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Central Bank Independence and Macroeconomic Performance: A Comparative Analysis of the Bank of England and the Central Bank of the Republic of Turkey

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ABSTRACT

Central bank independence remains a debate in macroeconomic policymaking, particularly with regard to its impact on inflation control and broader economic stability. This paper examines how varying degrees of central bank independence influence macroeconomic performance by comparing the Bank of England and the Central Bank of the Republic of Turkey. Drawing on theoretical frameworks such as the time inconsistency problem and arguments for democratic accountability, the study evaluates both the benefits and limitations of independent monetary policy. The findings suggest that higher levels of independence are associated with improved inflation outcomes, stronger policy credibility and more stable macroeconomic conditions. On the other hand, political intervention in monetary policy is linked to reduced credibility and heightened economic volatility. However, the analysis also acknowledges the role of political coordination during periods of crisis. Overall, the paper argues that institutional independence plays a critical role in enhancing long-term macroeconomic performance.

Keywords: Central bank independence, monetary policy, inflation, macroeconomic performance, policy credibility

INTRODUCTION

Macroeconomic outcomes refer to the overall performance of an economy, and matter because they are key indicators of the population's living standards (Lindbeck et al., 2026). There are a few key goals that serve as positive indicators of an economy's health. Firstly, low and stable inflation is desirable as it balances price-level predictability with consistent growth. Secondly, sustainable economic growth means the economy is expanding to produce greater value of goods and services in a manner that is maintainable over the longer term. Thirdly, low unemployment suggests that most workers in the economy are employed and therefore can provide for themselves and their dependents, thereby creating a multiplier effect. Finally, overall economic stability (i.e., minimal volatility) signals to businesses and consumers that they can invest and plan for the future with a high degree of certainty, strengthening confidence in the economy. This paper employs these metrics in its analysis as they are directly linked to economic performance and tangible outcomes for individuals in the economy, therefore providing a gauge of the effectiveness of central bank policy.

To achieve these goals, the government has two tools at its disposal: fiscal and monetary policy. Fiscal policy involves controlling government spending and taxation to influence economic activity, while monetary policy involves controlling interest rates, the money supply, and credit conditions to achieve the same (Segal, 2025). A key distinction between the two types of policy is that while the central government typically controls fiscal policy, monetary policy is usually set by the central bank, an institution separate from the central government.

As such, central banks generally play a crucial role in broader economic policy through their influence on monetary policy; however, countries differ significantly in the degree of independence of their central banks from political authorities. Some central banks operate with a high degree of independence, while others are subject to direct or indirect political influence over interest rates and policy decisions. In economic literature, supporters of central bank independence argue that it improves credibility, controls inflation, and reduces macroeconomic volatility. Critics, on the other hand, argue that political control may allow greater policy flexibility, democratic accountability, and responsiveness to short-term economic needs. Therefore, given the significance of the central bank's role and the contention over whether its independence is beneficial, this study will answer the following research question: **How does the degree of central bank independence affect macroeconomic performance across countries?**

The thesis of this paper is that greater central bank independence is generally associated with better inflation control and policy credibility. Still, specific outcomes depend on institutional context, fiscal coordination, and external economic conditions.

CONCEPTUAL FRAMEWORK

As discussed above, macroeconomic policy control is divided across institutions. While fiscal and monetary policy are complementary tools which aim to achieve the same objectives, there are a few further distinctions between them. Firstly, the actual fiscal and monetary policy tools differ: while fiscal policy involves manipulating government spending and taxation, monetary policy involves manipulating interest rates, reserve requirements, lending criteria and the money supply. Second, the effects of fiscal policy tend to be felt more quickly than those of monetary policy, as interest rate adjustments, quantitative easing/tightening, and changes to reserve requirements are felt in the long term rather than the short term. Thirdly, fiscal policy is likely to be more politically visible as it is executed by the elected government - for example, yearly government budgets which outline taxation and spending often generate significant media attention and attract scrutiny from voters and politicians alike. By comparison, moves by the central bank, such as adjustments to reserve requirements, are less well known due to their technical nature and their less direct effect on citizens' lives than policy tools such as income tax rates.

