

Ardo Hansson: Working together for the good of the EU and Estonia

Opening speech by Mr Ardo Hansson, Governor of the Bank of Estonia (Eesti Pank), to the Ragnar Nurkse Lecture for the 95th Anniversary of Eesti Pank, Tallinn, 4 November 2014.

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Professor Balcerowicz, President of the Riigikogu, Chair of the Supervisory Board of Eesti Pank, Excellencies, Ladies and Gentlemen,

Thank you for being here today to mark the 95th anniversary of Eesti Pank and to honour Ragnar Nurkse, the world's best-known economist from Estonia to date.

Eesti Pank was founded when the Republic of Estonia was only a year old and Ragnar Nurkse was a model eleven-year-old pupil at the Tallinn Cathedral School. In the words of Juhan Kukk, the Minister of Finance of the time, founding Eesti Pank as the issuer of the national currency and tying the currency to gold showed the same great “bravery and belief in national and economic independence” as engaging in the War of Independence did.

Ragnar Nurkse started his studies in the University of Tartu, but he soon moved to continue them in the School of Economics of the University of Edinburgh and later in Vienna. He was recognised in his home country for his work, as is shown by the worried letter that Jüri Jaakson, Governor of Eesti Pank at the time, sent him in spring 1938. Nurkse was working in Geneva at the time for the League of Nations, the forerunner of the United Nations. The letter says:

“The rise in the cost of living in the past three years has been larger than has been seen in many other countries that compete with us in foreign markets. When the cost of living rises, so wages should also rise and consequently so too production costs, with the result that our competitiveness declines. Do we not have to fear this?”

Unfortunately we do not know what advice Nurkse gave to Jaakson, and within only a couple of years the question was no longer of any great relevance for Eesti Pank.

During the second world war, Ragnar Nurkse focused in his work on inflation and exchange rates. The research that he published on these topics has led many writers to call Nurkse one of the main architects of the Bretton Woods system. After the war Nurkse taught for thirteen years in the prestigious Columbia University in New York. There he mainly focused on development economics, earning a great reputation as an international advisor on the subject. He died unexpectedly and still relatively young at only 51.

The view of Ragnar Nurkse of the time notes his thorough knowledge of economic theory and practice, his original ideas, and his clear vision. He was the sort of man who is clearly needed in the world today.

When Estonia regained its independence it chose the path of reform, with a unique combination of conservatism, innovation and a recognition of its own limitations. Estonia chose once again the road to Europe. Eesti Pank concentrated on stabilising the economy and on earning and maintaining confidence in the Estonian currency.

Today the European Union and its member states are Estonia's main partners both economically and politically. Working together with the European System of Central Banks has become a matter of course for Eesti Pank, be it in monetary policy, financial stability or economic analysis. We are in an unprecedented position to engage in defining the economic world around us, and our input is listened to.

Evidently there are limits on how much a small country can contribute in the functioning of the European Union, because smaller countries have fewer resources. But we can widen

those limits by making the best use of our resources, by learning from our own experience and that of our partners, and by working well together.

Working together is particularly important right now, at a time of geopolitical tensions in and around Estonia and of deepening insecurity. It is right now that we need to find the ideals, the ideas, and the goals that can bring us together, and we must work together to achieve them. I wish us strength and good luck in all of this.

Thank you again.