

# Olli Rehn: The European Monetary Union is not yet complete

Governor of the Bank of Finland

Olli Rehn

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## The European Monetary Union is not yet complete

As the euro turns twenty, we should work towards strengthening the monetary union and ensuring its smooth operation.

Finland's decision to be among the first countries to join the European Monetary Union was a choice based on economic as well as political considerations.

For us, the deep economic recession in the early 1990s had left in its wake the desire for economic stability. Meanwhile, we had participated in the political unification of Europe through special arrangements and associate memberships until the 1990s, when we wanted to have an equal seat at the table deciding issues that affected us, together with the other Member States of the European Union.

The Finnish people value the single currency. According to a fresh Eurobarometer survey, as many as 80% of Finns support the Monetary Union and the euro. Only 16% feel the contrary.

The single monetary policy has proved a good fit for Finland's economic situation. For example, the euro area's recovery in recent years — which has been supported by low interest rate levels and the European Central Bank's expanded asset purchase programme — has bolstered economic conditions in Finland as well.

The vision for a unified Europe after the Second World War was predicated on the goals of sustained peace and economic recovery to safeguard democracy. Today, these two facets of the European Union — the political and the economic — are still intimately related. This has become all the more apparent recently with Europe's growing role as standard bearer for open international trade and liberal democracy.

Nationalism has re-emerged on the world stage as global powers pursue their self-interest with short-sighted policies, much to the detriment of international cooperation. Ownership of the multilateral rules-based order has been lost. Amid this turbulence, the European Union is representative of its Enlightenment values, where the relationship between two nations and peoples is defined by rules-based cooperation, not brute force. For us, might is not the only right.

As the international system currently wobbles, the foundation for trade policy that the EU offers its Member States has proved its worth. For a small country like Finland, whose economy is readily exposed to the headwinds and tailwinds of the world economy, the viability of the EU's trading system is of central importance. A rules-based approach to international trade will continue to underpin the Finnish economic development.

The ongoing reforms to the euro area are also part of broader efforts to strengthen Europe's international standing. Above all else, we need a monetary union that is capable of delivering on the promises made to our citizens — promises of financial stability, sustainable growth, and opportunity for employment.

The most critical lesson of the two decades past is how important financial stability is for the real economy and employment. This was neglected when the euro was given birth. It was not until the tribulations of financial crisis that the reforms comprising the banking union were put into place, with measures including the single supervisory mechanism and single resolution mechanism.

More remains to be done with the banking union — implementing a common deposit insurance scheme, for example — but the European banking system is already much more resilient than it was twenty years ago.

Finland and the entire Northern Europe would stand to benefit if all the Nordic countries — to which

the Finnish banking sector is deeply integrated— chose to adopt the euro area banking union framework, such as the supervisory and resolution mechanisms.

While the strong economic growth of recent years shows signs of moderating, there are still challenges concerning fiscal sustainability. The pressure on public finances is on, mostly notably in Italy and France.

Over the long term, the European Union fiscal framework needs to be amended to emphasise national ownership of fiscal rules and counter-cyclical fiscal policy – that is, to better protect against the exuberant highs and abysmal lows of the economic cycle, and support economic reforms. At the same time, the European Stability Mechanism should be better equipped to prevent against sudden shocks to sovereign debt markets, similar to those experienced during the crisis, which can even jeopardise the flow of funding to clearly solvent countries.

In this context, Finland would do well to lend its support to reforms that contribute to stability, growth and employment in the euro area. This might be kept in mind when eyeing the springtime parliamentary elections and coalition talks for the next government.

Instead of using political energy in drawing red lines that supposedly play well with the home audience, we'd do better by pursuing positive goals and focusing on building bridges across Europe.

# Considering a review of the ECB's monetary policy framework

Governor Olli Rehn

Bank of Finland

Appendix to the English version of the press release

Considering a review of the ECB's monetary policy framework

Helsinki, 18 December 2018

## Considering a review of the ECB's monetary policy framework

Price stability remains the primary objective of the ECB's monetary policy. This mandate is one that is given, but the ECB's strategy to fulfil its objectives is not cast in stone and must instead evolve with the economic environment. The ECB's monetary policy framework comprises those very assumptions, principles and instruments that the ECB uses in its pursuit of price stability.

The ECB's monetary policy framework was adjusted in 2003, or about 15 years ago, based on the available economic literature at the time and also on its then 5-year experience of conducting a single monetary policy.

By beginning to review its monetary policy strategy would place the ECB in good company. For example, the central banks of the United States, Canada, the United Kingdom and Sweden regularly review their strategies.

Considering a review of the ECB's monetary policy framework would prove useful even when the ECB Governing Council is satisfied with the current strategy.

Both the operating environment for and the instruments of monetary policy have changed considerably since the previous review undertaken in 2003: Firstly, the real equilibrium interest rate that is of key relevance to monetary policy has declined and the probability of monetary policy facing an effective lower bound has increased. Secondly, the euro area has been hit by a financial crisis, sovereign debt crisis, liquidity trap and disruptions in monetary policy transmission.

To ensure the success of monetary policy it would be useful to look at the constituents of the strategy with fresh eyes.

[Press release 18 December 2018](#)

[Now is the time to strengthen public finances and the foundations for productivity growth](#)

# Governor Olli Rehn: Remarks prepared for the visit of the EU Heads of Mission to the Bank of Finland, 27 November 2018

Governor Olli Rehn

Bank of Finland

Remarks prepared for the visit of the EU Heads of Mission to the Bank of Finland<sup>1</sup>

Helsinki, 27 November 2018

<sup>1</sup>*Distributed in writing as Governor Rehn was unable to attend the event.*

## **Don't delay Eurozone reform due to political uncertainties**

Political fortunes in the member states of the European Union have been quite cyclical recently. This should not delay the euro area reform that is necessary to reinforce the institutional foundations of the single currency. While there is political turmoil in several member states, at the same time there is broad support for the euro among citizens.

This fact is highlighted by the results of *Parlemeter2018*, the latest Eurobarometer survey measuring public attitudes to the EU across the member states. The survey contains some reassuring results. It indicates that the confidence of Europeans in the EU and in their common currency is on the rise, and is now actually higher than for many years: 77 per cent of the respondents residing in the euro area countries say that they are for the monetary union, the highest figure recorded since 2004.

These results are welcome, but do not justify any complacency. A look at the time series reveals that the support for European unification much depends on the economic situation of the citizens. The recent positive results are probably driven by the improved performance of the euro area economy, in particular employment. The number of jobs in the Eurozone has now passed the 2008 peak, and unemployment is still falling. Political risks, emanating from the continuing global trade disputes, the badly scripted Brexit drama and the worries about the Italian budget, have not derailed the European recovery, at least not yet.

Despite the major reforms in 2010–2014 to reinforce economic governance and build up the banking union, we should not close our eyes from the remaining systemic weaknesses of the euro area architecture. The lessons learnt from the crisis should be remembered, and the breathing space created by the recovery as well as the support of the electorate should be used for completing the institutional and functional reform of the monetary union.

