

Nicholas C Garganas: The euro and Greece

Dinner speech by Mr Nicholas C Garganas, Governor of the Bank of Greece, on the occasion of the ECB Governing Council meeting hosted by the Bank of Greece, Athens, 8 May 2008.

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Your Excellency Mr Prime Minister,
President of the European Central Bank,
Speaker of the Parliament,
Minister of Economy & Finance,
Commissioner,
Dear Colleagues and friends,

It is a great pleasure to welcome you to Greece on the occasion of today's meeting of the ECB's Governing Council.

Let me say a few words about the location of tonight's dinner, the Zappeion Hall. It was built in the second half of the 19th century as a center to host cultural exhibitions modeled after the Crystal Palace exhibition hall that was part of first World's Fair, held in London in 1851. The architecture is neoclassical, with a Corinthian portico, and an organization of spaces that is fully in harmony with the purpose for which it was built. The building, inaugurated in 1888, was used as the Olympic Village for the first of the modern Olympic Games in 1896. The building also has a rich political history. In 1979, the signing of the Treaty of Accession of Greece into the European Economic Community took place here.

The meetings of the Governing Council that take place outside of Frankfurt twice a year serve an important function. These meetings allow the Governing Council to conduct its normal work activities while strengthening the cooperation and relations among our respective institutions. The meetings underline the cohesiveness of the Eurosystem and serve as a reminder that the system belongs to all euro-area citizens. Intimate cooperation among the members of the Eurosystem team, the national central banks of the system and the ECB, is the key to the success of the single monetary policy of the euro area. In this regard, let me mention that, as a member of the Eurosystem family, the Bank of Greece has enjoyed excellent working relations with all the members of the Eurosystem over the years.

The euro has been a major success in so many respects. Despite the skepticism that surrounded its birth, on June 1st the ECB will celebrate its 10th anniversary, with its standing high. At all levels, the euro has delivered the goods. At the level of economic performance, its creation was intended to promote a macroeconomic environment in which countries could thrive in an increasingly competitive market place. The euro area's track record in terms of inflation performance, low interest rates, employment creation, financial-market integration, and trade expansion demonstrate conclusively that the original objectives of the single-currency area are being fulfilled.

Furthermore, the euro has eliminated the potential risk of exchange-rate crises involving national currencies, to which many of our economies were previously exposed on a daily basis in a world characterized by free capital flows. Moreover, the euro is now established as the world's second most important currency, the significance of which is not lost upon a central banker. In effect, small countries, such as Greece, have traded in the vulnerability associated with the free movement of capital for the greater security and credibility provided by a major international currency and its central bank.

At another, no-less-important, level, the euro is a symbol of shared values and a common objective – the objective of bringing our citizens closer together in an environment in which they can prosper.

I need to add, however, that the benefits of a single currency and a credible central bank do not come automatically. They depend to an important extent on the economic policies pursued by the euro area countries themselves. From a national perspective, therefore, the challenge is to maximize the benefits of participation in a monetary union by making further progress on the path of reform.

For Greece, it is particularly important to bring down the relatively high inflation rate in order to improve its competitive position. To achieve this objective, it is particularly important to continue on a sustainable and credible path to fiscal consolidation and to improve fiscal performance by reducing the country's high government debt ratio. In particular, public finances should have sufficient room for manoeuvre in order to better cope with expected substantial increase in age-related expenditures. It will also be important, in both the public and private sectors, to attain moderate labor cost developments that take into account productivity growth, labor market conditions, and developments in competitor countries. Attention must also focus on overcoming the structural constraints on economic growth and job creation, notably by fostering labor force participation. In this regard, the strengthening of competition in product markets, which will help keep profit margins at levels consistent with price stability, and improvements in the functioning of labor markets, are key elements in raising potential growth.

For fifty years, the EU and its predecessor organizations have brought peace and stability to the member states. The single market and EMU have built on that achievement by creating an edifice on which European economies can grow. By continuing to work together as a team, we will be able to ensure ever-more prosperous lives for our citizens.

Let me not take up any more of your time, but let me wish you an enjoyable time during the remainder of your stay here.

Ladies and Gentlemen, thank you for your attention.