

Press Release

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Statutory price stability objective enhances credibility

Giving the objective of price stability statutory force strengthens the objective's credibility. The objective should be specified by the Riksbank. These opinions, contained in a submission by the Governing Board of the Riksbank, are in line with proposals in a departmental memorandum on the status of the Riksbank.

A parliamentary working group has been discussing legislative issues concerning the Riksbank since December 1996. In May five of the seven political parties in the Riksdag (Sweden's parliament) agreed on a number of measures for enhancing the credibility of monetary and exchange rate policy. The agreement led to the departmental memorandum on which the Riksbank has now submitted an opinion.

The Riksbank also agrees with the working group that the Riksbank, as an authority under the Riksdag, should, without disregarding the price stability objective, be under an obligation to support the general economic policy objectives and that this obligation need not be stated in law.

The Riksbank has no objection to the Government deciding the exchange rate system. From the preamble to the relevant legislation it should be clear, however, that a decision about the exchange rate system is not to jeopardise price stability.

It is important for securing confidence in monetary policy and the price stability objective that the Riksbank decides the central rate and band width in the event of a fixed exchange rate, as well as the practical implementation of exchange rate policy with a flexible exchange rate regime.

The Riksbank agrees that retaining the existing composition of the Governing Board has the advantage of giving the Riksdag a possibility of exercising democratic insight and control. On the other hand, the existing composition of the Governing Board and the present tasks are deemed to be inconsistent with Maastricht Treaty requirements for central bank independence. The Riksbank therefore has no objections to the proposal that responsibility for monetary policy be transferred from the Governing Board to the new Executive Board.

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The relationship between the Governing Board and the Executive Board does, however, require further analysis. From the memorandum it is not clear, for example, how the exchange of information between the two Boards is to be arranged or what will apply to members of the Governing Board as regards secrecy.

Finally, the Riksbank has no objection to the working group's proposal that the constitutional provisions concerning the issuing of banknotes and coins be amended in connection with an adherence by Sweden to the monetary union because they might otherwise convey a misleading picture of the actual circumstances.

Copies of the submission can be ordered from the Information Centre:
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