

Since 1999, an Executive Board consisting of six members has taken decisions regarding the repo rate in Sweden. This commentary reviews the results of these votes since 1999. The study shows, for example, that most decisions concerning the repo rate have been unanimous. The result also shows that one section of Executive Board members has entered more reservations than any other. Furthermore, there are indications that a large number of those consistently entering reservations have voted for either higher or lower interest rates than the majority.

## Executive Board voting – a summary of the first eleven years

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On 1 January 1999, the price stability target was included in the Sveriges Riksbank Act.<sup>2</sup> At the same time, an Executive Board with six full-time members was established to take decisions in monetary policy issues and lead the Riksbank. Since this, the Executive Board has held over 90 monetary policy meetings in which votes have been held regarding the repo rate.

The interest rate decisions taken by the Executive Board have been assessed and analysed in various contexts. However, the actual results of voting have not been studied to the same extent. This commentary provides a comprehensive image of the Executive Board's voting over eleven years. It sheds light on issues such as the following: How often has the Executive Board disagreed on its decisions? How often have the results of votes been completely even, requiring the Governor of the Riksbank to use his deciding vote to determine the outcome? Have certain members entered reservations more often than others? To which extent have individual members had a tendency to prefer to vote for an expansionary policy rather than a more restrictive policy, and vice versa? The dataset forming the basis of this commentary is published on the Riksbank's website.<sup>3</sup>

### The composition of the Executive Board

The members of the Riksbank's Executive Board are appointed by the General Council of the Riksbank on a rotating basis for a period of five or six years. In practice, all members taking office or being re-elected after the initial appointment of the Executive Board in 1999 have had terms of office of six years. When the Executive Board was appointed in 1999, the terms of office of the six members varied from one to six years. The intention of this was to ensure that only one of the members would need to be replaced each year.<sup>4</sup> However, this arrangement has been disrupted by the resignation of members before the expiry of their terms of office.

One of the members of the Executive Board is appointed Governor of the Riksbank and is Chairman of the Executive Board. Since 1999, the Riksbank has had three Governors. In January 1999, Urban Bäckström, who took office as Governor of the Riksbank in 1994, also became the first Governor of the Riksbank in the period in which monetary policy decisions are taken by the Executive Board. He was succeeded by Lars Heikensten in January 2003. The present Governor of the Riksbank, Stefan Ingves, took office in January 2006.

The Executive Board has had a total of thirteen different members since 1999. Figure 1 illustrates their terms in the Executive Board. The average period of time for which a member has served in the Executive Board is just over five years. There is significant variation in the length of time served by each member in the Executive Board. The member of the Executive Board active for the longest period of time is Lars

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<sup>2</sup> The inflation target was introduced in January 1993 and applied as of 1995, but the price stability target was not included in the Sveriges Riksbank Act until 1999.

<sup>3</sup> [http://www.riksbank.com/monetarypolicy/forecasts\\_interestratedecisions](http://www.riksbank.com/monetarypolicy/forecasts_interestratedecisions)

<sup>4</sup> The terms of office for the members elected into the Executive Board in 1999 were as follows: Lars Nyberg one year, Kerstin Hessius two, Villy Bergström three, Eva Srejber four, Lars Heikensten five and Urban Bäckström six years.

Nyberg (see Figure 1). He has been a member of the Executive Board since the start in 1999, i.e. a total of eleven years by the end of 2009, and is the only member to have been re-elected twice, in 2000 and 2009. Of those members to have left the Executive Board, Kerstin Hessius had the shortest term of activity. She was elected to the original Executive Board in 1999, with a term of office of two years. The member who has served for the shortest period of time, so far, is Karolina Ekholm, who took office on 15 March 2009.

Of the seven members to have left the Executive Board, three did so in conjunction with the end of their term of office, namely Kerstin Hessius, Kristina Persson and Irma Rosenberg. The other four, Urban Bäckström, Lars Heikensten, Villy Bergström and Eva Srejber, chose to leave early (see Figure 1).

The broken vertical lines in Figure 1 mark the occasions on which a new, complete Executive Board has been in place. In other words, the Executive Board has had six different compositions, discounting the short periods in which it has consisted of five or even four members, in between the departure of a former member and the appointment of a replacement.

### Interest rate decisions since 1999

During the period from 1999 until the end of October 2009, the Executive Board held a total of 95 monetary policy meetings. During 1999, a total of 20 meetings were held in which interest rate decisions were taken. However, it was discovered that this frequency of meetings did not reflect the monetary policy process<sup>5</sup>, following which the number of monetary policy meetings was reduced to 7–9 meetings per year.

In September 2007, the Executive Board took the decision to hold six ordinary monetary policy meetings per year, as of 2008.<sup>6</sup> However, when necessary the Executive Board can meet more frequently. During 2008, a total of seven monetary policy meetings were held, of which six were ordinary and one, held in October as a result of the deepening global financial crisis, was extraordinary.

