



# Documenting the goals for monetary policy: some cross-country comparisons

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Most central banks in advanced economies use published inflation targets to guide the day-to-day conduct of monetary policy. This article reviews the quite considerable differences in how various countries, which use quite similar operational targets, articulate what they expect from a central bank's monetary policy.

## 1 Introduction

Most advanced economy central banks use inflation targets as the main element in guiding the day-to-day conduct of monetary policy. But central banks exist by legislative authority, and legislatures and ministers often play an important role in articulating what is expected from the monetary policy powers of the central bank. How these expectations are specified differs widely across countries. Some countries articulate expectations of monetary policy in more detail than others. History also matters: older legislation looks different than new legislation. However, whether with the active or more passive involvement of governments, each country has settled on an inflation target as the best practical way for the central bank to achieve what society is looking for, or can expect from, monetary policy.

This article reviews the legislative provisions articulating what society expects of monetary policy (and any other statutorily required documents, and non-statutory but formal public agreements between a central bank and the government in this area) for a sample of operationally independent central banks with published

inflation targets. The sample encompasses all but a handful of advanced economies. The table in Appendix 1 summarises the material.

## 2 Formal documents that underpin monetary policy

All central banks we consider here use an inflation target to help guide the operational conduct of monetary policy (Appendix 2 details these targets). Some have been inflation targeting for more than 20 years, some have adopted targets more recently, and some use only aspects of the inflation targeting framework. The definition of the inflation target often includes a tolerance band, the timeframe for achieving the target, and situations where inflation may vary around the target. The substantially similar operational targets draw from a fairly diverse range of legislative underpinnings (and related documents) that authorise and govern what central banks do.

In a few countries (the Czech Republic, Mexico, Poland, and Switzerland) the central bank is referred to in the country's constitution, generally quite briefly. In each country, the central bank is now formally established by

statute, passed by the respective national legislature.<sup>1</sup> Such statutes set out the powers and governance of the central bank, often in considerable detail.<sup>2</sup> Central bank statutes also often cover a diverse range of other matters, including the wide range of functions other than monetary policy that many central banks undertake.

The legislation governing central banks differs widely across countries. Some of these differences probably just reflect the different traditions of legislative drafting across countries with diverse political and institutional backgrounds. The age of legislation is also important. Older central bank legislation often looks materially different than laws that have been passed in the past couple of decades, probably reflecting changes in drafting styles, in views on institutional design, and in how monetary policy is best understood and communicated. In some countries – Australia is one example – considerable practical changes have been made to the conduct of monetary policy, including the respective roles of central bankers and politicians, with little or no material change to relevant aspects of the legislation.

Primary legislation (an Act of Parliament) is sometimes supplemented by secondary legislation, other statutorily required documents, and in some cases by non-statutory but formal public agreements. These formal supplementary documents are often used to bridge the gap between the general powers and responsibilities of the central bank set out in legislation and the current operational targets of monetary policy. In general, formal supplementary documents tend to be more specific about the goals of monetary policy than primary legislation. But even here there are considerable differences across countries.

At one end of the spectrum, the Norges Bank Act (1985) – passed at a time when Norway still had a fixed exchange rate – sets out little about what the Norges Bank should be aiming to achieve with its monetary policy powers. Under a Royal Decree (2001), however, authorities have chosen to use regulation to provide details on the goals of monetary policy, including specifically articulating

an inflation target.

By contrast, in New Zealand and the United Kingdom, the Acts of Parliament not only specify the primary objective for monetary policy over the medium-term, but also require binding public documents which outline operational targets that the respective central banks must comply with. In New Zealand, Section 9 of the Reserve Bank of New Zealand Act (1989) requires that the Minister of Finance and the Governor of the Reserve Bank have an agreement setting out specific targets for achieving and maintaining price stability – the Policy Targets Agreement (PTA).

In the United Kingdom, the Bank of England Act (1998) sets out a requirement for the Remit for the Monetary Policy Committee. The remit is issued each year by the Chancellor of the Exchequer and sets out the operational definition of price stability – an inflation target.

