

Burkhard Balz: Shaping Europe together

Speech by Mr Burkhard Balz, Member of the Executive Board of the Deutsche Bundesbank, to mark the inauguration of the Bundesbank's new representative, Madrid, 3 Nov 2021.

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1 Introduction

Your Excellency Ambassador Dold,

Ladies and gentlemen,

“¡De Madrid al cielo!” – “From Madrid to heaven!” – is an old Spanish saying. And on that note, it gives me great pleasure to be back in Madrid and speaking to you here today. My thanks also go to Ambassador Wolfgang Dold for providing the setting for today's event.

The Federal Republic of Germany's first Chancellor, Konrad Adenauer, paid a visit to Madrid in 1967 at the ripe old age of 91. In a fiery speech, he spoke about his vision of a united Europe that shared a common heritage, traditions and culture.

A Europe made up of just the six Member States of the European Economic Community at that time could not be the end of the story, Adenauer said.

Spain, he stressed, also had to become a major component of what was to become a united Europe – because of Spain's geographical location, history, tradition and the irreplaceable role it played in European culture.

This was to be Adenauer's last major public appearance. He would never see part of his vision – Spain's accession to the European Community in 1986 – become reality.

However, much of what Adenauer spoke about back then has now come to pass. The process of European integration advanced steadily, and Spain is now firmly anchored within the European Union.

Spain was also among the first group of countries to introduce the euro, which is one of the most visible symbols of European integration in our day-to-day lives.

This single European currency heralded major changes for the national central banks of Member States.

They stopped making decisions on their countries' currencies when the European Central Bank (ECB) was established in 1998. Instead, it is the ECB Governing Council, a body made up of the ECB Executive Board plus the governors of the national central banks of the euro area countries, which sets monetary policy for the euro area.

A single monetary policy needs to take into account the different economic developments in the Member States. This can often be a challenging endeavour, as we clearly saw in the wake of the financial crisis and during the recent COVID-19 pandemic.

How do a single monetary policy and different national fiscal and economic policies fit together? To what degree does fiscal policy in the euro area countries need to be harmonised? What can be done to strengthen the capital markets union? And how can the banking union be completed?

These questions and talking points affect us directly as Eurosystem central banks, and they have a bearing on our work.

To make it easier to reach out to national authorities and financial institutions in the major euro area countries, the Bundesbank now sends staff members to the German embassies in Madrid, Rome and Paris. It is an arrangement that complements the close working relationships we already enjoy with the central banks of these countries.

We have found that an intensive exchange of views and ideas can bring differing viewpoints to light early on, besides deepening mutual understanding and trust. For the Bundesbank, this is a way of helping to promote collective solutions and reinforcing cooperation within the euro area.

Digital media have helped us stay in touch during the COVID-19 pandemic. But no matter how well we can communicate by email, telephone and video conferencing nowadays, meeting in person is still a crucial factor in any trusting working relationship.

Fabian Huttner will now play his part in fostering relationships as the Bundesbank's representative in Madrid. He already has a wealth of knowledge on the various tasks of the Bundesbank thanks to his period of training as a civil servant. And his previous position in the Digital Office saw him work intensively on topics that will shape the future at the Bundesbank. I'm certain all this experience will stand him in good stead for his new duties.

2 Digitalisation in payment transactions

Ambassador Dold, ladies and gentlemen,

Nowadays, there's no getting around the topic of digitalisation as one that will shape our future. The pandemic, especially, saw people increasingly turn to digital platforms to do their shopping and for work and study.

Businesses and authorities had no option but to roll out new processes within the tightest of time frames. It showed just how important it is for us to have a reliable digital infrastructure.

Digitalisation was also the driver of all manner of developments in the financial world during the pandemic. Contactless payments by card or smartphone saw major growth, and a booming e-commerce sector increased the uptake of cashless payments.

Listening to payment service providers and fintech firms over the past year, we have often heard them confirm our view that the pandemic is acting as a catalyst for their business models. Market developments that normally need four to five years are now taking place within the space of four to five months.

People expect a great deal from electronic payment systems. They want them to be safe, quick and above all convenient. This also places demands on us as central banks and on the Europe-wide infrastructure we operate, such as the system for large-value payments that the Bundesbank improves and advances together with the Banco de España, the Banca d'Italia and the Banque de France.

Advances on the digitalisation front have also sparked a debate surrounding digital currency. July saw the Eurosystem launch a two-year investigation phase on the introduction of a digital euro. This digital currency could be implemented alongside commercial banks' book money as fail-safe, universally accepted central bank money.

The intention is to create a digital euro that makes it easy to send and receive payments in real time while at the same time satisfying high standards in terms of payment data integrity and security.

The digital euro could be used to underpin innovative products developed in the private sector. For instance, smart contracts – protocols that automatically execute payments once the right contractual conditions have been met – might open up entirely new business areas.

What matters from the Bundesbank's perspective is that the traditional allocation of functions between private and public players is not undermined. Central banks deliver the backend infrastructure in payments, but it is up to the (European) private sector to develop customer-friendly payment solutions for end users.

It has not yet been decided what features the digital euro might have or when it might be introduced. One thing is clear, though: the digital euro would complement cash and book money, not replace them.

3 Conclusion

Ladies and gentleman,

As important as money may be in our business and economic world, there is one particular Spanish saying I hold very dear: "Vive. El dinero se recupera, el tiempo no." – "Live. You can get back the money but not the time."

On that note, Mr Huttner, please accept my best wishes that you will have plenty of time to forge new contacts and foster relationships, to get to know and love Madrid – and, of course, to represent the Bundesbank well here in Spain. I wish you all the best and every success in the tasks that lie ahead of you.

Thank you very much for your attention.