Interest rate decisions are made on the basis of votes held at monetary policy meetings. The presence of at least half of the members, i.e. at least three members, is required for any decision to be taken. The average number of members present at meetings is 5.8. Only three members have been present on one occasion, while four members have been present on three occasions. In the event that an equal number of members vote for and against a decision, the Chairman holds the casting vote.

During the period 1999 until the end of October 2009, the repo rate was changed 36 times (see Figure 2). It was raised on 19 occasions by a maximum amount of 50 basis points. The repo rate was cut on 17 occasions. On 15 of these occasions, this was by either 25 or 50 basis points. On 3 December 2008, the repo rate was cut by 175 basis points, clearly the greatest historical repo rate change. The Executive Board decided to leave the repo rate unchanged at 59 monetary policy meetings. During this period, the repo rate has had a minimum level of 0.25 (in 2009) and a maximum level of 4.75 (in 2008). During the short period between autumn 2008 and summer 2009, the repo rate was thus cut by a total of 4.5 percentage points from its highest level so far to its lowest level so far. The repo rate has averaged 3 per cent since 1999.

### Reservations

Repo rate decisions have most frequently been unanimous. In 62 meetings of a total of 95, i.e. in 65 per cent of cases, the Executive Board has taken interest rate decisions unanimously. Consequently, in just less than a third of meetings, at least one member has entered a reservation, see Figure 3.

The number of members entering reservations has varied. On 23 occasions, one member has entered a reservation. On three occasions, three members have entered reservations. However, the outcome has been completely equal on one other occasion, 3 May 2007, when the outcome was 2-2. Only four members were present due

<sup>5</sup> Press release no. 36, 7 September 2007, "Repo rate path after each monetary policy meeting".

<sup>6</sup> Press release no. 66, 6 October 1999, "New procedure for decisions concerning key interest rates".

to the fact that Barbro Wickman-Parak and Lars E.O. Svensson were still to take up their positions after the departure of Eva Srejber and Kristina Persson. The Governor's deciding vote has thus been the determining factor on a total of four occasions: 5 July 2001, 1 December 2005, 3 May 2007 and 3 September 2008.

Figure 4 illustrates both the occurrence of reservations against repo rate decisions, and the manner in which the repo rate has been changed. The size of the bars indicates the number of members entering reservations. The bars are negative when a minority has voted for a lower repo rate (compared with a majority decision) and vice versa. Blue bars indicate occasions on which the outcome of the vote has been completely equal and the Governor of the Riksbank has used his deciding vote.

The figure shows that, on three of the four occasions on which the Governor's deciding vote has been used, the repo rate has changed path during subsequent meetings. One hypothetical explanation of this is that great differences of opinion can arise as regards the development of the repo rate in times of particularly great uncertainty regarding economic development.

Since 2007, the Riksbank has published a forecast of the repo rate with the intention of providing clearer guidance on the Riksbank's assessment of appropriate monetary policy. This means that the members have the possibility of entering reservations not just against interest rate decisions, but also against the interest rate forecast. At 12 of a total of 19 monetary policy meetings held since 2007, at least one member has entered a reservation against either the repo rate forecast or against both the interest rate decision and the interest rate forecast. Of the 23 reservations entered, 10 have referred to interest rate forecasts but not interest rate decisions, while 13 have referred to both the decision and the forecast.

## Voting of individual members

Individual members' interpretations of risks and future economic development can vary from time to time. Consequently, it is natural for differences of opinion to arise. Table 1 shows how the individual members have voted in relation to the majority decision.

**Table 1. Members' votes in relation to majority decision, 1999–October 2009**

Member	Same	Lower	Higher
Villy Bergström	59	4	3
Urban Bäckström	44	0	0
Karolina Ekholm	4	0	0
Lars Heikensten	66	1	0
Kerstin Hessius	25	0	2
Stefan Ingves	25	0	0
Lars Nyberg	88	4	2
Barbro Wickman-Parak	15	1	0
Kristina Persson	40	7	0
Irma Rosenberg	42	2	0
Eva Srejber	62	0	13
Lars E.O. Svensson	12	4	0
Svante Öberg	23	0	3

One observation is that most members have entered a reservation on at least one occasion. Apart from Karolina Ekholm, who took office in March 2009 and has only participated in four monetary policy meetings, only Governors Urban Bäckström and Stefan Ingves have never entered a reservation against an interest rate decision. Lars Heikensten entered a reservation against one decision, but did so before taking office as Governor of the Riksbank. This was in April 1999, and was the first time any member entered a reservation. The Governors in office have thus always been in the majority.

Another observation is that most members consistently entering reservations have chosen to vote in a certain manner in relation to the majority, by consistently voting for either a higher interest rate or a lower one. However, most have entered reservations on so few occasions that it is difficult to determine whether this is an expression of a systematically different viewpoint. The member most clearly diverging from the majority opinion is Eva Srejber, who voted for a higher interest rate than the majority on 13 occasions, and Kristina Persson, who voted for a lower interest rate on seven occasions. Only Villy Bergström and Lars Nyberg have entered reservations in both directions.

