SVERIGES RIKSBANK

What is money?

9 September, Economy Museum

Anna Seim, Deputy Governor

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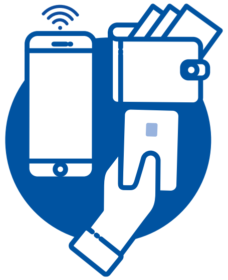
The Riksbank's tasks according to law

Inflation – the general rate of increase in prices in the economy – **is low and stable.**

The **financial system** is **stable and efficient.**

CONTRIBUTE TO A WELL-FUNCTIONING ECONOMY



It is possible to make **payments** both in **normal times** and during **crises and periods of heightened alert**.

To be the sole body authorised to **issue cash** in the **form of banknotes and coins**.

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Different ways of looking at money

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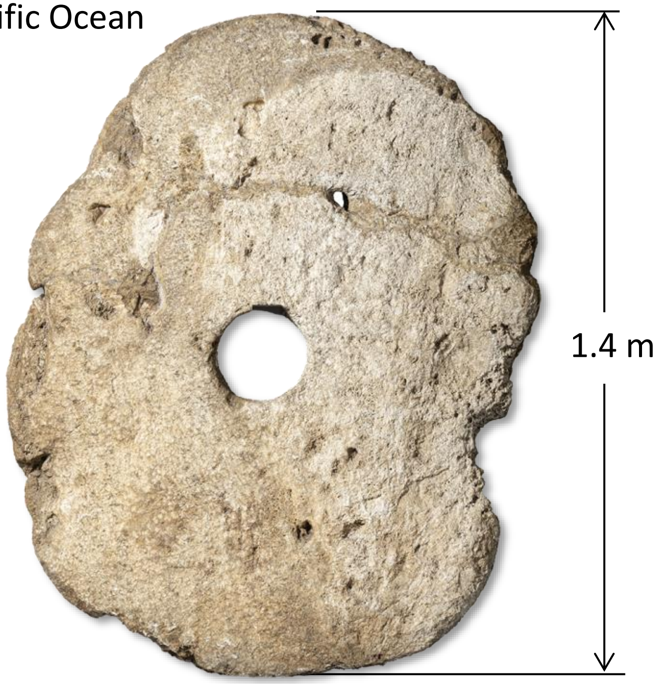
The main functions of money

A store of value **Means of payment** **Unit of account**

From beautiful shells to trust

Rai stone from the
Yap Islands in the
Pacific Ocean



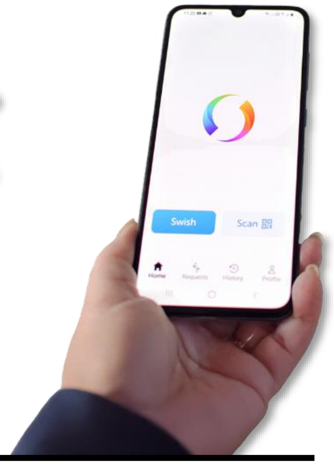
A Swedish copper coin
from the 17th century.
Weight: 20 kg

Kauri shells have been used
as a form of payment
in many parts of the world.

1%
of today's
Swedish
money

Card payments
were introduced
in Sweden in the
1960s.

Swish was
launched
in 2012.



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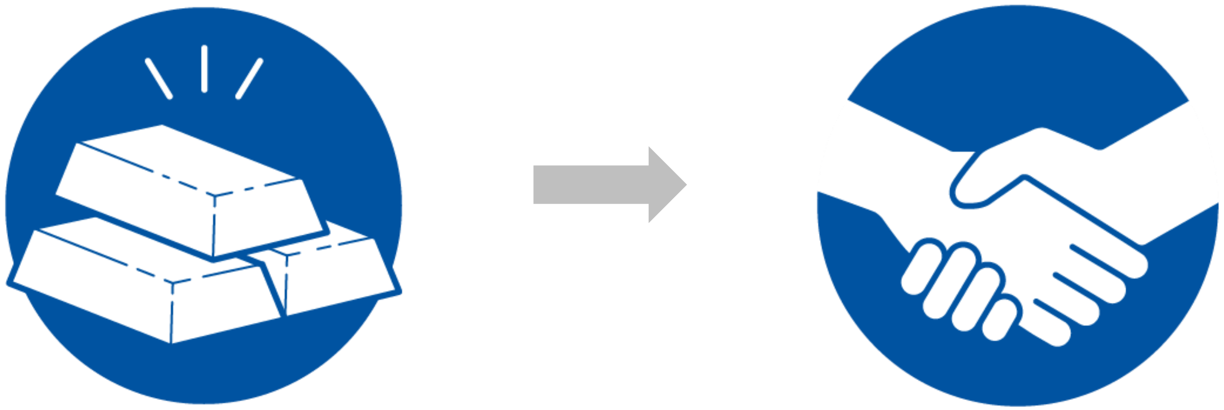
The commodity of money has changed

