

Willem F Duisenberg: Congratulatory speech at the National Bank of Belgium's 150th anniversary

Speech by Dr Willem F Duisenberg, President of the European Central Bank, at the official celebration of the 150th anniversary of the National Bank of Belgium, Brussels, on 12 May 2000.

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It is a great honour to be invited to speak at this official celebration of the 150th anniversary of the National Bank of Belgium (the Bank). Before I say anything else, let me first congratulate the Bank on reaching this milestone in its history and allow me to congratulate in particular all those whose work and dedication have ensured its place as a successful and well respected central bank.

As we have heard from Prime Minister Verhofstadt, the Bank enjoys a rich and extensive history, which dates back almost as far as the state of Belgium itself and during which time it has contributed greatly to the development of the Belgian economy. It is also a time in which the tasks and responsibilities of central banks have evolved to such an extent that they bear little resemblance to those of a century and half ago.

Since then historical, political and technological developments as well as advances in economic theory have caused the role of the central bank to evolve and mature. They have also, almost invariably, increased its importance. Of these changes one might first mention the economic consequences of war and of the Great Depression, which focused the minds of economic thinkers and governments on the role that macroeconomic policies should play in achieving higher levels of economic growth and welfare. Second, the end of the economic boom and the rise of inflation in the 1970s increased our awareness of the importance of sound money and the need for monetary policy to be aimed at maintaining price stability. Third, the disinflation process that followed served to emphasise the benefits of conferring responsibility for this policy upon an independent central bank. However, among those developments that have most influenced the role of Europe's central banks in recent decades, there is one which stands out as being pivotal. I am referring, of course, to European Economic and Monetary Union (EMU).

It is now more than 30 years since the Werner Report first proposed a framework for replacing Europe's national currencies with a single European currency, more than 20 years since the establishment of the European Monetary System (EMS) and nearly 10 years since the signing of the Maastricht Treaty, which committed EU Member States to achieving Monetary Union. In that time, the efforts of Europe's politicians and central bankers have confounded many sceptics by making the euro an economic and political reality.

Clearly, the transition to a single currency did not take place in a vacuum. On the contrary, a number of factors shaped the path towards EMU. Some of these factors had a positive impact. I am referring here, in particular, to the remarkable progress that has taken place in establishing a climate of stable prices throughout the European Union. This development undoubtedly reflects the consensus that now exists among central bankers and politicians alike, concerning the appropriate role of monetary policy in the general conduct of economic policy. Also, one should not forget the dramatic events of 1989, which not only led to German unification and the fall of the Iron Curtain but also redefined the parameters of the economic and political environment in Europe.

Yet there were also other factors which, had it not been for the determination of those committed to EMU, could have significantly delayed or even derailed the whole process. Of these, the EMS crisis of 1992-93 immediately springs to mind. As a result of this crisis, many of those who already doubted the feasibility of EMU became increasingly sceptical as to whether we would actually achieve our stated goal. Thus when we consider the events of the last decade in particular, we must appreciate that

the driving force towards the introduction of a single currency was, above all, the political will of the actors involved. In this regard, Belgium's politicians and its central bankers should be congratulated on the commitment that kept their country at the forefront of the integration process.

This commitment could and still can be seen at various levels. At the political level, the policies pursued both by the Government and by the Bank ensured that the Belgian franc became a stabilising force in the EMS and that Belgium was ready to be a founding member of the euro area. This achievement owes a great deal to the efforts of many persons. I can only mention a few of them, such as former Prime Minister Dehaene, the former Governors Verplaetse and Godeaux, and the present Governor Quaden, who is often seen as Mr. Euro here in Belgium. Equally, sometimes behind the scenes, I should recall the dedication of persons both from the Treasury and from the Bank for their contributions to Monetary Union. Among them I should like to single out two individuals. The first is Jacques van Ypersele de Strihou who, as President of the Monetary Committee at the end of the 1970s, played a particularly important role in the design and establishment of the EMS (small wonder, if you realise that we shared a room as junior economists at the International Monetary Fund in Washington, D.C. in the mid-sixties). The second is Jean-Jacques Rey who made two especially important contributions: first, as President of the Committee of Alternates of Central Bank Governors at the time the EMU Chapter of the Maastricht Treaty was negotiated and, second, as Chairman of the Monetary Policy Sub-committee of the EMI, which developed the operational framework for the implementation of the single monetary policy which has worked so well since January 1999. Let me finally mention Alexandre Lamfalussy who, as the first President of the European Monetary Institute, played a key role in the process towards EMU. Without such figures, EMU would never have become a reality. Since January last year, the euro is a reality. The launch of the euro has been successful. Inflation is low. Economic growth is robust in a climate of price stability. My message to you today is clear. The internal stability of the euro will be maintained. The people, also here in Belgium, can be confident that their savings and pensions will keep their value over time. This internal stability will help to turn the current upswing into a long period of high economic growth and falling unemployment. Based on price stability and the strength of the euro area economy, the future of the euro is that of a strong currency.

It is often the case that the achievement of past objectives paves the way to new and exciting challenges. And so it is now for the Bank, which, along with the other national central banks (NCBs) of the euro area and the European Central Bank, has a new role to fulfil as part of the European System of Central Banks (ESCB) and of the Eurosystem. The importance of this role should not be underestimated.

The Eurosystem operates in a decentralised manner. The single monetary policy could not therefore be successful without the essential work carried out by the NCBs of which the Eurosystem is primarily comprised. In the implementation of monetary policy, the performance of operations by the NCBs ensures that the Eurosystem benefits from their extensive operational experience as well as the contacts built up with the credit institutions operating in their domestic financial markets. In this respect, the activities of the Bank are, and will surely continue to be, at least as extensive as they were before.

As a part of the Eurosystem, the Bank has, of course, maintained a number of important responsibilities and has also acquired a number of new, shared competencies. In this regard I should mention the important role of the Bank which stems from its participation in the various specialised ESCB Committees. These Committees, which are composed of experts from the NCBs and from the ECB, provide expertise in their fields of competence and greatly facilitate the decision-making process of the Eurosystem. As a result, the Bank, along with the other NCBs of the Eurosystem, contributes greatly to the development of common positions and shared standpoints on a comprehensive range of issues that are of interest to the Eurosystem.

However, in my view, the Bank's newest and most challenging role results from its involvement in the formulation of the Eurosystem's policies. Previously, the Bank was the sole monetary authority of an important but nonetheless relatively small national economy. Now it forms part of a wider institution

which is responsible for conducting the monetary policy of an economic area comparable in size to the United States.

This new role necessitates an increasingly European and international orientation: a European orientation because the Governor of the Bank participates in meetings of the Governing Council as an individual who is bound to act in the interests of the euro area as a whole, rather than as a representative of a single Member State. As a result, the research and analysis carried out in the Bank has no doubt shifted its focus to an even greater extent than before towards euro area-wide developments. The international orientation stems from the fact that the euro is the world's second most important currency, making the Eurosystem an important player on the international stage.

I should not, however, dwell further on this, or on any of the Bank's other current and future activities, as I understand that Governor Quaden intends to speak about such matters and is much better placed to do so than I. Let me therefore finish by once again congratulating the Bank on its 150th anniversary, by expressing my gratitude to all those who have dedicated their time and effort to the achievement of Monetary Union and, finally, by wishing the Bank another 150 successful years and more as part of the Eurosystem.