It is clear that financial stability was grossly neglected when the Economic and Monetary Union was created – it proved to be the "neglected stepchild" of Maastricht, as has been said. The work for correcting those mistakes is still incomplete.

It is now widely accepted that financial stability requires a banking system that can better withstand shocks; the severing of the doom-loop linkage between banks and sovereigns; and that we need efficient mechanisms to manage and resolve banking and sovereign debt crises that may emerge even despite strong preventive action. And obviously we need macroeconomic policies that limit excessive volatility of assets prices and indebtedness. There is a danger, however, that the political momentum to achieve these goals is weakened before the resilience of the EMU is sufficiently improved.

Going forward, there are several reform initiatives on the table. In my view the manifesto of 14 French and German economists, published earlier this year, is a particularly important contribution. It outlines a functional synthesis of the core principles of "German" economic thinking, which calls for sound incentives and rules, and those of "French" economic thinking, which in turn emphasizes insurance and stabilization.

This kind of a genuinely European synthesis could pave the way to a solid stability union, where the main responsibility for economic policies should rest with the member states, balanced with the insurance provided by common structures designed to safeguard financial stability.

The most urgent task is the finalization of the banking union. The Eurozone Summit in June decided on a credible backstop for the European Resolution Fund, so that any bank resolution can be effectively managed with bail-in, without returning to the politically damaging bank bailouts and turning again to taxpayers' pockets. Moreover, ensuring financial stability calls for building a common European Deposit Insurance Scheme, to prevent any bank runs that can be very costly to the taxpayers and the society.

These remaining elements would require convincing measures of risk reduction parallel to the founding of enhanced risk-sharing arrangements – possibly with some co-insurance features. Legacy problems in the banking sector, especially the still large stock of non-performing loans in some countries, should be worked out in the member states, without shifting them to the Eurozone level.

Fiscal rules of the European Union are there to support macroeconomic stability. Several reforms – of which I have first-hand experience – were agreed during the crisis, and they have helped to stabilize public debt. Yet further reforms are necessary to put in place simpler, more transparent and less pro-cyclical rules to safeguard the medium-term sustainability of public finances. Shifting the emphasis on medium-term expenditure rules, instead of structural deficits (which are notoriously difficult to measure) seems to me a reasonable way forward.

While institutional reform is important, Europe needs to work towards sustainable growth and job creation on many fronts. Putting the real economy truly center-stage means that we should build such Europe that opens up opportunities to innovate and create new businesses and thus jobs. Better institutions to prevent and manage crises, including stabilization policies, are no substitute for structural reforms that are needed to improve Europe's productivity and real competitiveness. Finally, let's recall that Eurozone reform is closely linked to the overall future of Europe and its Union. The values of the Enlightenment, which underpin the European social and political model, are now challenged both politically and socially, both from the inside and the outside. In this context the Eurozone reform is an essential element of a broader endeavor to strengthen Europe. As Europeans, we should recognize the urgency of this effort, especially now as Europe's duty as a standard-bearer for liberal democracy and multilateral international order has become even more critical than it was still some years ago.

# Future proofing your bank? Digital transformation and regulatory reform in the financial sector

Governor Olli Rehn  
Bank of Finland  
Closing keynote address  
The Financial Times Middle East Banking Forum  
Dubai, UAE, 11 November 2018  
[\(pdf\)](#)

## Future proofing your bank? Digital transformation and regulatory reform in the financial sector

Your Excellencies, Ladies and Gentlemen,

Many thanks for the invitation to the FT Middle East Banking Forum, which has provided an excellent opportunity for substantive dialogue on the future of banking and finance. My task – both exciting and difficult – in this closing keynote is to discuss what future-proofing of your bank could mean, with the perspective of next 10 years.

Futurology is often associated mostly with technology. Yes, digital technology is quite profoundly changing the operating environment of banks. But it would still be a mistake to think the future is all digital, and nothing else. Future-proofing a bank is as much about a sound business model and the ability to adapt to a changing environment, as it is about utilising the best technologies available.

[Slide 2: Three forces challenging European banks]

As we look at the next ten-year time horizon, there are three major forces challenging banks: digital technology, bank resilience, and climate change. Since my experience stems from Europe, I refer here to European banks, but this largely applies to banks in general.

Embracing digital technology is an essential part of future-proofing a bank. The financial industry is going through a major transformation, driven by the whole range of digital technologies and the explosive growth of data. Regulators, including central banks, are aiming at finding the right balance between regulation and innovation, so that consumers and businesses can benefit from new possibilities, while maintaining financial stability and a level playing field.

We want to make sure society remains inclusive. This requires us to look at digital transformation from the citizens' point of view. Therefore, we have to identify what is real and what is hype.

[Slide 3: What is real and what is hype?]

We can divide the developments in three categories:

1. those that clearly increase societal welfare and should be benefitted from, such as mobile and real-time payments – as long as we also take care of enhancing financial literacy;
2. those that should be watched, or even prevented, such as booms and busts related to crypto-assets; and
3. those that can be further developed, such as machine learning and artificial intelligence.

Let me highlight two developments in the European banking sector, which may set an example for

the rest of the world.

[Slide 4: PSD2 is making payments more competitive]

The first one is PSD2, and its related concept of Open Banking.

In the EU, the revised Payment Services Directive (PSD2) is an important regulatory framework to clarify payment legislation and make it better suited to a digitalising economy. The Directive aims at promoting competition, which will lead to better services and lower prices for consumers. It will open the payments market to third-party providers, and banks will be obliged to provide technical interfaces for accessing bank accounts. For some ears, this may sound daring – but the industry is currently working together with supervisors to make this as safe and secure as possible.

PSD2 is very much part of the broader trend of Open Banking. Banks all around the world are partnering with start-ups, and financial services are being rebuilt using the latest technology. In practice, it means that the customer experience can be provided by some party other than the bank itself, while the bank is providing the plumbing in the background.

[Slide 5: TIPS is enabling real-time payments]

The second development I would like to highlight is the instant payments system TIPS, which will be launched by the European Central Bank this month. TIPS will enable account-to-account transfers from one bank to another, in real-time, 24/7, every day of the year.

Why do I specifically want to highlight these two developments? Because when they work together, in synergy, they will have an impact which is greater than either would have on its own. Whereas PSD2 will help create a better payment experience for consumers, TIPS will make sure the money moves instantly. This will make the digital payments as close to cash as possible.

[Slide 6: Monetary policy normalisation has started]

The second major force is the continuing work to make banks more resilient.

This is particularly important as we are also moving towards a normal monetary policy environment, although normalisation does not mean returning to a pre-2008 world. Instead, we are moving towards a new equilibrium.

Since some global imbalances and vulnerabilities remain, the European economy continues to need a degree of monetary policy support. This is a balancing act, since we must ensure the sustainable convergence of inflation to our definition of price stability, while simultaneously protecting the on-going recovery of employment and the repairing of balance sheets. An important lesson from the financial crisis is that the financial industry, including banks and other financial institutions, are special and have a huge impact on macroeconomic stability in the broad sense.