THEN



NOW

Gold

Confidence

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Money can be divided into two categories

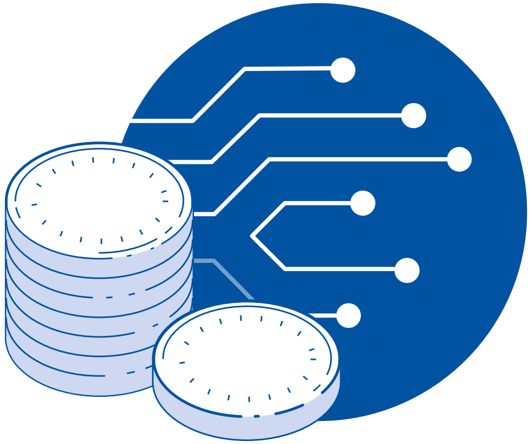
Money issued by the state

Cash and bank money held in accounts with the central bank.

Privately issued regulated money

Mainly money held in accounts with commercial banks.

The digital money of the future



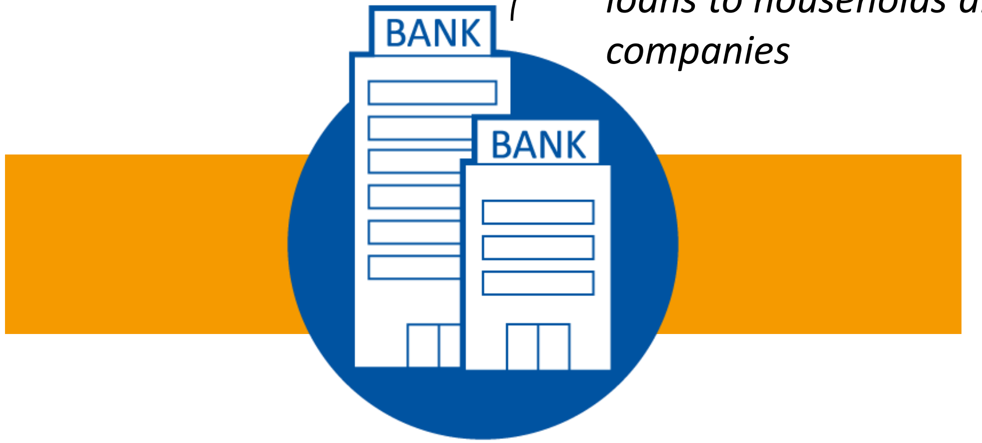
- Digital central bank currencies
- Private digital currencies, such as stablecoins

