

Central bank governance

Svein Gjedrem

Stockholm 2 June 2016

What makes a good institution?

1. clear objectives
2. tools and competence to meet these objectives
3. accountability
4. designed to reflect history and experience

Source: Sir Mervyn King (2006)

Reflect history and experience

- Different constitutions and legal systems
 - even within Scandinavia
- Sweden
 - Collective cabinet governance
 - Independent subordinate agencies – ministers not allowed to instruct
- Denmark / Norway
 - Ministerial rule
 - Personal sector responsibility and a right to instruct subordinate agencies
- The central bank is «owned by»:
 - Sweden: Riksdagen (the Parliament)
 - Norway: Ministry of Finance
 - Denmark: Ministry of Business and Growth

Clear objectives

- Monetary stability
- Financial stability/ effective payment systems
- (Economic stability/ full employment)

Tools and competence

- Monetary stability
- Financial stability/ effective payment systems
- (Economic stability/ full employment)

Accountability

- Strong arguments in favor of independent central banks
- There is a trade-off between independence and accountability
- Transparency reduces the gap