In most countries, the law is more general. For example, Australia and Canada have older legislation which articulates a range of outcomes that monetary policy should contribute to. Both countries now use joint public statements to outline agreements on the operational targets for monetary policy to give modern operational form to what is articulated in legislation. These public statements are not a statutory requirement, and represent shared understandings rather than something with legal force. In Australia, the Statement on the Conduct of Monetary Policy is an agreement between the Treasurer and the Governor of the Reserve Bank of Australia, which has been renewed each time a government changes or Governor is (re)appointed. In Canada, the Bank of Canada and the government sign the Agreement on the Inflation-Control Target, which is renewed every five years. In practice, these documents specify inflation targets and considerations around them in a similar way to, say, New Zealand's PTA.

### **3. What do countries expect from monetary policy?**

The Reserve Bank of New Zealand Act spells out the economic objective of monetary policy (“stability in the general level of prices”). But even when the legislation does specify what society expects from monetary policy, the form this takes can differ widely from country to country.

<sup>1</sup> The European System of Central Banks, which comprises the ECB and the national central banks of the Member States, was created by the Maastricht Treaty.

<sup>2</sup> See Aldridge and Wood (2014) for a discussion of central bank governance in New Zealand and a similar group of countries to that considered in this article.

In some countries the focus is on the economic outcomes that a successful monetary policy could contribute to in the longer run – in the table in Appendix 1 we term this a ‘longer-term desired outcome’. In others, it is on what monetary policy can more directly influence – we term this a ‘medium-term objective’.

Provisions that identify something like a longer-term desired outcome of monetary policy tend to refer to a broad long-run objective that relates to wider economic performance, such as improving the welfare of society or contributing to a country’s development. This is often what is mentioned in those countries where the central bank is referred to in the country’s constitution. For example in Switzerland, the constitution states that the Swiss National Bank shall “follow a monetary policy which serves the general interest of the country”.

Most countries in our sample refer to such a longer-term desired outcome in either the primary central banking legislation or in associated formal documents. However, there is no formal reference to the longer-term desired outcome of a successful monetary policy in Chile, Israel, Poland, and Sweden. Presumably these countries are not indifferent to the potential contribution good monetary policy might make to wider economic performance. The omission from the formal documents probably reflects other factors, including perhaps just a more parsimonious style of expression. In New Zealand, for example, early PTAs did not explicitly mention how price stability and the inflation target fitted into wider economic performance (although central bank speeches, for example, often did). However, since 1996, in one form or another, PTAs have contained such wording. The current PTA states that “price stability plays an important part in supporting [the Government’s economic objective of] delivering permanently higher incomes and living standards for New Zealanders”.

The distinction between what we have termed medium-term objectives and longer-term desired outcomes is not always black and white. However in reviewing primary and secondary legislation for the central banks in this sample, it is reasonable to interpret the legislative provisions as giving each central bank something similar to a medium-term objective of monetary policy. In most central banks in this sample the medium-

term objective of monetary policy now is maintaining price stability or, equivalently, the domestic purchasing power of the currency. The medium-term objective mentioned in legislation in Australia, Canada, and Chile relates to stability of the currency – a concept that can have both domestic and external dimensions. In general, countries with legislation written over the past couple of decades are more likely to explicitly specify price stability as the primary objective of monetary policy.

The medium-term objective and the longer-term desired outcome of a successful monetary policy are often explicitly linked. As discussed above, this is so in New Zealand. In the United Kingdom, the Bank of England Act (1998) specifies that the medium-term objective of monetary policy is maintaining price stability. The current Remit for the Monetary Policy Committee outlines the Chancellor’s perspective that medium-term price stability is “an essential pre requisite for economic prosperity”.

In some slightly older legislation, this link is also explicit. In the United States, for example, the Federal Reserve Act (amended in 1977) requires the Federal Reserve to “maintain long run growth of the monetary and credit aggregates commensurate with the economy’s long run potential to increase production” [as an objective the Federal Reserve was believed able to more directly achieve] so as “to promote effectively the goals of maximum employment, stable prices and moderate long term interest rates” [the longer-term desired outcomes of a successful monetary policy].

The Reserve Bank of Australia Act (1959) - also passed at a time of fixed exchange rates - can be interpreted as specifying that currency stability is an objective that monetary policy should aim to achieve, and full employment and the economic prosperity of Australia are the longer-term desired outcomes of a successful monetary policy. The current Statement on the Conduct of Monetary Policy connects these statutory provisions to the operational inflation target, stating that “these objectives allow the Reserve Bank [of Australia] Board to focus on price (currency) stability, which is a crucial precondition for long-term economic growth and employment...”

