



Opening remarks addressed by Yves Mersch, member of the ECB Executive Board



Yves Mersch began his professional career as a lawyer at the Luxembourg Bar Association. He joined the Luxembourg civil service in 1975 and was seconded by the Ministry of Finance to the IMF and subsequently by the Ministry of Foreign Affairs to the United Nations. On his return from the USA he became an adviser to the Ministry of Finance in charge of international financial and monetary relations. In 1985 he was appointed Commissioner to the Luxembourg Stock Exchange. In 1989 he became Director of the Treasury. In that capacity, he was the personal representative of the Minister of Finance during

the negotiations that led to the Maastricht Treaty. When the Banque centrale du Luxembourg (BCL) was created in 1998, he was appointed as its first Governor. In December 2012 he was appointed by the European Council to the executive board of the European Central Bank.

At the beginning of his opening remarks, Mr Mersch congratulated Národná banka Slovenska on its 20th anniversary. He expressed delight that on this occasion a very fruitful Governing Council meeting was held, where the important measures were taken. At the same time he appreciated the high quality of organisation of the whole event, both the Governing Council meeting itself as well as the conference.

He emphasised the progress that Slovakia has achieved over the past 20 years and the difficult steps that have been necessary on its journey from centrally-planned economy to full-fledged member of the euro area. Czechoslovakia and later Slovakia were members of the Belgian IMF constituency and Mr Mersch, as the Alternate Governor of Luxembourg in the same constituency, had the opportunity to watch the first steps of the transition and preparations for the introduction of separate currencies in Slovakia and the Czech Republic.

Starting from that point (in 1993) Slovakia has undergone a long journey and the introduction of the euro should be viewed as a great success. It speaks about the quality of Slovak people, ability to work hard, to face and solve difficult tasks. Europe must recognise this strength of character and be happy to have Slovakia as a member of the family.

But there are, of course, challenges ahead. First of all is the problem of high unemployment, despite the fact that Slovakia has been benefiting from relatively strong growth. Still, Slovakia has

the fourth highest unemployment rate in the euro area, which unfortunately may increase further, as the slowdown in economic activity weighs on employment prospects. Also the deficit remains high, although the government adopted a sizeable consolidation package for 2013. The recent increase in the public debt in Slovakia is a concern too.

From the ECB's perspective, Mr Mersch noted that Slovakia is one of those members of the euro area which admittedly added to the sophistication of monetary policymaking. The euro area is and has to be a diverse economic system. But the case of Slovakia, which joined the euro area just before the crisis, shows that the euro remains a great fundamental of stability and that being part of the currency union and not having the exchange rate as a policy tool does not create risks but rather shields against threats emerging around the world.

Mr Mersch confirmed that the euro area needs to be improved and needs to be strengthened, for the sake of Slovakia and for the sake of all its future and present members. One of the key challenges is to complete banking union. There is an urgent need to proceed with delinking sovereigns and banks and fostering the reintegration of financial markets, whilst avoiding national bias in supervision and with restoring the proper transmission of our monetary policy. The ECB has already started preparing for the establishment of the Single Supervisory Mechanism. To succeed, though, this mechanism should be



complemented by a Single Banking Resolution Mechanism. Mr Mersch concluded his opening remarks by recollecting the words of Mr Otmar Issing, seven years ago when, after eight years of challenging work, he was leaving the Executive Board of the ECB. At that time Mr Issing remarked that we have all been privileged to participate in a historically unique experiment – the creation of a new currency in Europe. “We have had to manoeuvre through uncharted waters and we may not yet have arrived at the banks of the Promised Land”. The following years prove that Mr Issing was right. Then Mr Mersch handed the floor to Mr Issing, looking forward to hear what he thinks today of what has happened in the past few years and what are the main challenges ahead.

(Compiled by Rastislav Čársky)



A new paradigm for monetary policy? (Keynote speech by Otmar Issing)



Professor **Otmar Issing** is born in Würzburg, Germany, he studied classical philology and economics at the University of Würzburg, with temporary studies in London and Paris. He received his doctorate in economics at the Faculty of Law and Economics of the University of Würzburg.

During his fruitful professional career Otmar Issing has held many prominent positions in academia and the banking sector. These included a full professorship at the University of Würzburg and University of Erlangen-Nuremberg. He was a member of the Board

of the Deutsche Bundesbank and member of the Executive Board of the ECB. He took position of Chairman of the Expert Group on the New Financial Order appointed by Chancellor Merkel and became a member of the High-Level Group of the European Commission chaired by J. De Larosiere. Currently he is President of the Center for Financial Studies, as well as a member of many academic and professional bodies. He is the author of numerous books and articles, and for his work has been awarded many honorary degrees and decorations.

At the beginning of the keynote speech Otmar Issing congratulated Národná banka Slovenska on its 20th anniversary. Otmar Issing in his presentation “A New Paradigm for Monetary Policy” outlined the new challenges for monetary policy in the current environment of low interest rates and unconventional monetary policy. In his speech Mr Issing tried to answer difficult questions regarding the achievements of current loose mon-

etary policy accompanied by several so-called “unorthodox” measures, risks of such a policy and also an adequate duration of expansionary policies. At the same time, he discussed whether central banks should consider a change in their strategies. Last but not least he elaborated on the question of institutional arrangements for central banks and their independent status.