There are two frameworks for making policy decisions: rules-based and discretionary (Baliño and

Cottarelli, 1994). Rules-based policy refers to a framework in which the policymaking institutions follow predetermined metrics to influence their decisions (e.g. targeting a stable inflation rate of 2%). Discretionary policy, on the other hand, is a strategy in which policymakers make ad hoc, active decisions about policy based on current conditions rather than following predetermined rules. Historically, central banks have gravitated towards a rule-based policy framework (e.g. inflation targeting) to reduce unpredictability in their decision-making, thereby improving their credibility as institutions. This lays the foundation for why institutional design, specifically central bank independence, is important to policy outcomes: independence is therefore not accidental; it emerged as a structural response to perceived weaknesses in politically driven macroeconomic management (Blejer and Wachtel, 2020).

Theoretical Foundations of Central Bank Independence

Firstly, central bank independence offers a solution to the time-inconsistency problem (Draghi, 2018). Elected governments make shorter-term decisions, as their primary incentive is to be voted into power again in the next election cycle. As a result, they may pursue policies which, while in the short run may have positive effects on growth, will likely have a negative impact on key metrics such as inflation in the long run. An extension of this is the political business cycle theory: elected officials may stimulate the economy immediately before elections to appease voters, even if the resulting growth is unsustainable in the longer term. Specifically, in the case of monetary policy, this may involve cutting interest rates to stimulate consumption in the short run; however, in the long run, it could lead to demand-pull inflation. By comparison, central banks are unelected and therefore lack this perverse incentive to appease voter bases at the expense of long-term economic outcomes. As such, they are able to make 'tougher' decisions that may not be the optimal choice in the short run, but the necessary move for longer-term economic prosperity. For example, raising interest rates could shield against inflationary pressures in the long run despite stifling growth in the short run, a choice that would likely be unpopular and therefore an unlikely one for an elected government to make.

Secondly, the rules-based framework preferred by central banks creates actual and perceived stability (Jung, 2025). Firstly, by following specific, predictable rules, policy decisions become consistent, thereby stabilising inflation rates. This improvement in actual economic stability helps economic agents plan better for the future. For firms, this can boost confidence, leading to higher investment; for consumers, it can encourage consumption if they are confident that prices will remain predictable. Perceived stability is also important: trust in institutions and their ability to control inflation lends credibility to their decision-making, making inflation easier to manage by controlling self-fulfilling inflation expectations (e.g. preventing a wage-price spiral) (Jácome and Pienknagura, 2022).

Therefore, in theory, central bank independence should lead to decision-making that balances short- and long-run considerations rather than purely short-term decisions. Additionally, central banks' rules-based approach to monetary policy will result in greater stability than a discretionary government approach.

Arguments in Favour of Political Control of Monetary Policy

Firstly, from a principled perspective, it can be argued that total central bank control over monetary policy raises concerns regarding democratic accountability. Decisions concerning interest rates, money supply and reserve requirements can have detrimental redistributive consequences. For example, if interest rates rise, households with variable-rate mortgages will pay more in interest, reducing their disposable income. As such, theorists posit that these decisions ought to be made by elected individuals and institutions that can be held directly accountable by the people, rather than the appointed central bankers who are disconnected from the voting populace. A stronger link between the electorate and monetary policy decision-making could add credibility to policy decisions and ensure that the choices made reflect the will of the people, given the potential for adverse effects on their standard of living.

Secondly, during times of crisis, joint government control of fiscal and monetary policy could facilitate timely responses. For example, during a financial crisis, both expansionary fiscal and monetary policies may be required to promote recovery. If these policy instruments are not working in tandem efficiently, post-crisis intervention may be ineffective.

Thirdly, in developing economies, coordinated monetary policy may support growth strategies. For example, by implementing quantitative easing, the money supply can be expanded, potentially spurring investment in key industries. Contradictory monetary policy could hinder progress toward growth targets and worsen outcomes in these economies.

In sum, the political influence of monetary policy decisions may strengthen the legitimacy of decision-making, facilitate effective responses to crises and support growth in developing economies. An empirical analysis will assess whether the theoretical benefits of independence outweigh the potential advantages of political coordination.

