

# Press Release

---

2 DECEMBER 2002 NO. 80

## A perspective of his years at the Riksbank

Governor Urban Bäckström held a speech under the heading "A perspective of my years at the Riksbank" at Stockholm University on Monday.

"I think that the stabilisation policy regime we have had over the past ten years, with a price stability target and floating exchange rate, has functioned well. At the same time, I believe it is important to remember that these two factors are not in themselves any guarantee for the policy's success. I believe instead that a decisive role was played by the growing willingness of the Swedish people and their representatives in parliament and the government to try to achieve a more sustainable economic growth, by means of price stability and orderly public finances, during the 1990s. Another important element was the growing insight into the need for decisions enabling the stabilisation policy to be pursued. This helped Sweden to break the trend of the 1970s and 1980s of high inflation and large fluctuations in the economy," said Mr Bäckström.

"We now appear to be approaching a decision on the EMU issue over the coming year. A potential "yes" response in a referendum on participation in Stage Three, followed by entry into the Eurosystem would mean that Sweden changed stabilisation policy regime; the price stability target would remain, but the European Central Bank would take over the responsibility for monetary policy. The Swedish krona would be irrevocably fixed against the euro and the responsibility for a national stabilisation policy would fall to fiscal policy."

"The lessons I think we can learn from this are that the Riksbank has derived great advantage from the monetary policy framework that has been built up over the years. This includes setting a clear target for monetary policy, putting the focus on a medium-term perspective, ensuring that decision-making processes are open and clear to the general public, enabling them to understand what we are doing and why, and that the decisions are consistent and free from current party politics. I believe that the work on creating a new stabilisation policy framework could benefit from these experiences."

"I would like to bring another important aspect into this discussion, namely financial stability, which is also an important condition for stable economic growth. Following the severe bank crisis that shook Sweden at the beginning of the 1990s,

SVERIGES RIKSBANK

---

Telefon  
08-787 00 00

Telefax  
08 - 21 05 31

E-post  
registratorn@riksbank.se

Internet  
<http://www.riksbank.se>

work began on creating a system to oversee the risks in the financial system and thereby avoid a repeat. The Riksbank and Finansinspektionen (the Swedish Financial Supervisory Authority) currently hold the main responsibility in this field. The Riksbank has the overall responsibility for financial stability, while Finansinspektionen has supervisory responsibility for the individual institutions that have strategic importance for financial stability. Thus, Finansinspektionen's direct supervision means that it plays a key role in the work of detecting and preventing build-up of risk at an early stage. However, the authority also has many tasks that risk distracting focus from the more central stability issues. In my opinion, one of Finansinspektionen's most important tasks in future should be a more in-depth analysis of systemic risks, i.e. sources of risks that could threaten the stability of the entire financial system. This is where the emphasis of the authority's work should be," concluded Mr Bäckström.