[Slide 7: Towards a European banking union]

The most important regulatory steps taken in Europe to make the banking sector more resilient are the creation of the banking union and the development of a new macroprudential framework.

It may seem surprising that the development of the banking union only started as late as 2010-12, more than a decade after the founding of the euro. Today, the banking union makes a lot of sense, and it clearly strengthens the euro area – but regrettably it took a financial and debt crisis to really get the ball rolling.

Since 2014, the banking union consists of two main building blocks, the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM). However, the banking union is not yet complete. A third building block, the European Deposit Insurance System (EDIS), still needs to be implemented.

As for the macroprudential work, in 2010 the European Commission proposed a union-level body, with a mandate to oversee systemic risk in the financial system. A year later, the European Systemic Risk Board (ESRB) was founded and became responsible for the macroprudential oversight of the EU financial system.

Macroprudential policies are like taking away the punch bowl when the party is at its best. They help prevent the excessive build-up of risk, smoothen the financial cycle, and limit contagion. Some of the macroprudential tools are additional capital buffers, others are borrower-based tools, such as Loan-To-Value (LTV) caps. These have proven quite effective in many EU member states, e.g. by calming down the housing markets in Ireland, Norway and Sweden.

[Slide 8: Climate change is the biggest market failure of all times]

Now let me move to the third, and probably biggest challenge of all. How can we transform banking so that it contributes responsibly to an ecologically sustainable, yet growing and employing economy, in the face of climate change?

Let me be clear, climate change is very relevant for banks. That's because it is the biggest market failure of all times. Its impacts are already felt today, in the form of extreme weather events, hurricanes, flooding, and extended heat waves, leading to loss of lives as well as financial damages. Climate change is expected to increase their frequency and severity. The negative impact is further amplified by long-term effects, such as rising sea levels, changes in rainfall patterns, and potential mass migrations.

As the world moves from talk to action, climate policies start having an effect on the real economy. More stringent building regulation, subsidies for renewables, stricter emission standards – all these and many other measures will change the dynamics of economic growth.

For a financial institution, climate change poses two particular types of risks. There are physical risks, related to climate change itself, and transition risks, related to climate policies.

Physical risks lead to financial losses as a consequence of extreme weather events. To the extent that property is insured, this burden falls on insurers and re-insurers. Without insurance, it is the property itself that is suffering the loss. However, it is also possible that the debt servicing ability of a borrower, or the collateral for a loan, are damaged as a result of a weather event. In those cases it may be a bank that will book losses.

Financial losses from weather events can also extend beyond the initial damages, if the valuations of all properties near the damaged one are affected. We already have examples of this in some flood-prone areas, where insurance has become more expensive, and it has become more difficult to get a mortgage.

Transition risks materialise when a company with a carbon-intensive business model is unable to adjust quickly enough to new policies, competing technology, or changing customer preferences. Investors may also need to adjust their portfolios, leading to financial losses. Such losses are amplified if all investors act simultaneously.

The famous management scientist Peter Drucker is credited with the phrase "you can't manage what you can't measure", and the same applies here. Data plays a key role in managing these risks. Data



is needed on businesses and their dependencies on carbon-intensive processes throughout the value-chain. We also need more data on the potential impact of extreme weather events. As of today, much of this data is incomplete.

Since climate change knows no borders, global efforts are needed. Regulators, central banks and supervisors around the world are starting to take action. First, on getting financial institutions to manage their own climate change related risks. The next step is to get them to adjust their balance sheets, and support a transition towards a more sustainable economy.

Ladies and Gentlemen,

As the excellent presentations and panels today have proven, banks are living in a time of change and transformation. Change in itself is inevitable, but transformation can be for the better – and by future-proofing our banks and perhaps also our personal choices – we can create not a grave but a braver new world, which is more inclusive, more responsible, more sustainable, and more prosperous.

Technology will provide the means, but a more liveable, sustainable planet will provide the purpose.

Thank you.

# **Governor Rehn: Monetary policy and bank supervision in Europe after the last financial and sovereign debt crisis and challenges for the future, Athens 2 November 2018.**

Olli Rehn

Governor of the Bank of Finland

Remarks in the governors' panel discussion at the Bank of Greece Economic History Conference  
Athens, 2 November 2018

## **Monetary policy and bank supervision in Europe after the last financial and sovereign debt crisis and challenges for the future**

Dear colleagues, Ladies and Gentlemen:

I want to thank the organizers and particularly Governor Yannis Stournaras for the invitation to this conference. I also want to congratulate the Bank of Greece for its 90th anniversary. The Hellenic central bank has always been a highly professional and reliable European partner, renowned for its expertise in economics and economic policy.

The theme of this conference – focused as it is on lessons from economic history – is indeed quite timely. As some of the more intricate macroeconomic theorizing of the last decades is currently subject to a lot of criticism and even reconsideration, the voice of historians is now listened much more closely than some years ago – and rightly so. History may not repeat itself, but it certainly rhymes, as the saying goes.

In this vein, a comparison of the latest international financial crisis with the Great Depression of the 1930's yields some important lessons.

The first is the paramount importance of international policy cooperation for sustainable growth and employment. In the 1920s and 1930s, this cooperation failed, which paved the way for the rise of totalitarian regimes and global economic depression with large human and societal damage. Since the Second World War we have had international institutions that are - more or less - capable of facilitating policy coordination in economic and monetary affairs, to manage financial crises and, in effect, to protect growth and jobs. I refer to the IMF and GATT, now the WTO, in particular. These institutions and their capacity to act should be protected and developed even today. As I see it, the EU now has a heightened responsibility as a leading guardian of the multilateral economic order.

A second lesson from the comparison of the economic crises is how important is the central banks' responsibility for maintaining price stability, to prevent deflation in crises and inflation in boom periods. In the 1930's, the prevention of deflation was not taken seriously enough, which led to a fatal deflation spiral and mass unemployment on a world scale. Without denying the many problems at all, the performance of monetary policy was much better this time around.

It terms of discharging this task, European monetary policy still has some way to go. The European economy continues to need a degree of monetary policy support in order to converge sustainably to a state of price stability. The task is complicated by uncertainties regarding, in particular, the current level of the neutral rate of interest, and the strange behaviour of the Phillips curve, which seems to have flattened in a way that makes it hard to gauge the appropriate duration of our monetary support. In my judgement, these uncertainties speak for a patient, persistent and prudent approach to monetary policy normalization, as President Draghi has expressed our tactics.