Money can be divided into two categories

***Central bank money** is created when the Riksbank lends to the banks*

Money issued by the state

***Private money** is created when the banks grant loans to households and companies*



Privately issued regulated money

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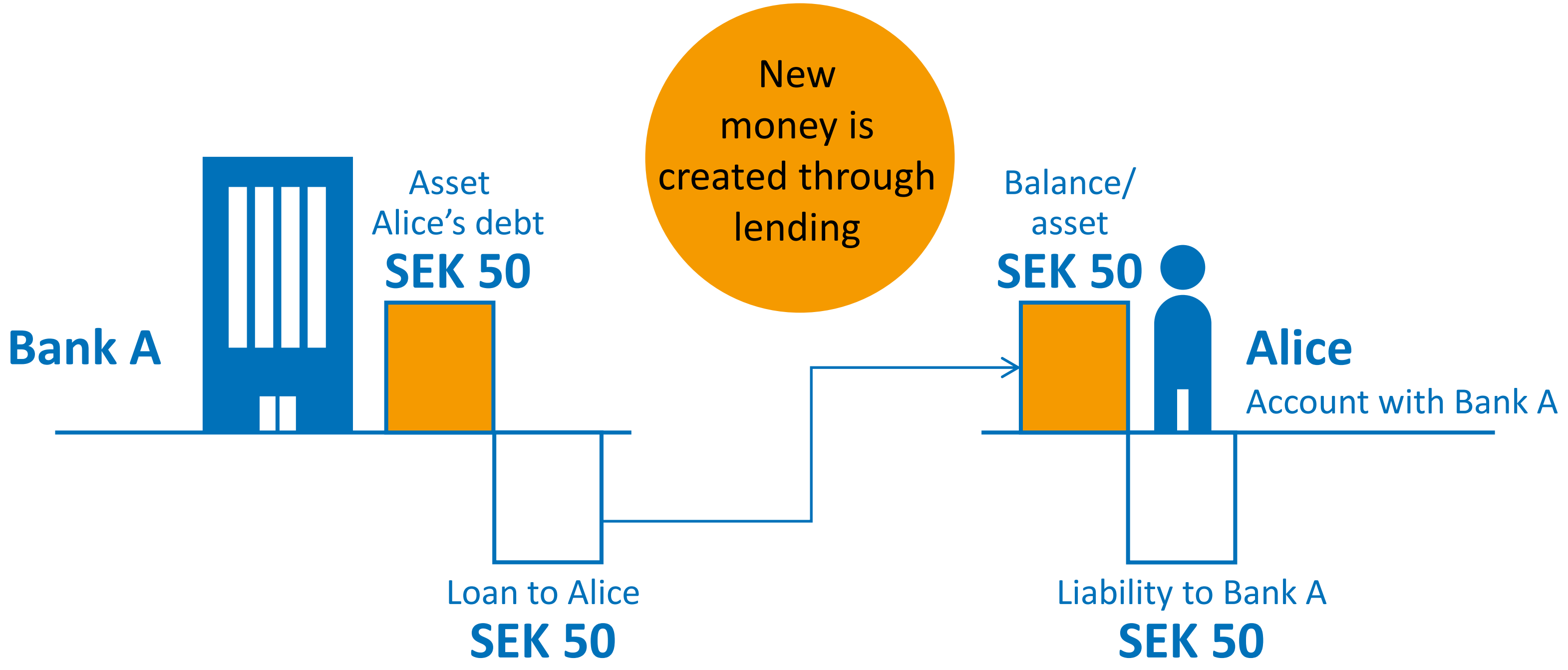
Money is created

