

MAREK BELKA

President of the National Bank of Poland

Jean-Claude Trichet, former President of the ECB

Thank you very much indeed. A lot of very important questions have been addressed and I am sure that we will have a nice discussion. I give the floor immediately to the previous Prime Minister of Poland, eminent member of the IMF, Governor of the Central Bank. You can say all what you have in mind, Marek; we would be delighted to have your messages, please.

Marek Belka, President of the National Bank of Poland

If I did that, I would miss my plane, so I will concentrate on the central banking perspective which is what you asked me for before, which is obviously a risky venture in your presence but still I will sort of compliment this *tour d'horizon* of opinions represented here from the point of view of a central bank. It is not going to be Polish; it is, I hope, not going to be entirely European.

Well, the brunt of policy measures after the financial crisis of 2008 was carried by central banks. In fact, we were brutally torn out of our cosy world of inflation targeting from the times where central bankers were respected but somewhat obscure personalities, now some of the central bankers have risen to the position of celebrities. I cannot help recalling that when Mark Carney was drawn from the Bank of Canada to the Bank of England, his popularity was second only to Kate Middleton's. It changed a bit, because she was probably more successful in providing and more productive, but still central bankers, to our chagrin, have become celebrities and closely scrutinised persons. Well, what we did, what the central bankers did from the very onset of the crisis was to lower the interest rates to zero or occasionally to negative territory, engaged in massive asset purchases and quantitative easing. It was buttressed by the so-called forward guidance which was slowly evaporating as we were losing the grip of our forecasting capacities, so what we were left with and what the world economies were left with was ultra-low interest rates and the readiness of main central banks to engage in what is called quantitative easing. Well, from the very beginning we were quite afraid, we, central bankers, and this is the atmosphere, the mood that I can transmit to you from our bimonthly meetings in Basel and it is too bad that we cannot provide everything that is expected of us, and this could create many problems.

Well, we have learned a lot. The first concern that some of us had, that many of us had, was that if we do too much, we would trigger inflation. We sort of forgot about the statement made by John Maynard Keynes: "You can bring the horse to the water but you cannot force it to drink". We did not, we could not force the horse to drink water. Therefore, instead of inflation, which is still stuck in the heads of many, it is the danger of deflation that is now looming over us and not just in Japan but in Europe. What we have learned is that central banks cannot fully control their balance sheets. If you are not allowed to engage in buying treasury bonds, like in the US or in Japan, you do not control the quantity of money, and last year showed it very clearly in Europe. We are talking about quantitative easing in Europe, but what we had last year was quantitative tightening. The balance sheet of the ECB was reduced by one trillion, one billion in European parlance, EUR 1 billion, so we cannot do more if we are constrained, by law, by our mandate, as we are in Europe, or by our thinking. Well, we were afraid of what the consequences would be of the non-conventional measures, whether they would be efficient. Well, it seemed that they were efficient, fairly efficient in the US. It is too early to say what they will bring in Japan, whether the monetary easing will pull the Japanese economy out of deflation. Certainly, the European situation shows that fiscal policy is much more powerful in a situation of low growth than monetary policy.



Then, the next issue is, well, what would the by-products and the negative consequences of monetary easing or ultra-easing be? Many of you have mentioned today this desperate search for yield leading to misperception of risk, which is why I reacted to your statement about investment in Poland. Maybe in normal times this would not prove to be as attractive as it is now. Well, but then we are afraid of what will happen if we start winding down our extra measures. Well, so far the picture has been quite reassuring. I think that the world has avoided or has moved pretty smoothly through this phase of tapering and, basically, the phase of asset purchasing as in the US. Also, I do not think that we have really experienced a full-blown currency war which some of the colleagues, say, from Brazil, were quite concerned about. Therefore, I think that, all in all, it shows that monetary policy has, on the one hand, given time for other policies to work. Sometimes this has been used properly, sometimes this time has been wasted - it always happens like this. I think that the negative consequences of unconventional monetary policies have been subdued so far. What is one of the lessons from this crisis? Well, as long as we do not solve the problems raised by Bozidar Djelic, really reform the financial sector, which is far away because of the lobbying, sorry. Therefore, as long as we stick to our mandate, as we stick to macro-economic policies, I think the lesson is: be pragmatic. Be pragmatic, we in Europe are idealists, and Americans can preach everything you can imagine, they are down to earth pragmatists, maybe because they can afford it, but the final effect is so much more positive for them, even if you are not fully optimistic about the state of the American economy, compare to America.

Well, the last thing is really a loose comment that was triggered by Jun - you mentioned Masayoshi Son. I have had an opportunity; you need the opportunity to listen to Masayoshi Son and, more interestingly, to listen to how Vladimir Putin reacted to his stories. It was the year 2000, James Wolfenson, the then president of the World Bank, organised a small group of, say, mentors. We were all flown to Moscow to give a full-day seminar to Vladimir Putin and his team. All the Kudrins, Grefs, all names you can remember from that time, and they are still active. We sort of, tried to give them our views on transition, and okay, there were two of us from central Europe, me and Janos Bokros from Hungary. We did all the usual transition crap; he was not at all interested in the things. The only thing he was really excited about was the story of Masayoshi Son and his success. Now, I cannot forget about it when thinking about Putin now.

Thank you.