-targeting regime were adopted in their countries. However, the study was not found any significant relationship between central bank independency index and inflation in those ten developing countries.

From the study, it can be concluded that among developing countries those adopted inflation targeting regime, their central banks may not implement monetary policy separately from the government intervention. The governments may have influence on the policy-maker decisions. As a result, there is no obvious relationship between central bank independence and inflation.

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