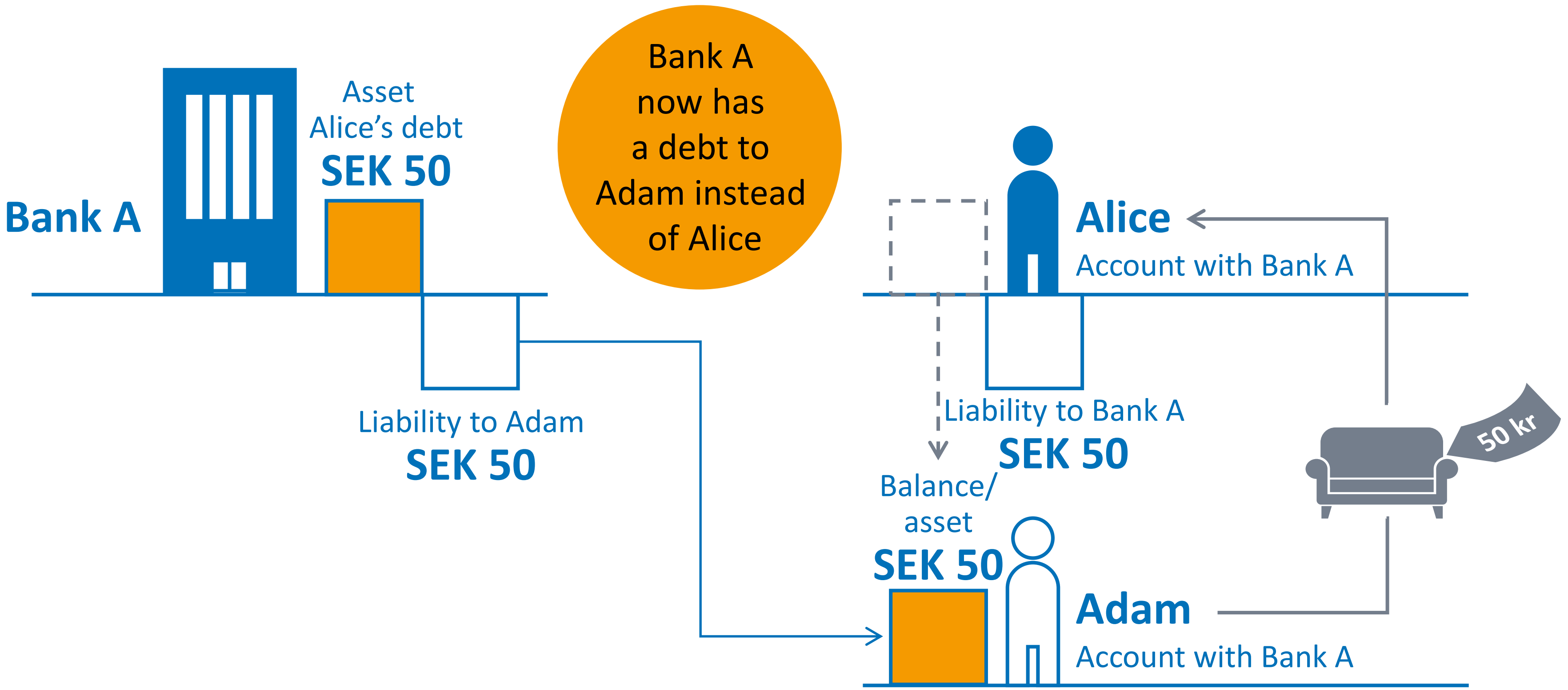
Alice borrows SEK 50 from her bank:



