Twenty Years of Transition – Experiences and Challenges

Súčasťou osláv dvadsiateho výročia vzniku Národnej banky Slovenska bola jednodňová konferencia na vysokej úrovni s názvom „Twenty Years of Transition – Experiences and Challenges", ktorá sa konala 3. mája 2013 v priestoroch hotela Kempinski v Bratislave. Program konferencie bol rozdelený do troch blokov, ktorým predchádzali otváracie vystúpenia guvernéra NBS Jozefa Makúcha a člena Výkonnej rady ECB Yvesa Merscha. Hlavnú tému konferencie uviedol prezident Centra pre finančné štúdie a bývalý hlavný ekonóm ECB Ottmar Issing.
Prvému bloku konferencie predsedal guvernér NBS Jozef Makúch a vystúpili v ňom guvernéri centrálnych bánk Fínska, Rakúska a Talianska. Druhý blok bol vyhradený panelovej diskusii zameranej na vývoj hospodárskych politík v transformujúcich sa krajinách a na výzvy, ktoré pred nimi stoja. Diskusiu viedol guvernér ČNB Miroslav Singer. Tretiemu bloku predsedal viceguvernér NBS Ján Tóth a vystúpili v ňom najmä významné osobnosti z akademického prostredia. Rokovanie prebiehalo v anglickom jazyku. V tomto čísle časopisu prinášame hlavné myšlienky z vystúpení jednotlivých rečníkov, prípadne celé znenia ich príspevkov v anglickom jazyku.

Opening remarks addressed by Jozef Makúch, Governor of NBS

Dear Governors,
Ladies and Gentlemen,
I am delighted to welcome you to the NBS conference on twenty years of transition. It is a particular honour to have with us today Mr Yves Mersch, a member of the ECB Executive Board, and Mr Otmar Issing, the President of the Center for Financial Studies and a former member of the ECB Executive Board.

This conference is one of a series of events marking our 20th anniversary – with the National Bank of Slovakia having been established on the 1st of January 1993, the day when the Slovak Republic became an independent country. This conference is also a reminder of the immense changes we have seen in the last 20 years – and of the changes we continue to undergo.

When Slovakia was established, our living standards – measured as GDP per capita in PPS – were less than 50% of the European average. Today, after 20 years, they are over 75%. While this performance might seem impressive to an outside observer, we have a natural tendency to compare ourselves to the highest standards – whether in our Austrian neighbours or other ad-

vanced euro area countries. In that light, we still have a challenging road ahead of us and it might take another 20 years until we catch up with the euro area average.

Let me now turn to monetary policy, an area which is very familiar to most of us and which, of course, is just one element in the array of economic policies. While our main objective is price stability, we fully understand that the ultimate goal of economic prosperity lies behind it. This point is illustrated by how we have developed monetary policy frameworks in Slovakia. Just after the split of Czechoslovakia we had a short period of monetary union with the Czech Republic. As the monetary union was a stop-gap measure, it soon gave way to a fixed exchange rate with relatively strong capital controls. In 1998, although the regime had been undergoing slow liberalisation, we were forced to adopt a flexible exchange rate due to a combination of domestic economic weaknesses and the global turbulences brought on by the Asian and Russian crises. For another six years the NBS practised what we called "implicit inflation targeting" – in other words, a floating exchange rate with relatively frequent interventions and an annually adjusted inflation target. Only in 2005 did we move to explicit inflation targeting with a pre-set inflation range. Before the end of that year, however, we joined the European Exchange Rate Mechanism, ERM II, and therefore returned to a fixed exchange regime. Finally, we adopted the euro in 2009 and made a full circle towards a monetary union.

Of course, there are major differences between the koruna monetary union we started with and the euro we have today. Most importantly, we see the euro as a permanent state. Second, the euro is a world-class currency and we are proud to be a part of it. Third, we made a voluntary decision to join the euro area, at a time we believed was optimal, based on a firm belief in the significant benefits that accrue from participation in the European monetary union.

These changes in monetary policy in Slovakia reflected broader changes in economic policies, not only in Slovakia, but also in many other post-communist countries. This is the process we call economic transition – transition from a centrally planned to a market-based economy; transition from an industrial and low-tech economy to a service and knowledge-based economy; transition from a relatively closed economy to a fully open economy integrated in global trade and financial flows.

In some respects most new EU member states have completed this transition – we are now open and free-market economies. But the changes never stop and if we want to continue catching up with the most develop countries, we must keep reforming and strengthening our institutions, expanding our human and physical capital stocks, and improving the business climate. Coming back to my example of monetary policy in Slovakia – the adoption of the euro in 2009 did not mean an end to changes in the central bank. The euro area today is not the same as the one we entered just four years ago. Fiscal surveillance has been remodelled and new checks and conditionality have been added. International externalities have been explicitly acknowledged and tackled with the ESM. Our next major challenge is the creation of a banking union.

Ladies and gentlemen, I hope I have illustrated why it is so crucial for us – and for all the new EU Member States – to understand economic transition. I would add that such understanding is also vital for the old Member States. Europe faces major changes – besides the banking union, further reforms will be needed to restart economic growth and ensure financial stability. The experience of transition countries may be very useful in guiding the changes in our institutional structures.

I sincerely hope our discussions today help us better understand the past, see what are the options and challenges ahead, and thus improve our future decisions.