



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM

Národná banka Slovenska
Communication Section

CLOSING REMARKS

by Mr Ľudovít Ódor, Deputy Governor of Národná banka Slovenska

at the conference

10 YEARS OF THE EURO IN SLOVAKIA

International Conference to Mark the 10th Anniversary
of the Introduction of the Euro in Slovakia

Bratislava, 11 January 2019

Ladies and gentlemen,

Let me begin by thanking all the conference speakers and participants for frank and lively discussions. Usually at such anniversaries everybody says everything is fine and the future is bright, but these discussions were really balanced, and I liked that. We talked about opportunities, but also about some possible problems in the future. I will try to summarise the main messages from my point of view.

The first issue is the euro itself. When talking about the euro, we heard that it's not just an economic concept, but also a political project. Some called themselves proud members of the euro area. So, it's not just about economic numbers. If we look back at the things said before the creation of the euro, they included some very pessimistic projections. For example, Milton Friedman gave it ten years at the most. Other voices, however, were very optimistic about the common currency. They expected a huge increase in trade and an endogenous convergence effect. They said that while the euro area may not be the best or an optimal currency union, once countries joined it, they would endogenously converge towards each other. Today, after twenty years, we see something in between these opposite views.

Turning to the euro adoption strategy, it was made clear in the presentations that the strategy in Slovakia was very ambitious. When the central bank and Finance Ministry began talks on this issue in 2003, we were light years away from fulfilling all the Maastricht criteria. In the end, the decision to seek euro adoption was a good one and the timing of the adoption was also excellent. Of course, we were lucky to some extent, but that's part of life. As regards the strategy, it was noted today how Slovakia benefited from the euro even before adopting it. Euro preparations acted as a catalyst for structural reforms and public finance consolidation

strategies, and they also changed how Slovakia was perceived within the European Union. As was noted today, the road to fulfilling the criteria was a little bit bumpy. Slovakia had previously been on a floating exchange rate, so the major issues included the sustainability of the inflation criterion and the exchange rate pass-through to prices. But the discussions were frank and turned out successful.

In terms of the technical issues and the technical changeover, the euro adoption was much less bumpy.

I'm glad that although we took some its profits, the banking industry is very happy with the euro adoption. The same goes for the citizens and firms, and no major political party is explicitly against it, either. The euro adoption in Slovakia is praised mainly for supporting exchange rate stability, ease of travel, and business. That is pleasing, because it has not been the case in each country that adopted the euro. Several participants stressed that Slovakia could be a role model for countries joining the euro in the future. It was good to hear this from distinguished international economists, and even better to hear it from a Czech economist.

Now the question is how we should look at the euro per se. The euro is not a guarantee of prosperity, not something that automatically makes you richer once you adopt it. The common currency is not a blank cheque. It's very important to bear in mind that there are good examples and bad examples. It is not set in stone whether you will prosper or struggle after entering the euro area. Other policies are extremely important. When a country joins the euro area, it gives up the exchange rate as a demand stabilisation tool, so it should prepare other policies to fight against asymmetric shocks, including macroprudential, fiscal, labour market and other structural policies.

Today we saw a very lively discussion about the future of the common currency. I really liked the point that we should not see the euro as a blame game between European institutions and Member States. Everybody should understand that it's kind of a shared responsibility. We should try hard to figure out how to reform our governance framework in order to incentivise European institutions, as well as the Member States themselves, to see the euro as a common concern.

We talked a little bit about the potential next recession and crisis. We heard how the policy space is more limited now than before the previous crisis. On the other hand, some more optimistic points were made: for example, the banking sector is in much better shape now than before the last recession.

What we didn't discuss, but in my view is crucial to the euro area's shock-absorbing capacity, are private risk-sharing channels. Here the discussion about the capital markets union is very important.

Towards the end, some speakers stressed that when we have problems, we sometimes discuss and see things from a limited perspective, and that it is very important not to lose sight of the broader picture. The euro area is not just a collection of member states, but a big economic player in the world. We should therefore also try to respond to the shocks coming from global issues, such as trade wars or major productivity trends.

Today we heard a lot of interesting ideas in many areas. I opened my presentation earlier today by mentioning my son who is now ten years old. But I also have an older daughter, and I know that the next ten years are usually much more difficult than the first ten. When I look at the twenty-year history of the euro, the same also applies; nevertheless, I don't think the trend is uniform, so I hope that Slovakia will continue being a successful euro area member over the next ten years. Thank you for your attention and your contributions.