The amount of money in the economy is SEK 50

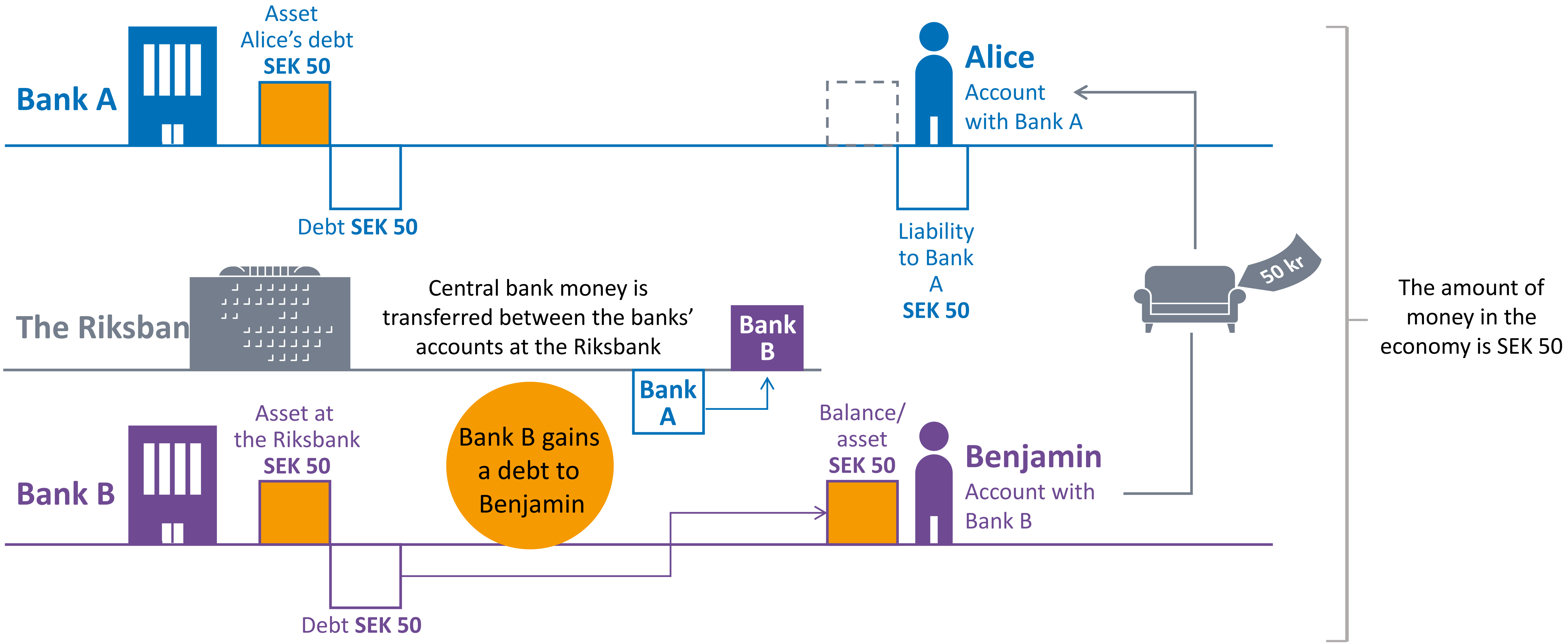
Money is transferred

Alice buys a sofa from Adam for SEK 50. Both have an account with Bank A:



The amount of money in the economy is SEK 50

Money is transferred between different banks



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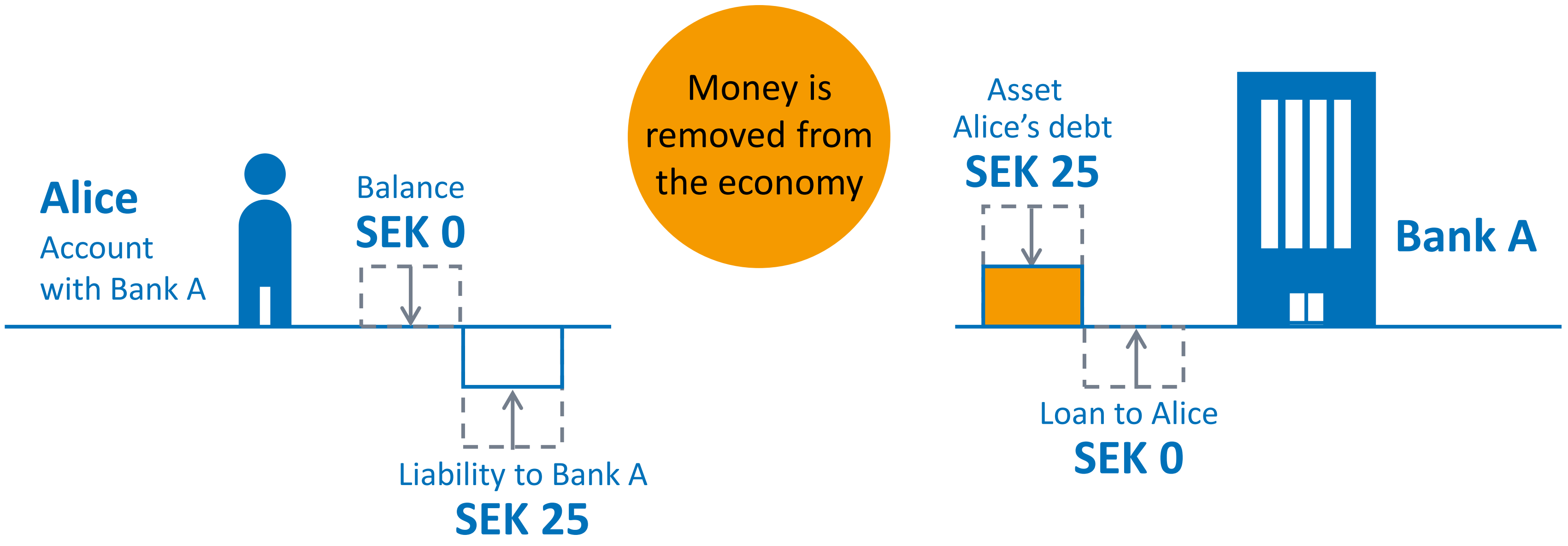
The money ‘disappears’

Alice has earned SEK 25 and repays half of the loan to the bank:



The amount of money in the economy shrinks to SEK 25

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Is today’s money ‘nothing but air’?

- Money is a kind of **claim on future income**
- People and companies can be said to **borrow against their future income** through a bank.