Existing Literature

Cukierman et al. conducted a highly cited empirical analysis of the relationship between central bank independence and inflation outcomes across 72 countries (21 industrial, 51 developing) for the World Bank Economic Review in 1992. Their research establishes a framework for determining the degree to which a central bank is independent: Cukierman et al. consider not only legal factors such as the tenure of the governor, but also the governor turnover rate and the responses to a questionnaire responded to by monetary policy specialists in 23 countries, designed to identify divergencies between the central bank's charter and actual practice. These factors are then aggregated into a composite index, and the paper presents three key findings on this basis. Firstly, that legal independence is inversely related to inflation in industrial countries, but not in developing countries; secondly, that in developing countries, the actual frequency of change of the chief executive officer of the bank is a better proxy for central bank independence; and thirdly, that higher turnover is strongly associated with higher inflation.

Kißmer and Wagner conducted a literature survey in 1998 to synthesise the theoretical foundations and empirical evidence on the effects of central bank independence on macroeconomic outcomes. After describing similar theoretical arguments for independence to those discussed above, the study confirms Cukierman et al.'s finding that the negative correlation between central bank independence and inflation is most robust in industrial countries, whereas legal independence shows no correlation with inflation for developing countries. The paper also finds essentially no evidence that greater central bank independence harms long-run growth or raises output volatility in industrial countries.

Jácome and Pienknagura published an IMF working paper in 2022 analysing the history of central bank independence in Latin America. Their institutional status evolved in roughly three phases. From the 1920s to the mid-1940s, the first central banks were created as independent institutions, subject to the restrictions imposed by the gold exchange standard on monetary policy. From the mid-1940s until 1990, they transitioned from being independent institutions to being 'developmental banks' with governments dominating monetary policy in light of the abandonment of the gold exchange standard and to aid the recovery from the Great Depression; this period was marked by high inflation. Finally, these institutions are now in a 'golden period', as political factors have rejuvenated central banks' political and operational independence in order to combat inflation. The paper confirms the strong negative association between central bank independence and inflation and finds that high levels of central bank independence are associated with a reduced likelihood of high-inflation episodes.

METHODOLOGY

To explore the relationship between these two variables, a case study approach was deemed most appropriate for two reasons. Firstly, observing the real-world effects of central bank policy on macroeconomic indicators allows us to test the conceptual framework established above, therefore leading to a conclusion that combines both theoretical analysis and practical considerations. Secondly, a case-study approach allows for the use of secondary data, which is far more feasible than a primary data-driven approach, given the constraints of this paper - collecting and analysing a sufficient quantity of macroeconomic data to reach a robust conclusion would require more time and resources than this paper has at its disposal. The UK and Turkey were chosen for their contrasting institutional structures: as the reader will observe below, while the Bank of England operates with a high degree of independence, the opposite has been true for large periods of the CBRT's history. This dichotomy helps us more fully analyse the impacts of central bank policy across all circumstances and aids in judging the importance of central bank independence for macroeconomic outcomes. Furthermore, the economies and central banks of the UK and Turkey have already been studied by scholars, providing this paper with ample literature for comparative analysis. The secondary sources utilised in this paper primarily include official documents and data, as well as research papers and journal articles, the latter of which provide a particularly reliable foundation for the analysis below.

BANK OF ENGLAND: INSTITUTIONALISED INDEPENDENCE AND MACROECONOMIC STABILITY

In 1997, then-Chancellor of the Exchequer Gordon Brown announced that the Bank of England (BoE) would be granted instrument independence. This meant that it could set interest rates free from political independence; however, the Treasury retained control of the inflation target itself (Spiegel, 1998). The power to control interest rates was handed over in 1998 to the Monetary Policy Committee (MPC), a part of the BoE. It has 9 members and makes decisions by majority vote; it meets every 6 weeks and publishes a quarterly report. Not only are the minutes of meetings and individual votes published, but each committee member is held personally accountable to Parliament for meeting the Treasury-set inflation target (Bank of England Act 1998).

This structure is considered highly independent for two reasons. Firstly, there is a legal barrier between the government and the BoE: the Bank sets rates without government interference, and the Chancellor cannot override MPC decisions except in explicitly pre-specified extreme circumstances. Secondly, individual accountability strengthens the outward perception of independence and consistency in decision-making. However, the BoE's independence is slightly weakened by its lack of control over target-setting, making it less independent than central banks such as the ECB, which have target independence (Haldane, 2020).