This is a balancing act, where we must ensure the sustainable converge of inflation to our definition of price stability and simultaneously protecting the on-going recovery of employment and the repair of balance sheets. Because of the nature of this balancing act, I would emphasize the data

dependency of the appropriate “normalization” strategy of monetary policy, without compromising our forward guidance which is a necessary commitment as long as the current situation prevails. The third lesson is that the financial industry, banks and the other financial institutions are special and have a huge impact on macroeconomic stability in the broad sense. Failures of banks can be extremely disruptive for the economy as a whole. Therefore, authorities have a particular obligation to preserve financial stability – both in a preventive way by regulation, and by taking their crisis management responsibility seriously. It must be ensured that banks and other financial institutions are well managed so that under stress they will not destabilize the real economy.

The severity of the euro crisis galvanized the EU into action and, under pressure, some very important achievements were made. I think that the unification of banking supervision under the auspices of the ECB and the creation of the single resolution mechanism are enormous steps forward.

But three essential things are still lacking from a well-balanced reconstruction of the euro area financial system. They are, firstly, a common deposit insurance scheme, which would make deposits equally safe across the euro area and would prevent the very dangerous cross-border runs. Secondly, the promise of the EU council to create a credible liquidity backstop for the single resolution fund; this needs to be followed through. Thirdly and finally, the legacy problems in the form of non-performing assets in European banks must be treated more effectively than now. This is a package which I believe could benefit not only the EMU as a whole but each member state as well.

I will conclude by stating the obvious: the reinforcing of the euro area is still work in progress. While institutional reforms in banking and finance are important, they are only a means to an end. Europe needs to work towards sustainable growth and job creation on many fronts. Putting the real economy and reforms truly center-stage means that we should build the kind of Europe that opens up our citizens’ opportunities to innovate and create new businesses and therefore jobs.

The reform of the euro area is closely linked to the overall future of Europe and its Union. The enlightenment values, which underpin the European social and political model, are now challenged both politically and socially, both from inside and outside. Politically, a populist and nationalist agenda is tempting to many. Socially, the values of tolerance, civil liberties and inclusion are increasingly under threat. In defending these values, the monetary union is not irrelevant. It is the core of the EU – and if the euro does not work, the EU is weakened.

Consequently, in this context, the task of reinforcing the EMU can be seen as a part of a broader endeavour to strengthen Europe, not only in the financial but also in the economic and political sphere. As Europeans, we should recognize the urgency of this effort, especially now as the role of Europe as the standard-bearer for liberal democracy has become even more critical than it may have been some years ago.

# Governor Olli Rehn: Monetary policy normalisation in the world of uncertainties, Helsinki 31.10.2018

Governor Olli Rehn

Bank of Finland

A keynote speech at the Bank of Finland monetary policy seminar Helsinki, on 31 October 2018

Slides ([pdf](#))

[Live stream/video](#)

## Monetary policy normalisation in the world of uncertainties

Ladies and Gentlemen,

Welcome to our seminar on monetary policy normalisation and frameworks. It is a part of the economic research and policy analysis work-stream of the Bank of Finland, which aims at contributing, for our part, to the making of monetary policy in the Eurosystem.

With this event we want to deepen our interaction with and learning from the academic community. Thus, it is indeed both a pleasure and an honour to have you here today and discuss how monetary policy should evolve, in order to continue contributing to a strong, sustainable economic progress in Europe. So, welcome once again.

In my opening remarks today, I will discuss monetary policy and its challenges in the current world of major uncertainties, focusing on the euro area. But before going into that, let me reflect on an issue with which I have recently often been confronted.

That is, I have frequently been asked the classical but sympathetically simplistic question: "Are you a hawk or a dove?"

To my mind, apart from being simplistic, this is also a misleading question, since it appears to assume that one could pursue sound monetary policy only with one policy orientation, with one analytical model, with one mental map – regardless of space and time.

Instead of such simplicity, we could well ponder what kind of features a sound and solid monetary policymaker should possess. To answer that, I would refer to the classic distinction by the philosopher Isaiah Berlin who divided policymakers to foxes and hedgehogs: "the fox knows many things and the hedgehog knows one big thing".

However, instead of seeing this as a binary question "must be one or another", in my view a competent central banker should possess the qualities of **both** the fox **and** the hedgehog. Pursuing the price stability objective with consistency and resolve, while keeping sound focus on sustainable economic growth and job creation, requires traits of the hedgehog. At the same time, having a keen strategic understanding of the interplay between the economy and politics, the markets and the media – and knowing when to play offense, when to stick to defence, and when to combine the two! – are obvious attributes of the fox.

Working on the basis of such dual approach is particularly appropriate in the current world of significant uncertainties, which requires a steady but creative hand from the makers of monetary policy. From this point of departure, today, let me focus on the challenges of monetary policy normalisation and framework over the medium term.

## The ECB monetary policy and gradualism

*Slide 2. Euro area GDP in 2008-2020*

Despite some moderation following the strong growth performance in 2017, the euro area economy continues to expand at a rate estimated to be higher than its long-run potential growth rate. There has been good progress in the labour market, and over 9 million jobs have been created during the

recovery since 2013. The underlying strength of the economy should support the convergence of inflation to our price stability target.

Despite the anticipated winding-down of the Eurosystem's net asset purchases, the monetary policy stance of the European Central Bank remains very accommodative, which is still needed to support achieving our price stability target in a sustained manner over the medium term.

In this, in many ways benign situation, monetary policy makers are bound to take decisions in the world of uncertainties. Today's **concrete** uncertainties stem from the continued trade tensions, vulnerabilities in the emerging market economies and financial market volatility. They are amplified by **analytical** uncertainties related to the functioning of the economy and the operation of economic theories, which we use daily in formulating our policies. These uncertainties are related to e.g. the prospect of secular stagnation, the assessment of the natural rate of interest, and the slope and movements of the Phillips curve. We will hear Michaela Schmöller's presentation about the issue of secular stagnation shortly.<sup>1</sup> A corollary from these factors is the additional question: what is the impact of these uncertainties on central banks' strategies?

After a decade of exceptional measures, prospects for returning to a more conventional interest rate environment and a more normal Eurosystem balance sheet have slowly strengthened. A watchword in the discussion on normalisation is **gradualism**. Gradualism has been defined as the central bank tending to adjust the interest rates (and, in the present context, its other instruments) incrementally, in a series of gradual steps in the same direction. Theoretically, this cautious approach can be justified by William Brainard's classic 1967 argument, which showed that gradualism is warranted when there is uncertainty about how the economy will respond to the instruments used<sup>2</sup>.

The link between economic uncertainty and policy gradualism seems especially relevant at the present juncture when several uncertainties about the effects of monetary policy are prevailing. I will consider two of them in more detail: the lower state of **the natural rate of interest**, and **the changing relationship between economic activity and inflation** – in textbook terms, the position and shape of **the Phillips curve**.

## The natural rate of interest

Interest rates in the euro area and in other advanced economies are presently lower than what they used to be prior to the global financial crisis. This phenomenon, visible through the term structure of interest rates, is partly policy-induced, but it is also likely that the so-called long-term equilibrium real interest rate has declined.