The Bank of Canada Act (1934) specifies that that the Bank is to use its powers (“to regulate credit and currency”) towards a medium-term objective “to control

and protect the external value of the national monetary unit". However, the Agreement on the Inflation-Control Target directs the conduct of the Bank of Canada towards achieving price stability, as the best contribution monetary policy can make towards "promoting the economic and financial welfare of Canada", the longer-term desired outcome specified in the Act.

The focus of this discussion has been on legislation and formal supplementary documents. But even when these documents are not very explicit in specifying what monetary policy should do, central banks have been active in articulating how statutory goals translate into operational practice and how the conduct of monetary policy fits in with wider economic considerations. Although such documents have no formal authority, they can, nonetheless, play an important role.

In Sweden, the Sveriges Riksbank Act (1988) states simply that the medium-term objective of monetary policy is price stability and no other formal documents involve the government in defining or documenting monetary policy objectives. The central bank itself has taken the responsibility of adopting and publishing an inflation target. Sveriges Riksbank (2010) provides a description of the overall principles guiding how the Riksbank conducts monetary policy. This document states that "without prejudice to price stability, the Riksbank must support the objectives of general economic policy with a view to achieving sustainable growth and high employment, and take into account the risks linked to developments in financial markets". The Central Bank of Chile also sets its own inflation target, and uses published documents in a similar way (see Central Bank of Chile, 2007). In the United States, Federal Reserve (2005) notes that stable prices in the long run are a precondition for the legislated desired outcomes of maximum employment, stable prices, and moderate long-term interest rates, but that some tension can exist between these economic goals in the short run.

#### **4 Other considerations**

Central bank legislation, and other formal supplementary documents of the sort dealt with in this article, often mention other economic variables central banks are expected to take into account of in conducting

monetary policy. Although price stability is the medium-term objective for most central banks in this sample, countries often make explicit mention of variables such as employment and output that monetary policymakers need to consider, in addition to achieving price stability. It is widely accepted that in the short run and in some circumstances there can be a trade-off between price stability and desirable outcomes for other economic variables.

Reflecting the limited impact monetary policy can directly have on the real economy beyond the short run, these other economic variables are best seen as constraints or considerations. Precedence is typically given to medium-term price stability, and this is often made quite explicit in formal documents through phrasing such as 'subject to price stability' or 'without prejudice to price stability'. The New Zealand wording, discussed below, is quite similar. In other countries this distinction is less explicit. For example, the Swiss National Bank is mandated to ensure price stability, but "in doing so, it shall take due account of the development of the economy".

Whether, and if so which, shorter-run economic variables are explicitly mentioned in the formal documents discussed in this article perhaps reflects idiosyncratic national circumstances at the time the documents were written. As regular central bank documents such as the *Monetary Policy Statements* make clear, in practice it is common for central banks to consider fluctuations or variability in economic variables, such as output and/or employment in setting monetary policy. .

In most central banks in this sample, some reference to the other economic variables or financial considerations that monetary policymakers are expected to take into account, is made explicit in formal documents (details are in Appendix 1). For example, the Bank of Canada Act expects that the Bank of Canada will "mitigate by its influence fluctuations in the general level of production, trade, prices, employment". The Act also acknowledges the limitations of monetary policy in this wording, "so far as may be possible within the scope of monetary action".

In the United Kingdom, these other economic variables are outlined in the Remit for the Monetary Policy Committee. The Remit states that keeping inflation at

target may cause undesirable volatility in output in some circumstances, and so consideration should be placed on variability in output. And in the same vein, the Remit notes that keeping inflation at target in some circumstances could exacerbate imbalances that could represent a risk to financial stability. The ECB is often regarded as having a very simple and explicit mandate, but in the Treaty establishing it, the ECB is required to take account of quite a wide range of other considerations.

In New Zealand, the Act mentions that the Reserve Bank should have regard to the efficiency and soundness of the financial system as considerations in the conduct of monetary policy. The PTA reiterates this, and also states that in achieving price stability, the Reserve Bank must seek to avoid unnecessary instability in output, interest rates and the exchange rate.