The uniformity of money – the same value regardless of form or bank

- We take it for granted that a krona is always worth the same.
- For example, the Swedish krona must then be exchangeable at a rate of 1 to 1.
- This applies both to transfers between cash and accounts and between different banks.

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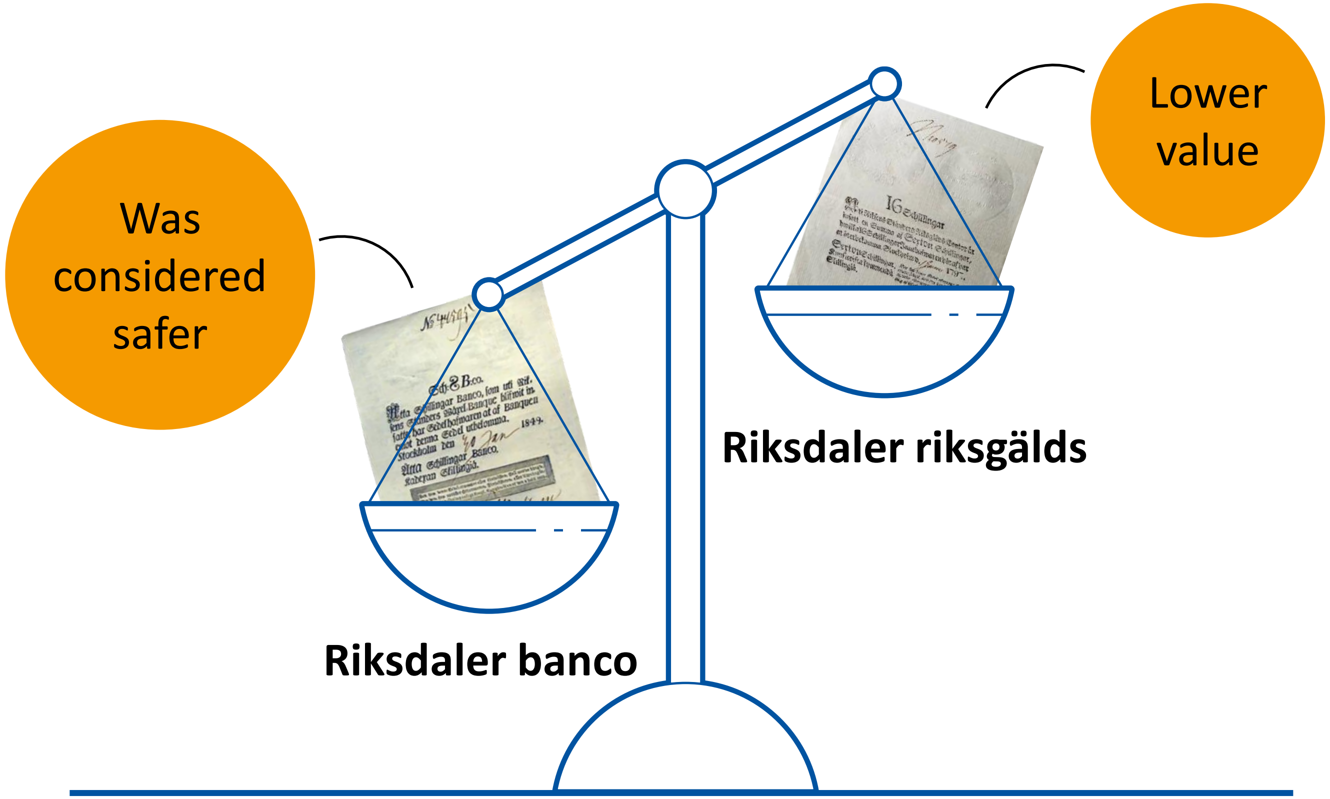