The natural rate of interest can be defined as the real interest rate that is consistent with the macroeconomic equilibrium. It is the real interest rate that would prevail if the economy were at the equilibrium employment, the output at its potential level, and the inflation stable – neither accelerating nor decelerating. It is a major reference point for monetary policy, as it defines the “neutral” policy stance at any given time. Low equilibrium rates obviously affect the monetary policy stance, and any given policy rate is less stimulatory with lower equilibrium rates.<sup>3</sup> If policy induces a short-term real interest rate that is higher than the natural rate, monetary policy is restrictive. A major analytical problem is that the natural rate is not a constant but a moving target, and as a theoretical concept it is also unobservable. That is to say, it cannot be measured outright — instead it must be inferred using a variety of econometric methods.

Estimates of the natural rate, drawing from various studies, lead to the conclusion that the natural real rate of interest has declined in the major advanced economies over the last 20 years or so, and, in the euro area, it is currently significantly lower than prior to the financial crisis. The slide shows a range of estimates of the natural rate for the euro area.

*Slide 3. Estimates of the natural rate of interest in the euro area*

However, the estimates of the natural rate of interest are subject to a lot of uncertainty.<sup>4</sup> The reasons for the decline of the natural rate of interest are linked to changes in the saving-investment balance in the advanced economies, both in Europe and globally. An increase in the economy's propensity for savings, or likewise a decline in its demand for investment, would produce a lower natural rate of interest.

The changes in the saving and investment behaviour have their deeper underlying causes, cyclical

or structural. The structural explanations, which suggest a permanent change, are potentially more significant. They relate to the possibility of 'secular stagnation', i.e. the slowing down of long-term growth potential in the advanced economies. This deceleration of growth can be a result from population ageing (which would increase the saving rate), or a general deceleration of productivity growth (reducing investment), or both.

Now, if the natural rate has indeed declined, monetary policy in the course of normalisation becomes tighter at an earlier stage than the past experience of historical interest rates would suggest. A given rise in policy rates would result in a higher degree of monetary tightening than a backward-looking analyst or policy maker would expect.

In the longer run, a worrying consequence of a permanently lower natural rate of interest is that the economy would hit the zero lower bound of interest rates more frequently than in the past, and even following smaller negative (demand) shocks than in the past. The efficacy of conventional monetary policy would then be hampered, and its ability to fight recessions and deflationary risks weakened. These long-run considerations suggest that the unconventional monetary policy measures and instruments that were used during the crisis years, and the ECB, for one, is still using, should stay permanently in the monetary policy toolbox, at least in the reserve.

## Shifts and readings of the Phillips curve

The persistent and even surprising weakness of inflation pressures in the euro area, despite the long and significant recovery of the economy and the remarkable decline of unemployment, is one of the sources of uncertainty for monetary policy. How long will it take before the on-going expansion will result in a sustained adjustment to a higher rate of inflation? How much longer is at least some monetary stimulus needed before our definition of price stability will be satisfied?

These questions revolve around the Phillips curve, which describes the relationship between inflation and economic slack. During and after the crisis, the behaviour of the Phillips curve has diverged from its past, as the rate of inflation has not picked up significantly despite higher economic growth and employment.

*Slide 4. Euro area Phillips curve in three periods in 1999–2017, as a correlation between core inflation and unemployment*

In other words, the Phillips curve has 'flattened' – a dilemma, which has haunted economists and central bankers throughout the post-crisis years. In the slide, the Phillips curve for 1999–2003 is indicated in red and clearly points to a negative correlation between underlying inflation and the rate of unemployment. However, already for the years 2004–8 the Phillips curve gets flatter. Finally, when looking at the years 2010–2017, we discover that the Phillips curve seems almost horizontal, signalling that the above-mentioned correlation between inflation and unemployment was no longer valid for this period.

When both the earlier and more recent periods are combined in a single graph, the change that has occurred gets highlighted. If this change were to prove permanent, what would be the implications for price stability? Logically it would mean that even a continued expansion of output, and the decline of unemployment, would not lead to the expected acceleration of inflation: there is uncertainty about the limits of expansion and its effect on inflation.

However, the Phillips curve obviously relates the inflation rate to just one background factor – a measure of slack in the domestic economy. In addition, inflation is expected to react to other factors as well, not least to inflation expectations. Indeed, in recent years, changes in inflation expectations seem to be able to explain part of the changes in inflation.<sup>5</sup>

What are the implications for monetary policy? Both the decline in the natural rate of interest and the low inflation expectations reinforce the case for a gradual approach to normalisation. Under heightened uncertainty, this will allow monitoring the effects of monetary policy, and help avoid unforeseen negative consequences. Moreover, it is important that monetary policy focuses on ensuring that inflation expectations are anchored in line with the price stability objective. Otherwise, even further declines in unemployment may not lead to desired movements in inflation towards the price stability goal.

The previous analysis is supported by non-linearity of the Phillips curve. As its inventor A. W. Phillips

himself said in 1958, “The relation between unemployment and the rate of change of wage rates is likely to be highly non-linear”<sup>6</sup>. Below, this is illustrated through the relationship between wage inflation and the broad measure of unemployment (= U6).

*Slide 5. Euro area Phillips curve 2005-17, as a correlation between the compensation per employee and the broad measure of unemployment*

In the graph we note a non-linear empirical relationship between wage inflation and broad unemployment. What is the implication? I would read it so that the speed of wage increases will accelerate significantly **only once** unemployment has been substantially reduced. Subsequently, there is still the open question of pass-thru of wage inflation to core inflation. In any case, this way of interpreting the Phillips curve gives credence to the assumption in the ECB Governing Council that euro area inflation is gradually converging to our price stability target.

## On the definition of price stability and monetary policy space

Although headline inflation has been picking up, underlying inflation is still persistently around 1 %, reflecting continuing soft domestic price pressures. Unemployment is declining, but there is still considerable labour market slack in the euro area. In this environment, the gradualist approach required poses a challenge to monetary policy if we are hit by the next recession too soon. Will we have space to react?

Former Chair of the Federal Reserve, Ben Bernanke has sent us, the currently active central bankers, a challenge to create more “policy space” for monetary policy going forward<sup>7</sup>. This is reasonable advice.

Various suggestions have been made to help monetary policy suffering from having too low inflation for too long: these include a higher inflation target, a permanent price stability target, and nominal GDP targeting. I do not want to dwell deep into the pros and cons of these strategies now, but as a general remark it is fair to say that, among central bankers and leading scholars, there is, at least so far, no emerging consensus for any of these proposals.

In his paper Bernanke proposes a “lighter” option for an alternative monetary framework that he calls “a temporary price-level target—temporary, because it would apply only at times when short-term interest rates are at or very near zero.” Announcing this target would lead the public to expect exceptionally low inflation to be followed by a period of higher inflation, as the central bank would strive to get the price level back to its trend. The reaction of inflation expectations to the temporary price level target should help monetary policy to achieve its objective.

This proposal deserves a thorough analysis, even if one can see challenges in communication<sup>8</sup>. It is of particular interest especially if we do not want to rely on large-scale bond purchases as the first solution to the “zero lower bound” problem in the future. In fact, Bernanke’s solution can be seen as a further developed form of forward guidance.