New Zealand is the only country in the sample to explicitly mention interest rate volatility in its formal documents - perhaps reflecting the experience with the Monetary Conditions Index (MCI) in the late 1990s - although the literature in this area has long recognised that central banks tend to be averse to quick reversals of interest rates changes, capturing much the same idea. Exchange rate references are more often mentioned in older legislation written when fixed exchange rates were common. But even more recently in, for example, the Norwegian regulation on monetary policy and in Iceland's agreement between the central bank and the Minister of Finance, exchange rate considerations are mentioned. In addition, although not considered here, potential concern about exchange rate variability is reflected in provisions giving central banks the power to intervene in the foreign exchange market.<sup>3</sup>

Financial stability considerations are specified in statute in the Czech Republic, Israel, Mexico, New Zealand, and South Korea, and in the statutorily required Remit for the Monetary Policy Committee in the United Kingdom. References to financial stability have become more common since the crisis of 2008/9, although in New Zealand's case the 1989 Act explicitly required (section 10) that monetary policy be set having regard for "the efficiency and soundness of the financial system"

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<sup>3</sup> See Aldridge and Wood (2014) for an overview of central banks' powers and responsibilities.

## 5 Relationship with the government

Monetary policy is just one strand of economic policy. In many of the countries in our sample, formal documents explicitly recognise the interaction and overlap between government objectives and central bank goals. In many countries, the government is formally involved in determining inflation targets (see Appendix 2). Even where governments are not directly involved in inflation target-setting, they typically play a key role in appointing the members of the central bank decision-making bodies. In some countries, representatives of the Treasury participate in the central bank deliberations on monetary policy decisions (Aldridge and Wood, 2014).

Beyond this, some central banks are legislatively required to support the economic objectives of the government in the conduct of monetary policy. This is the case in the Czech Republic, Israel, Norway, Poland, South Korea and the United Kingdom. The Treaty governing the ECB has similar provisions regarding the general economic policies of the European Union. Often these provisions come with the caveat that they do not conflict with the central bank's price stability objective.

In some central banks (e.g. Chile, Japan and Switzerland) the law formally requires the government and central bank to keep each other informed of their intentions. In others (e.g. the euro area and New Zealand), the legislation explicitly requires the central bank to provide advice to the government in areas where government choices might have implications for monetary policy. The relationship between the central bank and the government is less extensively articulated in formal documents in other countries, and in some cases, these relationships are left unstated, but are typically important nonetheless.

## 6 Conclusion

Inflation targeting is the operational approach currently adopted by central banks across the advanced world. Each central bank covered in this article uses a numerical inflation target but each operates under, and is constrained by, its own legislation and/or related governing documents. Despite the similarities in how monetary policy is operated, there is a wide range of ways in which legislation and supplementary documents specify the medium- and longer-run aims societies have for

monetary policy. In some countries the focus is more on the economic outcomes that a successful monetary policy could contribute to over the longer-term. In others it is more on what monetary policy can more directly achieve.

These differences do not seem to primarily reflect very different views of what monetary policy could reasonably accomplish. Specific national circumstances influence how formal documents are written. And older legislation often looks different than legislation adopted in the past 10-20 years, with the latter typically having a more explicit focus on domestic price stability. In some countries, formal documents say relatively little about what monetary policy is expected to achieve, while in other countries the formal documentation is more extensive. Other material, including speeches and explanatory documents published by central banks, also provides important insights into how various central banks interpret their role, and how the day-to-day conduct of monetary policy fits within the provisions of the relevant governing legislation.

## 7 References

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## Appendix 1 What do countries expect from monetary policy?