The BoE does not follow a mechanical framework for monetary policy decisions to achieve the target set for it by the Treasury (currently 2%). It instead uses a 'suite of models' to inform its policy approach. Firstly, it consults the Taylor Rule, which is a formula that says the central bank should set interest rates based on how far inflation is from its target and the output gap. It prescribes a more-than-proportional increase in interest rates when the economy is overheating to ensure real (not just nominal) interest rates rise. Secondly, the McCallum Rule, which targets the money supply, holds that the central bank should adjust money growth to keep nominal GDP on a stable, predictable path. Thirdly, and finally, the BoE looks to the Brainard Rule, which encourages central banks to move more cautiously than a standard optimal rule would suggest when it's uncertain about the effects of its own policy. That is, when in doubt, central banks should 'split the difference' between doing nothing and doing the full recommended amount. This fluid system allows for flexibility in decision-making while balancing consistency and legitimacy (Nikolov, 2002).

An examination of key economic flashpoints reveals the robustness of these structures. During the 2008 financial crisis, the BoE acted quickly as the lender of last resort, cutting rates aggressively and launching quantitative easing (QE) without waiting for political authorisation (Dixon, 2026). By using their best judgment on technical matters, they can be argued to have mitigated the fallout from the crisis. While the QE measures undertaken during the crisis did cause tension between the BoE and the House of Lords (Skidelsky, 2024), as they were seen as blurring the lines between monetary and fiscal policy, the BoE was broadly given independence to make decisions in this case. Once again, in response to the outbreak of the COVID-19 pandemic, the central bank moved first and quickly in March 2020, without waiting for political instruction, by cutting rates and ramping up QE (Haldane, 2020). In this case, while there was no explicit political interference, both the government and the central bank were aligned on how to tackle the economic effects of the pandemic, meaning that independence was less influential on policy outcomes (Skidelsky, 2024). Finally, in response to a 40-year record inflation rate of 11.1% in October 2022, the BoE aggressively raised interest rates from 0.1% to a peak of 5.25%, directly increasing mortgage costs for millions of households during a severe cost-of-living crisis (Skidelsky, 2024). This is a prime example of the central bank exercising its independence to make difficult, unpopular decisions to benefit the economy in the long term. However, this case study also highlights the Bank's prior failure to anticipate and act on inflation sooner, potentially indicating deep-rooted, systemic flaws in the methods it uses to make its independent judgments (Skidelsky, 2024). In the House of Lords, this was chalked down to the BoE's internal culture and forecasting models, amongst other factors. This significant political pressure from Parliament could also have impaired the central bank's independence in its decisions during this time.

By observing the broader track record of the independent BoE, deeper insights into its success can be gained. The 1970s, characterised by politically influenced central banks and monetary policy heavily influenced by short-term electoral considerations rather than a primary focus on inflation control, were rife with exceptionally high inflation. One key exception was the German central bank, which was the only major central bank to operate with any degree of independence; it is therefore unlikely to be a coincidence that Germany was one of the few countries spared the worst ravages of 1970s inflation. In sum, in this period, both the level and variability of UK inflation were high; the credibility of the monetary regime was correspondingly low (Dixon, 2026). Compare this with post-1997 metrics in the UK, and the difference is stark: in the 342 months since June 1997, the Bank has achieved its inflation target in 209 of those months. A reduction in volatility accompanies this 61% success rate: inflation uncertainty has fallen by around a factor of four compared with the earlier 20-year period. At the same time, output variability has remained unchanged (excluding the 2009 financial crisis) (Haldane, 2020). Arguably, as important is the strengthening of the central bank's credibility and market confidence that inflation will be handled. On the day independence was announced, long-run inflation expectations fell by 34 basis points within a single day, and by 60 basis points over two weeks, and this trend has persisted since.

However, there are two challenges to the independent BoE's apparent success. Firstly, their decisions may not be entirely responsible for the decline in inflation rates; this may instead be due to the 'Great Moderation' in inflation (Skidelsky, 2024). While this may be partially true, the changes in institutional frameworks to increase central bank independence worldwide created the structures that enabled lower inflation expectations and, through longer-term policy decisions, tempered actual inflation. Therefore, it is only partially true that the Great Moderation can be credited for these macro changes. Secondly, the Keynesian, pre-independence era (1947-73) had an average unemployment rate of 2.1%, while the post-independence period had an average rate of 5.6%, suggesting the central bank was not successful on all fronts (Skidelsky, 2024). However, this, too, can be mitigated: first, the period in question was characterised by a secular post-war boom, while the independent central bank's tenure has been rife with crises beyond its control, which explains the higher unemployment rate. But secondly, and more importantly, inflation and unemployment are two causally unrelated variables, the latter of which is not the focus of the central bank. Therefore, the higher unemployment during this period cannot be attributed to the independent BoE's decisions.