Even in communication, action can sometimes speak louder than words. Clearly, monetary policy space is reduced if the central bank, as seen from the outside, does not appear to resist downward deviations from its inflation objective, and this appearance gets incorporated to private expectations. Markus Haavio’s presentation, based on the research paper of Paloviita-Haavio-Jalasjoki-Kilponen<sup>9</sup>, deals with this matter by analysing the ECB’s reaction function on the basis of real-time data over two decades. The paper asks what the expression “below, but close to, two per cent” has meant in practice. Their key empirical finding is that the ECB’s reaction function since its inception, over the past two decades, has performed as if its inflation objective had been between 1.6% and 1.8% – or as if the ECB had responded more vigorously to upward deviations of inflation from its objective than to downward ones.

Now, the ECB’s well-known operational definition of price stability is “below but close to 2 percent over the medium term.” It is evident that the definition allows a symmetric interpretation. Consequently, a temporary price-level target, which would allow the central bank to let the inflation exceed the medium term target temporarily when needed to compensate for past cumulative negative deviations of inflation from the target, should not be regarded in contradiction the ECB’s operational definition.

Under this interpretation, the ECB definition of price stability would be seen as a symmetric target,

with equal probability of inflation going below or above of the “below but close to 2 %”. Following this policy would help prevent the drifting of inflation expectations persistently below the target. Operationally, this could be carried out by a lower-for-longer forward guidance policy regarding the policy interest rates, when needed.

As, in the longer term, inflation would be at the target on average, inflation expectations that are consistent with the target would be supported. This would help avoid an unintended equilibrium with low expectations and unnecessarily low nominal interest rates on average.

Tuomas Vähimäki, a Member of the Board of the Bank of Finland, will shortly discuss monetary policy frameworks more in-depth.

## **Concluding remarks: regular review of monetary policy frameworks**

Over the past decade, the monetary policy framework has come to include a variety of non-standard measures that have proven to be effective in supporting economic activity and returning to the price stability target. Such measures have included asset purchases, negative interest rates, forward guidance and credit-easing instruments. In combination these measures have enabled central banks to create accommodative financial conditions, greatly enhancing the transmission of monetary policy. However, in the world of rapid transformation, it seems sensible to think that central banks should evaluate their monetary policy frameworks time to time. Regular review would also make the strategy more open and transparent. It is also important that the central bank does not act in a way that does not reflect announced long-term policy goals.

Many central banks already have an evaluation process in place. The Bank of Canada is one example of such practice. The Federal Reserve System also has a procedure in place for strategy review. The same is true for the Bank of England and the Swedish Riksbank. The evaluations could be internal or made partly by outside evaluators. The background papers supporting evaluation could be made public.

The ECB would benefit from considering its strategy work in this perspective. Regular reviews would assist the ECB to stay in tune with the rapidly changing economic and financial environment.

Especially in our present times of uncertainty, it is essential for any central banker to possess a fully modernized monetary policy toolbox that is as functional and as effective as possible.

That would help “the fox” to outsmart the opposing forces and overcome the immediate obstacles, and enable “the hedgehog” to stay the course of medium-term price stability, sustained growth and high employment.

So why not pursue it?

Many thanks for your attention, and welcome to the seminar.

<sup>1</sup>Michaela Schmöller, [Secular stagnation: a false alarm in the euro area?](#) *Bank of Finland Bulletin* 4/2018.

<sup>2</sup>Brainard, William, Uncertainty and the effectiveness of policy. *American Economic Review*, 57 (May), 411-25.

<sup>3</sup>Peter Praet, *Economic policymaking under uncertainty*. Speech at the Caixa, Madrid, 17 October 2018.

<sup>4</sup>E.g. a broad study by Banco de España concluded that in the United States, the range is from -3% to 5%. Similarly, Holston, Laubach and Williams, leading names in this area of research, estimate that the confidence band around their estimates of the natural rate for the U.S. is currently around 5 percentage points.

<sup>5</sup>For further discussion on the state of the Phillips curve, slack in the economy and inflation expectations, see e.g. <https://www.bofbulletin.fi/en/2018/1/reports-of-the-phillips-curve-s-death-are-greatly-exaggerated/>

<sup>6</sup>A. W. Phillips (1958): The Relation between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957. *Economica*, New Series, Vol. 25, No. 100, pp. 283-299.

<sup>7</sup>See Ben Bernanke’s blog on temporary price-level targeting: <https://www.brookings.edu/blog/ben-bernanke/2017/10/12/temporary-price-level-targeting-an-alternative-framework-for-monetary-policy/> and his paper “Monetary Policy in a New Era”: <https://www.brookings.edu/research/monetary-policy->



[in-a-new-era/](#)

<sup>8</sup>For valid reference to communication challenges, see e.g. Praet 2018 *ibid*.

<sup>9</sup>Maritta Paloviita – Markus Haavio – Pirkka Jalasjoki – Juha Kilponen, What does "below, but close to, two percent mean? Assessing the ECB's reaction function with real-time data". Bank of Finland Research Discussion Papers, 29/2017.

# **Pääjohtaja Olli Rehn: Hallanvaaraa maailmantaloudessa – kestääkö Euroopan ja Suomen kasvu? Helsinki 23.10.2018.**

Pääjohtaja Olli Rehn

Suomen Pankki

Hallanvaaraa maailmantaloudessa – kestääkö Euroopan ja Suomen kasvu?

AKL Summit & Expo 2018

Finlandia-talo, Helsinki, 23.10.2018

[Pääjohtaja Olli Rehn AKL Summit & Expo 2018: Hallanvaaraa maailmantaloudessa – kestääkö Euroopan ja Suomen kasvu?](#) from [Suomen Pankki](#)

# Governor Olli Rehn: Remarks at the Panel Discussion on “Monetary Policy Frameworks”, Reinventing the Bretton Woods Committee, in the context of the IMF Annual Meetings, Indonesia, 11 October 2018

Governor Olli Rehn, Bank of Finland

Panel Discussion on “Monetary Policy Frameworks”, Reinventing the Bretton Woods Committee, in the context of the IMF Annual Meetings

Indonesia, Bali, 11 October 2018

Slides ([PDF](#))

## On the Road to a New Global Equilibrium

The prospects of sustained growth in the world economy are currently clouded by several risks and vulnerabilities. Some have to do with the imbalances that stem from the legacy of the Global Financial Crisis, such as the high level of private and public debt globally. Meanwhile, others originate from contemporary political uncertainties, which threaten to seriously weaken the structures of global economic governance.

Hence, I would coin the main challenges for monetary policy frameworks, and economic policy coordination in general, into three: **growth, resilience, prudence**. More precisely: growth by free trade; resilience in finance; prudence in monetary policy. Let me elaborate these in turn.