Country	Medium-term objective	Longer-term desired outcome	Other considerations	Relationship with the government
<b>New Zealand</b>	<p>"...achieving and maintaining stability in the general level of prices." <i>Reserve Bank of New Zealand Act (1989)</i></p>	<p>"The Government's economic objective is to promote a growing, open and competitive economy as the best means of delivering permanently higher incomes and living standards for New Zealanders. Price stability plays an important part in supporting this objective." <i>Policy Targets Agreement (2012)</i></p>	<p>"...have regard to the efficiency and soundness of the financial system." <i>Reserve Bank of New Zealand Act (1989)</i></p> <p>"...have regard to the efficiency and soundness of the financial system, and seek to avoid unnecessary instability in output, interest rates and the exchange rate." <i>Policy Targets Agreement (2012)</i></p>	<p>"...consult with, and give advice to, the Government and such persons or organisations as the Bank considers can assist it to achieve and maintain the economic objective of monetary policy." <i>Reserve Bank of New Zealand Act (1989)</i></p>
<b>Australia</b>	<p>"...and that the powers of the Bank, will best contribute to: (a) the stability of the currency of Australia..." <i>Reserve Bank of Australia Act (1959)</i></p>	<p>"...and that the powers of the Bank, will best contribute to...b) the maintenance of full employment in Australia; and (c) the economic prosperity and welfare of the people of Australia."  "...ensure that the monetary and banking policy of the Bank is directed to the greatest advantage of the people of Australia..." <i>Reserve Bank of Australia Act (1959)</i></p>	<p>"...while taking account of the implications of monetary policy for activity and levels of employment in the short term." <i>Statement on the Conduct of Monetary Policy (2013)</i></p>	<p>"For its part the Government endorses the inflation objective and emphasises the role that disciplined fiscal policy must play in achieving medium-term price stability." <i>Statement on the Conduct of Monetary Policy (2013)</i></p>
<b>Brazil</b>	<p>"Regulating the internal value of the currency thereby preventing or correcting inflationary or deflationary tendencies of internal or external origin..."  "...regulating the external value of the currency and the equilibrium of the balance of payments of the country..." <i>Law 4595 (1964)</i></p>	<p>"...promote conditions throughout the country favourable to the harmonious development of the national economy..." <i>Law 4595 (1964)</i></p>	<p>"...thereby preventing...economic depressions or other imbalances resulting from conjuncture phenomena..." <i>Law 4595 (1964)</i></p>	

Country	Medium-term objective	Longer-term desired outcome	Other considerations	Relationship with the government
Canada	<p>“...to regulate credit and currency... to control and protect the external value of the national monetary unit.” <i>Bank of Canada Act (1934)</i></p>	<p>“...to promote the economic and financial welfare of Canada.” <i>Bank of Canada Act (1934)</i></p> <p>‘...to enhance the well-being of Canadians by contributing to sustained economic growth, rising levels of employment and improved living standards.’ <i>Inflation-Control Target (2014)</i></p>	<p>“...to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action.” <i>Bank of Canada Act (1934)</i></p>	
Chile	<p>“...look after the stability of the currency and the normal functioning of internal and external payments.” <i>Law 18,840 Basic Constitutional Act of the Central Bank of Chile (1989)</i></p>			<p>“...shall inform the President of the Republic and the Senate with regard to the policies and regulations of general applicability...it shall advise the President of the Republic, upon his request, in all matters within the scope of its duties.” <i>Law 18,840 Basic Constitutional Act of the Central Bank of Chile (1989)</i></p>
Czech Republic	<p>“...shall be to care for price stability.” <i>Constitution of the Czech Republic (1992)</i></p> <p>“...shall be to maintain price stability.” <i>Act on the Czech National Bank (1993)</i></p>	<p>“...leading to sustainable economic growth and the general economic policies in the European Union with a view to contributing to the achievement of the objectives of the European Union.” <i>Act on the Czech National Bank (1993)</i></p>	<p>“...in addition shall work to ensure financial stability...” <i>Act on the Czech National Bank (1993)</i></p>	<p>“...support the general economic policies of the Government.” <i>Act on the Czech National Bank (1993)</i></p>

Country	Medium-term objective	Longer-term desired outcome	Other considerations	Relationship with the government
<p><b>Euro Area (ECB)</b> (18 countries)</p>	<p>"...primary objective...shall be to maintain price stability." <i>European Union Treaty</i></p>	<p>"...contributing to the achievement of the objectives of the Union laid down in Article 3 of the Treaty on European Union." ("The Union's aim is to promote peace, its values and the well-being of its peoples")</p> <p>"The Union shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress..." <i>European Union Treaty</i></p>	<p>"...act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 119 of the Treaty on the Functioning of the European Union</p> <p>("...stable prices, sound public finances and monetary conditions, and a sustainable balance of payments.") <i>European Union Treaty</i></p>	<p>"...support the general economic policies in the Union..."</p> <p>"ECB may submit opinions to appropriate Union institutions...or to national authorities on matters in its field of competence." <i>European Union Treaty</i></p>
<p><b>Iceland</b></p>	<p>"...shall promote price stability..." Act on the Central Bank of Iceland (2001)</p>		<p>"...will intervene in the foreign exchange market if it deems such action necessary in order to promote the inflation objective...or if it thinks that exchange rate fluctuations might undermine financial stability." Declaration on inflation target (2001)</p>	<p>"...promote the implementation of the Government's economic policy as long as it does not consider this inconsistent with its main objective..." Act on the Central Bank of Iceland (2001)</p>
<p><b>Israel</b></p>	<p>"...to maintain price stability as its central goal..." <i>Bank of Israel Law (2010)</i></p>		<p>"...to support the stability and orderly activity of the financial system." <i>Bank of Israel Law (2010)</i></p>	<p>"...to support other objectives of the Government's economic policy, especially growth, employment and reducing social gaps..." <i>Bank of Israel Law (2010)</i></p>
<p><b>Japan</b></p>	<p>"Currency and monetary control by the Bank of Japan shall be aimed at achieving price stability." <i>Bank of Japan Act (1997)</i></p>	<p>"...thereby contributing to the sound development of the national economy." <i>Bank of Japan Act (1997)</i></p>		<p>"The Bank of Japan shall, taking into account the fact that currency and monetary control is a component of overall economic policy, always maintain close contact with the government and exchange views sufficiently, so that its currency and monetary control and the basic stance of the government's economic policy shall be mutually compatible." <i>Bank of Japan Act (1997)</i></p>