In absolute terms, Eva Srejber entered the most reservations, followed by Villy Bergström and Kristina Persson. If we also consider the number of meetings in which the members have participated, Lars E.O. Svensson, in the current Executive Board, has, so far, entered reservations most frequently, at 25 per cent of meetings, followed by Eva Srejber and Kristina Persson.

## Summary

A summary of the Executive Board's composition and voting patterns since 1999, among other data, reveals the following:

All in all, thirteen different members have served in the Executive Board, under three different Governors, in six different (complete) compositions.

At least one member has entered a reservation against an interest rate decision at approximately one-third of the 95 monetary policy meetings held.

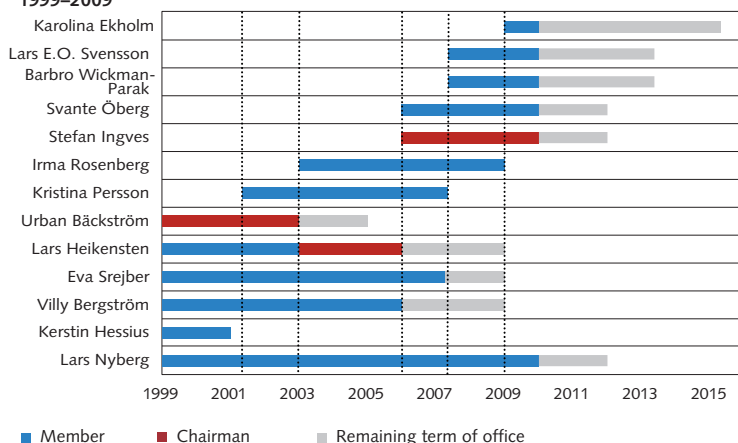
On four occasions, voting has been completely even, with the final decision resting with the Governor's deciding vote.

A Governor in office has never entered a reservation, but has always belonged to the majority.

Most members entering reservations have consistently done so in a certain manner in relation to the majority – they have consistently advocated either a higher or a lower interest rate. Only two members have entered reservations in both directions.

## Figures

**Figure 1. The terms of office and activity of the members of the Executive Board, 1999–2009**



Note: The vertical lines mark changes in the composition of the Executive Board.



Figure 2. Changes in the repo rate, 1999– October 2009

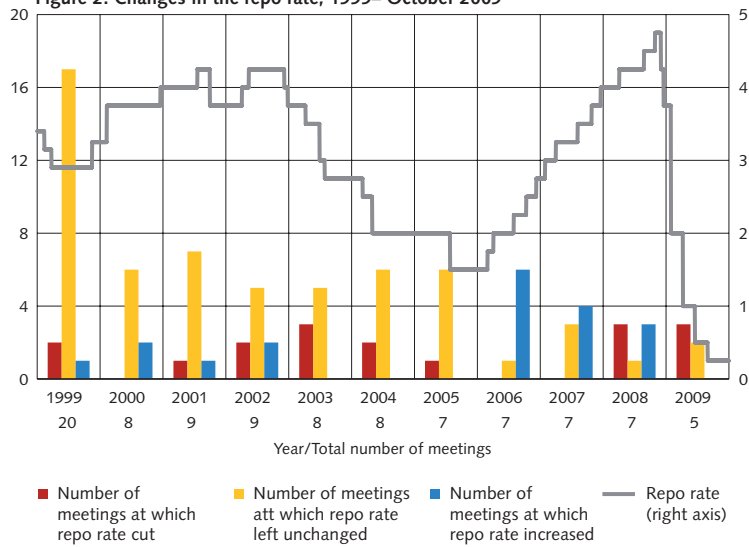


Figure 3. Outcome of Executive Board votes, 1999– October 2009

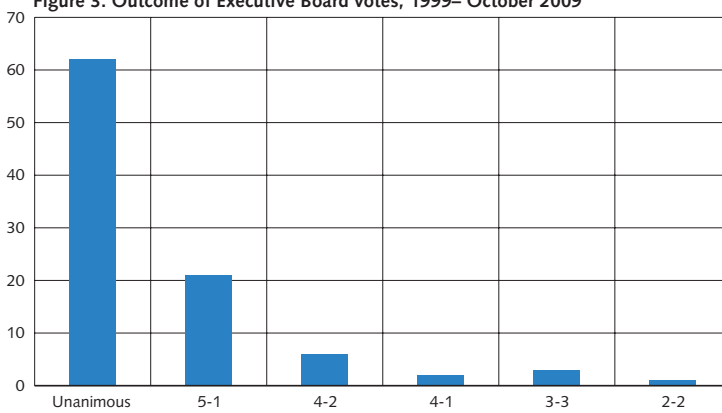


Figure 4. Reservations and repo rate, 1999– October 2009