1. Protectionism is the present danger to sustained growth, as shown by the IMF reports recently. If the protectionist measures were to reduce global growth e.g. by 1 percentage point, it may sound small – but it would in fact amount to a loss of 800 billion euros, which is roughly equivalent to 4 times Finnish GDP. Finland may be a small country, but not insignificant, and losses of that magnitude would mean continued poverty and unemployment to millions of people, especially in the developing world.

The IMF was founded as a building block for a multilateral, rules-based system of trade and payments. Eroding the multilateral system of free exchange is a major threat to global prosperity, and to successful monetary policy of individual countries and currency areas. Hence, I would expect a clear, unequivocal message from the IMFC against protectionism, and in favour of multilateralism and free trade.

2. The **key lesson** from the euro crisis, from which I have first-hand experience, is **how vital financial resilience is for the whole macro-economy, and for the real economy**. The scale and severity of the impact of the financial disruptions, not only on banks, but also on employment and the public finances, came as a surprise to economists and policy makers alike. Hence, the emphasis must be on resilience.

What are the policy implications of that? **Globally, developing financial regulation should be pursued consistently**. This is so despite the – perhaps understandable – regulation fatigue that may be gaining ground.

The tasks are different depending on the situation in each country or region. In the euro area, the key priority now is completing the banking union with common deposit insurance and by strengthening the European Stability Mechanism. Meanwhile, the US and the UK should protect their regulatory achievements. It would be a big mistake to roll back what was achieved in the post-crisis years.

This links to **the management of monetary policy normalization**, which is a **balancing act**, where the right course should depend on the particular circumstances of each currency area. This is **the logic of the international system of floating exchange rates**. However, monetary policy has

international repercussions, the severity of which depends on the existing vulnerabilities of the countries that face these spillovers.

As a consequence, **many emerging market economies** need to pay more attention to **developing macroprudential policies** which could limit their particular vulnerabilities. Having a large share of foreign currency denominated lending in the domestic market is an obvious example of such vulnerability, which has repeatedly caused serious problems in the past. Weak balance sheets in the business sector are a vulnerability even in countries with no current account deficits.

3. A critical issue related to financial resilience is the question **how to ensure that the monetary policy toolbox is sufficient when the next recession hits**. Having sufficient room of manoeuvre for active monetary policy is part of the resilience of the new equilibrium that we strive for.

The problem is quite relevant because there are indications that **the so-called natural rate of interest** (the medium-term equilibrium real rate of interest) **may have declined in the recent years**, and may be clearly below what was thought to be normal in the past.

This has several implications. **Where the convergence to sustainable price stability still requires significant monetary stimulus, as is the case in the euro area, this calls for prudence and for a gradual approach to monetary policy normalisation.**

In my view it is reasonable to assume that **the unconventional monetary policy measures and instruments** which were used during the crisis years (and the ECB, for one, is still using) **will stay permanently in the toolbox**, at least in reserve.

4. Finally, I think that **the word 'normalization' as a description of the monetary policy outlook** in the advanced economies is **actually misleading**, as it suggests a return to some pre-crisis 'old normal'. I would prefer to talk about **a journey towards a new equilibrium**, which should be **more sustainable, resilient and inclusive** than the old one.

On that journey, **a key worry** at the global level is the now apparent **dependence of growth on the accumulation of even more debt**. This makes all parts of the global economy **increasingly vulnerable to any future shock**. This suggests that **the rebalancing of the world economy is far from complete, but also necessary for sustainable growth and high employment**, the ultimate goals of economic policy.

[Governor Olli Rehn: On the Road to a New Global Equilibrium](#) from [Suomen Pankki](#)

# Pääjohtaja Olli Rehn: Rahapolitiikan asteittainen normalisointi epävarmuuden oloissa. Helsinki, 4.10.2018.

Pääjohtaja Olli Rehn

Suomen Pankki

Rahapolitiikan asteittainen normalisointi epävarmuuden oloissa

Euro & talous -julkaisun tiedotustilaisuus

Helsinki, 4.10.2018

[\(diaesitys pdf\)](#)

## **Rahapolitiikan asteittainen normalisointi epävarmuuden oloissa**

Tässä Euro & taloudessa arvioidaan euroalueen talouden tilaa ja näkymiä monesta kulmasta.

Rahapolitiikan viritystä ja normalisointia on punnittava niiden luomaa taustaa vasten. Ennen kuin menen rahapolitiikkaan, pari sanaa euroalueen kasvusta ja riskeistä.

Kokonaiskuva euroalueen talouden nykytilasta ja lähiaikojen näkymistä on tällä hetkellä myönteinen. Euroalueen talouskasvu jatkuu laaja-alaisena ja inflaatiopaineiden arvioidaan vähitellen vahvistuvan.

### **Kalvo 2. Euroalueen BKT:n kehitys 2007 – 2020**

Euroalueen talous alkoi elpyä vaikeiden vaiheiden ja päätösten jälkeen vuodesta 2013 lähtien. Viime vuodet kasvu on ollut voimakasta ja työllisyys on kohentunut merkittävästi. Viidessä vuodessa 2013-18 euroalueella on syntynyt 9,2 milj. työpaikkaa. EKP:n ennuste euroalueen talouden kasvulle tänä vuonna on 2 prosenttia ja kasvun arvioidaan jatkuvan lähivuosina, joskin hieman vaimeampana.

Toisaalta maailmantalouden ja etenkin maailmanpolitiikan epävarmuus on viime aikoina lisääntynyt. Tämä epävarmuus kumpuaa erityisesti protektionismin voimistumisesta, kehittyvien markkinoiden haavoittuvuudesta ja rahoitusmarkkinoiden heilahteluista.

### **Kalvo 3. Yhdysvaltain ja Kiinan välinen kauppapoliittinen konflikti kärjistyy ja laajenee – toisaalta asetetut lisätullit vielä melko rajattuina.**

Kuten tiedetään, Yhdysvallat on lähtenyt protektionismin tielle kauppapolitiikassa. Nyt asetetut tullikorotukset [sininen alue] kattavat Yhdysvaltojen tavaratuonnista noin 12 %. Tällä hetkellä puolet Kiinan viennistä Yhdysvaltoihin ja 80 % Yhdysvaltojen viennistä Kiinaan on tullikorotusten alaista. Yhdysvallat on kuitenkin ottanut esiin korotettujen tullien mahdollisuuden koko tuonnille Kiinasta ja autotuonnille [punainen alue].

Voimistunut protektionismi ruokkii epävarmuutta maailmantaloudessa. Toistaiseksi tuontitullien suorat vaikutukset kauppavirtoihin ovat kuitenkin rajalliset, mutta kielteinen luottamusvaikutus voi ennen pitkää heijastua yritysten investointipäätöksiin, myös Euroopassa.