Country	Medium-term objective	Longer-term desired outcome	Other considerations	Relationship with the government
<b>Mexico</b>	<p>“...to foster the stability of the national currency’s purchasing power.” <i>Constitution of Mexico (1917)</i></p> <p>“...its primary objective shall be to seek the stability of the purchasing power of said currency.” <i>Banco de Mexico Law</i></p>	<p>“...therefore strengthening the State’s role in guiding the country’s development.” <i>Constitution of Mexico (1917)</i></p>	<p>“...promoting the sound development of the financial system...” <i>Banco de Mexico Law</i></p>	<p>“Counsel the Federal Government on economic and, particularly, financial issues...” <i>Banco de Mexico Law</i></p>
<b>Norway</b>	<p>“...shall be aimed at stability in the Norwegian krone’s national and international value.”</p> <p>“Implementation of monetary policy shall...be orientated towards low and stable inflation.” <i>Regulation on Monetary Policy (2003)</i></p>	<p>“...contributing to stable expectations concerning exchange rate developments.” <i>Regulation on Monetary Policy (2003)</i></p>	<p>“...monetary policy shall underpin fiscal policy by contributing to stable developments in output and employment.” <i>Regulation on Monetary Policy (2003)</i></p>	<p>“...conduct operations in accordance with the economic policy guidelines drawn up by government authorities...” <i>Norges Bank Act (1985)</i></p>
<b>Poland</b>	<p>“The National Bank of Poland shall be responsible for the value of Polish currency.” <i>The Constitution of the Republic of Poland (1997)</i></p> <p>“...shall be to maintain price stability.” <i>The Act of the National Bank of Poland (1997)</i></p>			<p>“...supporting the economic policy of the Government.” <i>The Act of the National Bank of Poland (1997)</i></p>
<b>South Korea</b>	<p>“...by pursuing price stability through the formulation and implementation of efficient monetary and credit policies.” <i>Bank of Korea Act</i></p>	<p>“...contribute to the sound development of the national economy...” <i>Bank of Korea Act</i></p>	<p>“The Bank of Korea shall pay attention to financial stability in carrying out its monetary and credit policies.” <i>Bank of Korea Act</i></p>	<p>“The monetary and credit policies of the Bank of Korea shall be carried out in harmony with the economic policy of the Government insofar as this does not detract from price stability.” <i>Bank of Korea Act</i></p>

