

Thomas Jordan: Monetary policy and the business cycle

Summary of a speech by Mr Thomas Jordan, Chairman of the Governing Board of the Swiss National Bank, at the 75th anniversary celebrations of the KOF Swiss Economic Institute, Zurich, 23 September 2013.

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

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Monetary policy contributes to the prosperity of an economy by ensuring price stability in the medium and long term. This makes it possible to put resources to more efficient use, from an economic point of view, and also promotes investment and, with it, long-term growth. Price stability also helps to avoid undesirable distribution effects. Households with lower incomes derive particular benefit from this.

Monetary policy can be used to dampen cyclical fluctuations. However, it is not suitable for short-term fine-tuning of the economy. From the point of view of the business cycle, the goal of monetary policy must rather be the reduction of larger risks and the alleviation of extreme situations. An example of one such measure is the minimum exchange rate, which the Swiss National Bank (SNB) set on 6 September 2011 to halt the Swiss franc's upward trend, thus averting a deflationary spiral and warding off the danger of a serious economic crisis.

Monetary policy decisions are always subject to uncertainty. It is therefore of key importance that the SNB has a sound decision-making basis. To this end, it uses a variety of models and empirical approaches, and also conducts its own surveys. In addition, the SNB analyses economic indicators for Switzerland and abroad, and follows the assessments and forecasts of other institutions.

KOF Swiss Economic Institute at the Swiss Federal Institute for Technology Zurich (ETH) is without doubt the best-known for economic analysis. It makes a significant contribution towards understanding the Swiss economy with its regular data surveys (for example, the survey of companies it has been systematically conducting since 1955), as well as its economic forecasts and special analyses. In doing so, KOF fulfils an important role for the SNB's monetary policy and, ultimately, for the greater good of our country.

For this reason, the SNB has been connected with the KOF Swiss Economic Institute since its beginning in the 1930s. Both institutions maintain a stimulating exchange of information and ideas to this day. With high-quality economic analysis closely linked to scientific research, KOF Swiss Economic Institute will continue to make a valuable contribution in future - to ensure an even better understanding of the Swiss economy.