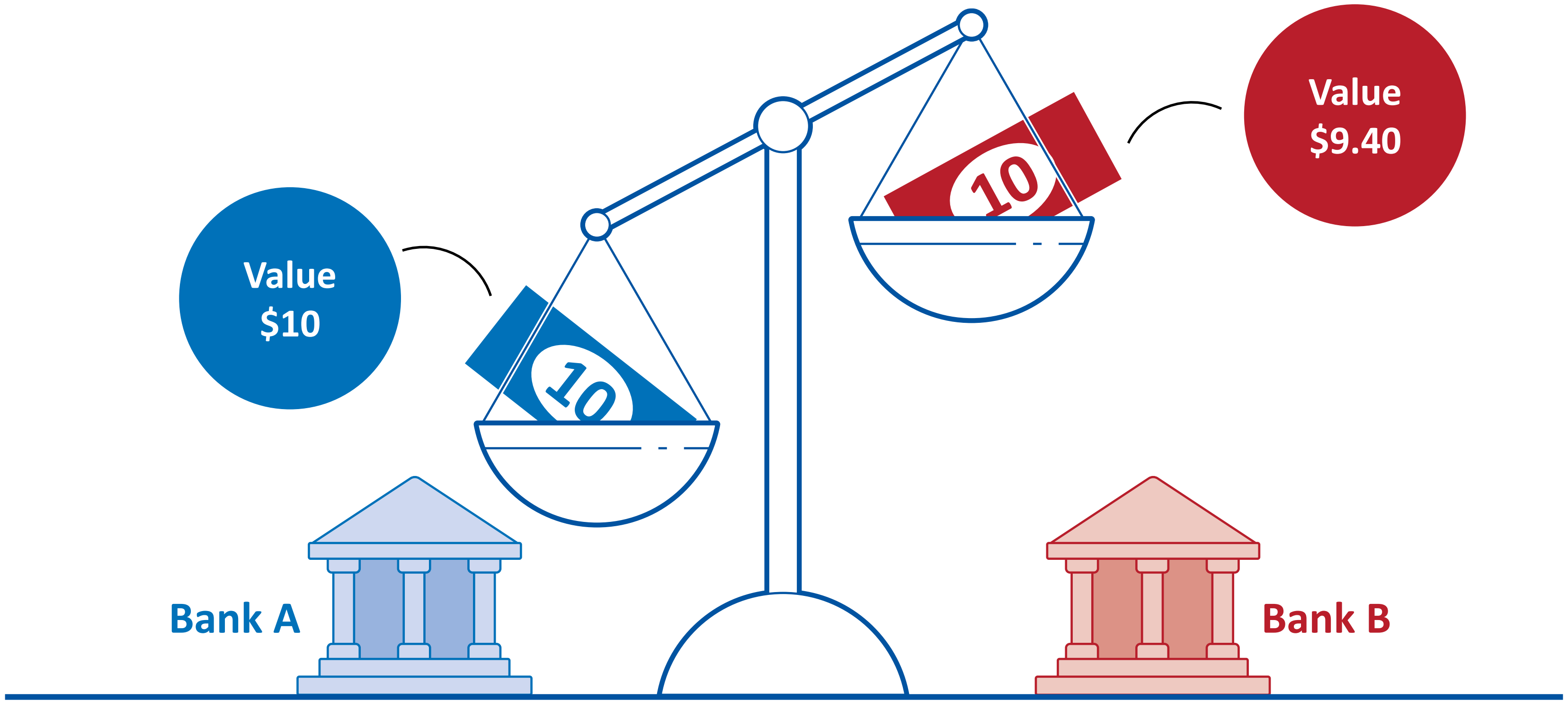
Different values for money create problems



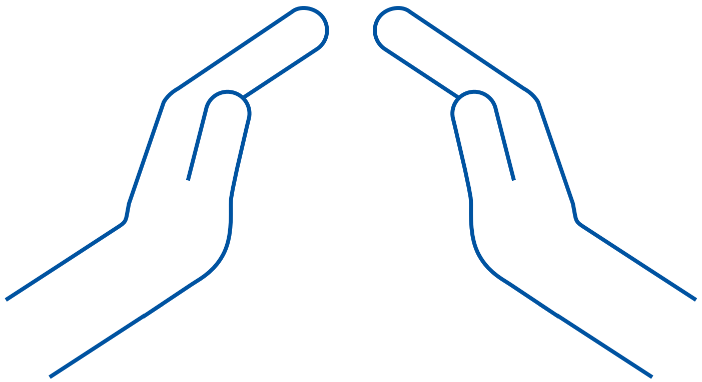
In the 18th century , there were two types of state-issued currency in Sweden

Gustav III reigned in Sweden from 1771 to 1792

USA in the 19th century – private bank money



The ten-dollar note – varying in value



Money is based on trust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