In conclusion, the case study of the independent BoE supports the theoretical arguments for independence. Not only has it demonstrated a willingness to make quick, sometimes difficult decisions in times of crisis that are necessary for long-term prosperity, but it has also improved outcomes and stability.

The BoE has also gained credibility through its independence, which has significantly improved market expectations for inflation.

CENTRAL BANK OF THE REPUBLIC OF TURKEY: POLITICISED MONETARY POLICY AND MACROECONOMIC STABILITY

In April 2001, critical amendments were made to the Central Bank Law of Turkey, which established price stability as the CBRT's primary objective and granted the bank instrument independence (Central Bank of the Republic of Turkey, 2012). That is, the Bank shall determine, at its own discretion, the monetary policy it will implement and the monetary policy tools it will use. However, similarly to the BoE, the CBRT lacks goal independence. In contrast to the BoE, the CBRT collaborates with the government to achieve its target. Another key reform accompanying this legislation was that the Bank was prohibited from granting advances or credits to the Treasury or purchasing primary market government debt instruments. It is worth noting that a structural vulnerability shared by both central banks is that their partial independence is enshrined only at a treaty level, leaving them vulnerable to erosion.

Formal rules were also established for the appointment and dismissal of the CBRT Governor. The Governor is appointed for a 5-year term by a joint decree of the Council of Ministers and is eligible for reappointment. As there is no requirement for parliamentary confirmation, this is a purely executive act. Under the Central Bank Law, only two lawful grounds are specified for removal. Either the Governor must violate a set of prohibitions (e.g. holding shares in commercial banks), or circumstances must arise that permanently prevent the Governor from performing their duties (e.g. permanent illness or death). Otherwise, the Law presumes a Governor cannot be removed before the end of their term (Tecimer, 2020).

However, the legal framework and practical outcomes differ. Despite the narrow and specific grounds for dismissal, the Erdoğan government bypassed them using a presidential decree, showing how the de jure framework has been effectively ignored in practice (Tecimer, 2020). As a result of this regulatory bypass, Turkey had four different governors between 2016 and 2021 - an abnormal rate of turnover by any international comparison (Tecimer, 2020). Even Governor Murat Uysal, who was considered more compliant than his predecessor, was sacked in November 2020 (Tecimer, 2020). The appointment of Naci Agbal - a former AKP Finance Minister and loyal political figure - as Uysal's replacement highlights that the criteria for selection and dismissal have morphed from competence and institutional commitment to delivery of the specific policy outcome the president wanted (Armstrong, 2015).

From a quantitative perspective, the erosion of independent decision-making occurred even before 2016. Taylor rule analysis shows that the Bank responded aggressively to inflation pre-2009, but since then, policy rules have become weak and have not implied that real interest rates rise in response to rising inflation (GÜRKAYNAK et al., 2015). This break from traditional behaviour was caused by direct public interventions in monetary policy by President Erdoğan - he pressured the bank to cut rates by publicly branding their reluctance to do so as 'traitorous' as he believed rising interest rates cause rather than cure inflation (Armstrong, 2015). This was also reflective of the broader erosion of all independent regulatory agencies from 2011 onward, when a decree placed them under ministerial authority. As a result of this external pressure, the Bank began to let the market interest rate diverge from the official policy rate by rationing funds, effectively allowing the Bank to prioritise growth and exchange rate objectives over inflation control, which was in direct contradiction of its statutory mandate, without actually changing the nominal policy rate (GÜRKAYNAK et al., 2015). This shows that the de facto erosion of independence had already begun openly long before it became constitutionally visible through the dismissals.

However, upon the appointment of Naci Agbal in late 2020, this trend reversed, with the Bank rapidly tightening policy to counteract rampant inflation, including aggressively rising interest rates (Tecimer, 2020). This reversal was sharp and immediate, demonstrating that the Bank retained the institutional capacity to conduct credible policy when permitted. However, once Agbal was dismissed just four months later, his successor reversed course again. This pattern suggests that monetary policy decisions in Turkey are closely tied to the President's will and, by extension, to their appointments.

