

# How the Riksbank creates money in times of crisis

◉ ECONOMIC COMMENTARIES, NEWS The Riksbank and other central banks around the world have implemented extensive measures to alleviate the economic effects of the coronavirus pandemic on the economy. Many of the measures involve creating large volumes of new money. But how is money created and who ends up holding it?

When the Riksbank buys government bonds, for instance, it pays by crediting money to the selling bank's account with the Riksbank. Where does the money that the Riksbank pays with come from? Well, it was created in connection with the purchase of the bond, just as the banks create money when they pay for financial assets or give loans. Does this mean that the Riksbank creates money out of thin air? That depends on how you look at it, but what happens is that the Riksbank exchanges one promissory note for another. The Riksbank receives a government bond and pays for it with central bank reserves.

In the Economic Commentary "Money and monetary policy in times of crisis" the authors explain how money is created and destroyed in the current financial system. With the aid of examples from the Riksbank's crisis measures, among others, the authors show how monetary policy measures affect the volume of money in the economy.

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