Country	Medium-term objective	Longer-term desired outcome	Other considerations	Relationship with the government
<b>Sweden</b>	<p>"...maintain price stability." <i>The Sveriges Riksbank Act (1988)</i></p>			
<b>Switzerland</b>	<p>"...shall ensure price stability." <i>National Bank Act (2003)</i></p>	<p>"...shall follow a monetary policy which serves the general interest of the country..." <i>Federal Constitution (1999)</i> <i>National Bank Act (2003)</i></p>	<p>"In so doing, it shall take due account of the development of the economy." <i>National Bank Act (2003)</i></p>	<p>"The Federal Council and the National Bank shall inform each other of their intentions before taking decisions of major importance for economic and monetary policy." <i>National Bank Act (2003)</i></p>
<b>United Kingdom</b>	<p>"To maintain price stability." <i>Bank of England Act (1998)</i></p>	<p>"...the economic policy objective of Her Majesty's Government is to achieve strong, sustainable and balanced growth that is more evenly shared across the country and between industries."   "...medium-term price stability is an essential pre-requisite for economic prosperity." <i>Remit for the Monetary Policy Committee (2014)</i></p>	<p>"Attempts to keep inflation at the inflation target in these circumstances may cause undesirable volatility in output due to the short-term trade-offs involved... consideration should be placed on variability in output."   "...attempts to keep inflation at the inflation target could exacerbate the development of imbalances that the Financial Policy Committee judge to represent a potential risk to financial stability." <i>Remit for the Monetary Policy Committee (2014)</i></p>	<p>"...subject to that, to support the economic policy of Her Majesty's Government, including its objectives for growth and employment." <i>Bank of England Act (1998)</i></p> <p>"The Government's commitment to medium-term price stability remains absolute. It represents an essential pre-requisite for economic prosperity." <i>Remit for the Monetary Policy Committee (2014)</i></p>
<b>United States</b>	<p>"...shall maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production." <i>Federal Reserve Act (amended 1977)</i></p>	<p>"...so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates." <i>Federal Reserve Act (amended 1977)</i></p>		

Note: Boxes highlighted blue indicate primary legislation, boxes highlighted green indicate secondary legislation or statutorily required documents, and boxes highlighted orange indicate voluntary public agreements. Source: Central bank legislation and websites (in the case of non-English speaking countries, translations of legislative provisions are those provided on the national central websites).

## Appendix 2 Inflation targets

Country	Operational target	Set by	Status of target
<b>New Zealand</b>	Annual CPI inflation between 1-3 percent, on average, over the medium term, with a 2 percent target midpoint	Agreement between the Governor and the Minister of Finance	Statutorily required agreement
<b>Australia</b>	Annual CPI inflation between 2-3 percent, on average, over the medium term	Agreement between the Treasurer and the Governor	Voluntary agreement
<b>Brazil</b>	Headline broad national CPI (IPCA) at 4.5 percent, between a 2.5-6.5 percent range	National Monetary Council (comprising 2 Ministers, and the central bank Governor)	Resolution
<b>Canada</b>	Annual CPI inflation between 1-3 percent, keeping inflation near the 2 percent midpoint	Agreement between the Bank of Canada and the Government	Voluntary agreement
<b>Chile</b>	Annual CPI inflation around 3 percent, within a tolerance range of +/- 1 percent, most of the time	Central Bank of Chile Board	Statement
<b>Czech Republic</b>	Annual CPI inflation of 2 percent, within a tolerance range of +/- 1 percent	Czech National Bank Board	Statement
<b>euro area</b>	A year-on-year increase in the Harmonised Index of Consumer Prices of below, but close to, 2 percent over the medium term	ECB Governing Council	Statement
<b>Iceland</b>	Annual CPI inflation as close to 2.5 percent as possible	Central Bank of Iceland Board of Governors, with approval of the Prime Minister and Government, in consultation with the Governor	Voluntary agreement
<b>Israel</b>	Annual CPI inflation between 1-3 percent a year	Bank of Israel	Direction
<b>Japan</b>	Annual CPI inflation of 2 percent	Bank of Japan Policy Board	Statement
<b>Mexico</b>	Annual CPI inflation of 3 percent, within a range of +/- 1 percent,	Bank of Mexico Board of Governors	Statement
<b>Norway</b>	Annual CPI inflation of approximately 2.5 percent over time	Government	Regulation
<b>Poland</b>	Annual CPI inflation of 2.5 percent, within a tolerance range of +/- 1 percent	National Bank of Poland Monetary Policy Council	Statement
<b>South Korea</b>	Annual CPI inflation of between 2.5-3.5 percent	Bank of Korea, in consultation with the Government	Statement
<b>Sweden</b>	Annual CPI inflation of 2 percent	Sveriges Riksbank Governing Board	Statement
<b>Switzerland</b>	Annual CPI of less than 2 percent	Swiss National Bank Governing Board	Statement
<b>United Kingdom</b>	Annual CPI target of 2 percent at all times	Government	Direction
<b>United States</b>	Around 2 percent annual inflation in the Personal Consumption Expenditure deflator (PCE)	Federal Reserve FOMC	Statement

Source: Central bank websites.

Note: Where "statement" is used to describe the status of the target, these are voluntary statements made by the central bank. None is statutorily required.

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