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■ Economic Review no. 4 2005

The Riksbank's quarterly journal *Economic Review* discusses subjects related to central banking. This year's fourth issue is published today and contains four articles:

The past ten years – experiences and conclusions

A new monetary policy regime based on inflation targeting was introduced in Sweden just over ten years ago. At the same time, focus was placed on the Riksbank's core tasks – monetary policy and financial stability – as well as greater transparency. In this article Governor Lars Heikensten summarises some of his experiences and conclusions drawn from this period.

Monetary policy and unemployment

In the debate about monetary policy's impact on unemployment it has been argued that inflation below the targeted rate has led to 50,000 to 75,000 more people being unemployed, that monetary policy has been conducted asymmetrically and that the stabilisation policy regime, including the choice of inflation target, has led in itself to higher unemployment. These arguments rely to a great degree on unrealistic assumptions and unfounded expectations about what monetary policy can achieve and are liable to overshadow the need for structural measures that are ultimately far more important for the labour market's development. These observations are made by Deputy Governor Villy Bergström and by Robert Boije, adviser at the Monetary Policy Department.

The future relationship between financial stability and supervision in the EU

Financial stability, supervision and regulatory design have traditionally been the responsibility of national central banks, supervisory authorities and governments. These regimes are now being challenged by globalisation. To cope with this it is necessary for authorities involved to focus on their core tasks and to invent new ways to perform those tasks. In the long term, the logical step would be to create



■ a European Financial Supervisor. This is the conclusion reached in an article by First Deputy Governor Eva Srejber and by Martin Noréus, adviser at the Financial Stability Department.

The Swedish market for balancing liquidity

Banks borrow and lend large volumes of SEK, on their own and their customers' accounts. They do this because of a temporal imbalance in the daily flows of payments by the banks and their customers. Bank fees for borrowing and lending SEK are influenced by the Riksbank's management of interest rates. In this article Pia Kronestedt Metz of the Market Operations Department describes how the Swedish market for balancing liquidity functions, which financial contracts are used and the criteria for pricing the contracts.

The journal is available as a PDF file on the Riksbank's website under the heading Publications/Economic Review. It can also be collected from the main entrance to the Riksbank at Brunkebergstorg 11 or ordered by e-mail, forradet@riksbank.se, fax +46-8-7870526 or telephone +46-8-7870000.