Pre-2001, the Bank was characterised by fiscal subordination - it existed to finance government deficits. Their de facto inability to refuse the government's demands had damning consequences on macroeconomic outcomes. In the 1940s, prices more than tripled in a decade, and by 1994 inflation had reached three digits. Similar to the pre-independence Bank of England, this highlights the dire macroeconomic performance in economies without an independent central bank (Central Bank of the Republic of Turkey, 2012).

The advent of CBRT independence and the subsequent reform had significant positive impacts. Inflation fell from triple digits to the high single digits, growth was strong during the 2002-2006 period, and the Bank's aggressive pre-2009 Taylor-rule behaviour suggests a genuine commitment to the inflation mandate (GÜRKAYNAK et al., 2015). Six zeroes were dropped from the currency in 2005 (Central Bank of the Republic of Turkey, 2012), indicating the scale of inflation that the independent CBRT had begun to address. This success is not only analogous to that of the independent BoE but also significant, as it reinforces the view that, under the right institutional conditions, the policy framework works.

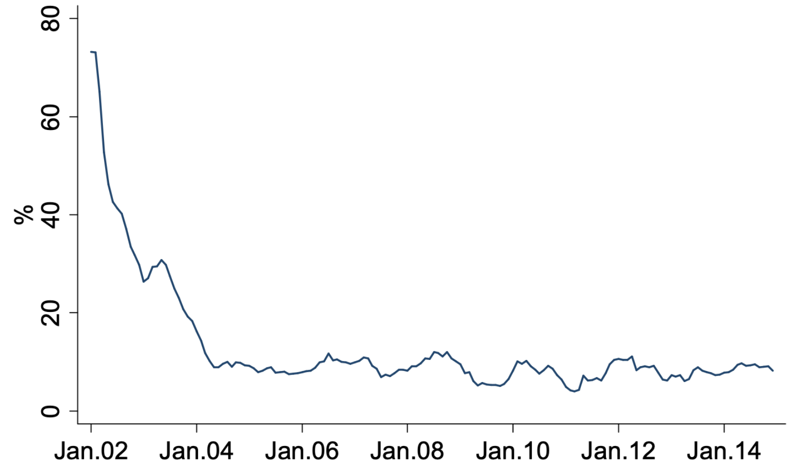

Fig. 1: Turkey Inflation Rates (GÜRKAYNAK et al., 2015).

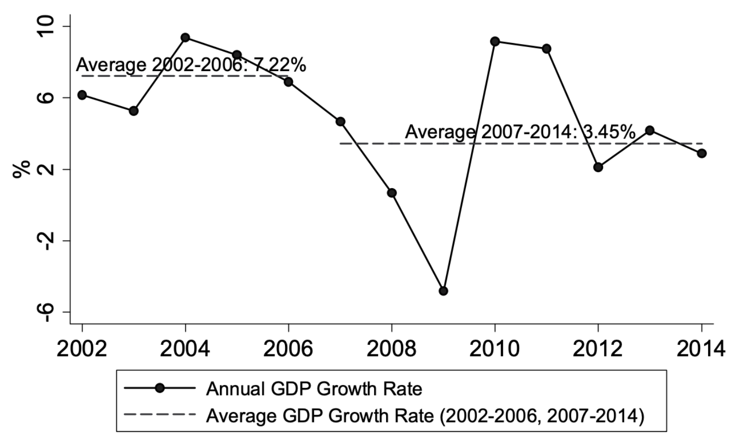

Fig. 2: Turkey Annual Real GDP Growth (GÜRKAYNAK et al., 2015)

The increase in political influence over the CBRT circa. 2009 saw the anchoring effect of a stable inflation target dissolve before inflation itself began to rise sharply. Erdoğan's influence rising during this period is a significant driver of changing outcomes - not only did it mean that rates were set incorrectly, but it also meant that the predictability of future policy was destroyed. Investors and firms making pricing and wage decisions could no longer form stable expectations about whether the Bank would respond to inflation in accordance with its mandate. This resulted in jumps in the lira attributable to domestic policy announcements rather than global conditions (GÜRKAYNAK et al., 2015), highlighting how politically influenced monetary policy had become a source of uncertainty rather than a reducer of it and the market's real-time assessment that the CBRT could not be relied upon to defend the value of the currency against political pressure for loose policy. By May 2024, inflation had reached 75%, the lira had experienced severe depreciation across the preceding years, and net international reserves had been substantially depleted (World Bank, 2025).

