

Jean-Pierre Roth: Recent Swiss experience in monetary policy strategy

Summary of a speech by Mr Jean-Pierre Roth, Chairman of the Governing Board of the Swiss National Bank and Chairman of the Board of Directors of the Bank for International Settlements, at a seminar on monetary theory and policy, University of Fribourg, Fribourg, 28 November 2007.

The complete speech can be found in French on the Swiss National Bank's website (www.snb.ch).

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One continually recurring element in the history of the Swiss National Bank has been the application of a clear set of rules that we refer to nowadays as 'strategy'. The SNB's monetary policy strategy consists of three elements: a definition of price stability, an inflation forecast and a fluctuation range assigned to a short-term interest rate.

Experiences with this strategy since its introduction in the year 2000 – judged in terms of both price stability and cyclical developments in the economy – have demonstrated its value. Nevertheless, certain aspects of the strategy have been questioned by academics and by central bankers. These include inflation forecasting under the assumption of a fixed Libor, the choice of the reference interest rate, the role of monetary aggregates and exchange rates in the SNB's models, and the decision not to publish the minutes of Governing Board meetings. However, these deliberately selected elements in fact serve to reinforce the legitimacy of the SNB's strategy.