

# PRESS RELEASE

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## ■ Sveriges Riksbank Economic Review 2005:1

The Riksbank's quarterly journal *Economic Review* contains articles on subjects related to central banking. This year's first issue is published today and contains four articles: on the relationship between monetary policy and employment, on the inflation target, on the upswing in productivity growth and on the EU Fiscal Policy Framework.

### **The Riksbank and employment**

Can the Riksbank use the instrumental rate to influence employment? There is a relationship in the short run, but it is transitory and overshadowed by other factors. In the long term, unemployment is not responsive to monetary policy. The present high unemployment figures are instead mainly a consequence of structural problems in the labour market. This is concluded by Deputy Governor Villy Bergström and Annika Svensson and Martin Ådahl of the Monetary Policy Department in their article, which aims to clarify the relationship between monetary policy and employment.

### **Experience of inflation targeting in 20 countries**

When the Swedish inflation target was announced twelve years ago, only Canada, New Zealand and the United Kingdom had already introduced inflation-targeting systems. At present, around twenty central banks around the world are conducting monetary policy with a flexible exchange rate and an explicit target for inflation. How has the delegation of monetary policy to an independent central bank been implemented? Which inflation targets have countries chosen? Have central banks fulfilled their inflation targets without generating unnecessary fluctuations in growth and employment? This article by Claes Berg, adviser to the Governor of the Riksbank, discusses the experiences of the countries that have adopted inflation targeting.

### **The "new economy" and productivity in Sweden in the 2000s**

In the late 1990s there was an upswing in productivity growth in Sweden that came to be associated in the public debate with the notion of a "new economy"



and information technology (IT). When the IT bubble burst and a global economic slowdown began in 2001, the era of the “new economy” seemed to be over. However, productivity growth has remained strong in recent years, to the surprise of many observers. In this article, Björn Andersson and Martin Ådahl of the Monetary Policy Department compare developments in Sweden and the United States to identify possible common factors.

### **On the need to focus more on the asymmetry problem within the EU Fiscal Policy Framework**

The cornerstone of the EU Fiscal Policy Framework is the requirement that budget deficits are not allowed to exceed 3 per cent of GDP. The regulations state that Euro countries which do not adhere to this requirement can be penalised. In his article, Robert Boije, advisor to the Monetary Policy Department, argues that from the viewpoint of stabilisation policy, the 3 per cent rule might penalise the wrong countries.

The journal is available as a PDF-file on the Riksbank’s website ([www.riksbank.se](http://www.riksbank.se), under the heading Published/Publications). It can also be ordered by e-mail ([forradet@riksbank.se](mailto:forradet@riksbank.se)), fax (+46-8-7870526) or telephone (+46-8-7870000).

The Swedish version *Penning- och valutapolitik* was published on the website on 22 March and can also be ordered as above.