The key distinction to make between the CBRT and the BoE lies in inflation expectations. As discussed above, the BoE MPC's credibility was strong enough that even when actual inflation rose due to supply shocks, expectations remained anchored. However, even after the CBRT aggressively tightened its policy in 2023 to correct it, inflation expectations remained stubbornly in double digits two years forward (World Bank, 2025). This is important because it shows how institutional capture permanently damages the central bank's credibility, regardless of the quality of decision-making or actual outcomes.

This evidence supports the time-inconsistency theory - a central bank captured by political authority can only maximise its benefit by maintaining output above its natural level, resulting in worse economic outcomes, specifically inflation (Baydur, Süslü and Bekmez, 2004). This case study also illustrates that political figures with influence over their country's central bank will not only exercise their influence right before an election to boost economic growth (as the political business cycle theory suggests), but throughout their term in order to align monetary policy with their own economic beliefs (eg, Erdoğan rallying for lower inflation and his own policy theories to achieve this).

However, it can be argued that the CBRT's post-2023 policy reversal has been a successful step in the right direction under more orthodox leadership. While this has had positive impacts - disinflation has progressed, growth has continued at moderate levels of ~3.5%, poverty rates have continued declining, and Moody's upgraded Turkey's credit rating (World Bank, 2025) - recovery is still ongoing, and the CBRT must still win back the trust of investors in order to dampen inflation expectations. It is also worth noting that the sources in this section do not conclusively determine whether the coordination of central bank policy with Turkish political authorities has had any meaningful impact on the unemployment rate.

In conclusion, the case study of the CBRT supports the view that political influence over monetary policy is associated with greater macroeconomic instability and weaker inflation control. The periods marked by greater independence saw significant progress towards macroeconomic objectives, while the other phases led to rampant, unstable inflation and weak investor confidence.

CONCLUSION

Every government has a set of macroeconomic goals it aims to achieve to maximise the country's growth and development. To achieve these, the government has two instruments at its disposal: fiscal and monetary policy. The latter is generally controlled by the country's central bank, whose degree of independence varies significantly. This research paper aimed to analyse the effect the degree of central bank independence has on economic outcomes.

As analysed in the paper, central bank independence is highly debated. The arguments in its favour highlight how independence solves the time-inconsistency problem and improves trust in the central bank's decision-making, thereby enhancing its ability to control inflation. That said, there are also theories supporting political influence over central banks. As central bank decisions have widespread consequences, political involvement in decision-making is necessary for the proper democratic accountability mechanisms to exist. Moreover, during times of crisis, coordinated monetary and fiscal policy is necessary, and is best achieved through political control of both.

The UK's Bank of England (BoE) has operated with a high degree of independence since 1997, and this change has immediately had positive effects on inflation expectations and improved actual inflation outcomes in the long run. The Central Bank of the Republic of Turkey (CBRT), on the other hand, operated with independence circa 2001-09, during which period the previously rampant inflation rate was brought under control; post-2009 reversal of this independence corresponds with worsening macroeconomic outcomes. These case studies affirm theorists' arguments for independence, while showing that independent decision-making can still support growth and crisis recovery.

On the whole, a greater degree of independence is associated not only with better macroeconomic outcomes but also with greater credibility and trust in institutions and decision-making. This suggests that policymakers should strongly consider granting central banks greater independence, especially in countries where they are currently influenced by political figures and institutions.

That said, the paper's conclusion is drawn primarily from the case studies discussed. This methodology poses certain limitations that are important to highlight. Firstly, there is no guarantee that the outcomes in the UK and Turkey can be extrapolated to all (or even most) countries with independent and politically compromised central banks, respectively, as other factors may influence macroeconomic indicators. Secondly, a more quantitative approach utilising macroeconomic data sets from selected economies could have provided a more robust conclusion than the comparatively qualitative approach adopted in this paper, although this was beyond its scope due to the complexity of collecting and analysing large volumes of such data. It is therefore possible for such research to be conducted on a larger scale in the future by including more countries in the analysis.

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