

1999 - New law gives the Riksbank more independence



The Sveriges Riksbank Act was changed to give the Riksbank a more independent role. The bank's task of maintaining price stability was also confirmed by law. Moreover, the Riksbank should promote a safe and efficient payment system.

The failed defence of the krona in 1992 led to a comprehensive reassessment of economic policy as a whole, including monetary policy and the position of the Riksbank. The new Sveriges Riksbank Act of 1999 meant that the Riksbank gained greater independence. A new Executive Board was appointed to make decisions on monetary policy and the price stability objective was confirmed by law.

On the basis of this, the Bank was able to more closely specify a target and, since then, has worked independently to attain this target. Every year the Riksbank reports its progress to the Riksdag. When the inflation target was introduced in 1993, the Riksbank was able to define what price stability should mean: an annual change of the consumer price index (CPI) of 2 per cent, +/- 1 percentage point. The fact that the Sveriges Riksbank Act does not specify what is meant by price stability was justified, when the Act was drawn up, by the claim that this would make the law text too inflexible and would prevent the Riksbank from having sufficient scope to adjust its target to different circumstances.

The Riksdag, the Swedish parliament, has delegated the responsibility for formulating monetary policy to an independent Riksbank with the aim of ensuring monetary policy has a long-term perspective that will ensure the credibility of the price stability objective.

Experiences in Sweden and other countries show that independence creates better conditions for maintaining price stability.

An increasing number of central banks around the world have become independent. This means that the political system may not govern and manage the central banks; they have instead appointed others to do this. These people are not allowed to receive instructions from politicians or others and can only be dismissed in the event of gross neglect of their duties. The reason why many countries have taken this step is because they wish to avoid the central bank's activities being steered by short-term political considerations.

In 2016, the Government appointed a parliamentary committee to review the monetary policy framework and the Sveriges Riksbank Act. Among other things, this committee is to investigate and clarify monetary policy objectives and means, as well as the Riksbank's responsibility for financial stability. Representatives of all parliamentary parties are included in the committee, which is to present its findings to the Government by no later than 31 May 2019.