Samalla kun kauppasota on yhä kärjistymään päin Yhdysvaltojen ja Kiina välillä, Euroopan Unioni on onnistunut – ainakin toistaiseksi – rakentamaan välirauhan presidentti Trumpin hallinnon kanssa ja huolehtimaan kauppapoliittisista eduistaan Kiinan, Japanin ja muun Aasian kanssa. Viennistä ja vapaakaupasta riippuvaiselle Suomelle EU:n yhteinen kauppapolitiikka tarjoaa tässä kiristyneessä tilanteessa tukevan selkänöjan ja sisämarkkinat taloudellisen vakuutuksen.

### **Kalvo 4. Euroalueen kuluttajahintainflaatio 2008–2020**

EKP:n rahapolitiikan normalisointi on käynnistymässä tätä epävarmuuden täyttämää maisemaa vasten. Epävarmuus puoltaa varovaisuusperiaatteen noudattamista, jotta kestävä kasvu ja työllisyys eivät kärsi – etenkin kun EKP:n hintavakaustavoite ”alle mutta lähellä 2 prosenttia” keskipitkällä aikavälillä on yhä kestävästi saavuttamatta.

Virallinen kuluttajahintainflaatio [kuva 4] on hienoisesti noussut 2 prosentin tuntumaan kuluvana vuonna. Toisaalta luotettavampana inflaatiopaineiden mittarina pidetyn pohjainflaation kehitys on ollut vaimeata [kuva 5].

### **Kalvo 5. Euroalueen pohjainflaatio 2008-2020**

Pohjainflaatiolla viitataan inflaatiolukuun, josta on poistettu energian ja ruoan hinnan vaikutus. Se on

pysytellyt pitkään 1 prosentin tuntumassa, mikä kertoo siitä, että euroalueen sisäiset kustannuspaineet ovat olleet vaikeita, vaikka palkat mm. Saksassa ovat viime tietojen nojalla alkaneet nousta aiempaa nopeammin.

### **Kalvo 6. Inflaatio-odotusten nousu on pysähtynyt markkinahintojen ja analyytikkojen odotusten nojalla**

Markkinaperusteiset inflaatio-odotukset ovat keskimäärin selvästi alle 2 prosentin. Ne heijastavat pitkään hitaana jatkunutta inflaatiota. Samalla ne viittaavat siihen, että inflaatiopaineet ovat vähäiset. Tätä taustaa vasten on kysyttävä, minkälaisia haasteita on edessä rahapolitiikan onnistuneen normalisoinnin tiellä?

Inflaation hitauden lisäksi ne liittyvät arvioon luonnollisen reaalikoron tasosta. Selitän hieman. Korkotaso euroalueella ja muissa kehittyneissä talouksissa on laskenut globaalia finanssikriisiä edeltäneeltä tasolta. On myös todennäköistä, että ns. pitkän aikavälin reaalin tasapainokorko on laskenut. Tämän on arvioitu olevan seurausta siitä, että säästämishalukkuutta on taloudessa aikaisempaa enemmän ja/tai investointivalmiutta vähemmän, mikä puolestaan johtuu mm. väestön ikääntymisestä ja vaikuttaa pätevän läpi läntisen maailman.<sup>[1]</sup>

Tämä liittyy keskusteluun ns. pitkittyneestä pysähtyneisyydestä ('secular stagnation') eli pitkän aikavälin kasvupotentiaalin hidastumisesta läntisissä kansantalouksissa.<sup>[2]</sup>

Luonnollisen koron taso tarjoaa yhden tärkeän teoreettisen kompassin rahapolitiikalle. Luonnollinen korko ei kuitenkaan ole havaittu muuttuja, vaan se pitää arvioida käyttäen erilaisia tutkimusmenetelmiä. Yhdysvalloissa ekonomistit ja keskuspankkiirit ovat keskustelleet laajasti mahdollisen luonnollisen korkotason laskun vaikutuksista Fedin rahapolitiikkaan. Sielläkään luonnollista korkotasoa ei pidetä täsmällisenä viitearvona, vaan tutkimukseen nojaavana rahapoliittisen ajattelun apuvälineenä. Luonnollisen korkotason arvioilla on erityisesti mielenkiintoa korkojen alarajalla, jolloin on tärkeää tietää, miten kaukana tasapainokorosta ollaan.

### **Kalvo 7. Euroalueen luonnollisen koron arvioita**

Tämän tutkimusalueen johtavat nimet Holston, Laubach ja Williams määrittelevät luonnollisen koron reaalisesti lyhyen koron tasoksi, joka vallitsee, kun talouden resurssit ovat täyskäytössä ja inflaatio pysyy vakaasti tavoitteessa<sup>[3]</sup>. Jos lyhyt reaalkorko on korkeampi kuin luonnollinen korko, on rahapolitiikka taloutta supistavaa. Toisaalta kun lyhyt reaalkorko on alemmalla tasolla kuin luonnollinen korko, on rahapolitiikka elvyttävää. Näin ollen luonnollisen koron alentunut taso aiheuttaisi sen, että rahapolitiikka muodostuisi kiristävämmäksi aikaisemmin kuin historiallisen tarkastelun perusteella voisi arvioida.

Kuviossa 7 on vaihteluväli luonnollisen koron arvioista euroalueella. Luonnollisen koron tason arvioihin liittyy epävarmuutta. Esimerkiksi Espanjan keskuspankin laajassa tutkimuksessa päädyttiin siihen, että Yhdysvalloissa luonnollisen koron vaihteluväli on -3% ja +5% välillä.<sup>[4]</sup>

Eri tutkimuksista lasketut luonnollisen koron tason arviot viittaavat siihen, että euroalueella luonnollisen reaalikoron taso olisi nykyisin selvästi alempi kuin ennen finanssikriisiä. Selvä lasku luonnollisen koron tasossa tarkoittaisi, että alhaiset politiikkakorot eivät ole nykyoloissa niin elvyttäviä kuin ennen vuotta 2008.

Rahapolitiikan normalisoinnissa tämä tarkoittaisi sitä, että koron nousu kiristäisi rahapolitiikkaa enemmän kuin pelkästään "näkyvien" korkojen historiaan perustuvan tarkastelun avulla voisi päällisin puolin päätellä.

Rahapolitiikan kannalta keskeinen johtopäätös tästä on se, että maltillisestikin tapahtuvat koron nostot kiristäisivät talouden rahoitusoloja enemmän kuin aikaisemmin. Näin ollen rahapolitiikan oikeaan mitoitukseen liittyy näin ollen enemmän epävarmuutta kuin sen kiristämisestä pelkästään ohjaukorkoja nostamalla voisi päätellä.

### **Kalvo 8. Rahapolitiikan normalisoinnissa on useita vaihtoehtoja**

Keskeisiä avoimia kysymyksiä rahapolitiikan normalisoinnissa on monia: Missä järjestyksessä toimista tulisi luopua? Miten paljon ja missä tahdissa korkoja tulisi nostaa? Miten paljon ja millä tahdilla osto-ohjelmia ja siten keskuspankin tasetta kannattaa supistaa? Miten ja milloin näistä toimista kommunikoidaan?<sup>[5]</sup>

Rahapolitiikkaa normalisoidaan ennen muuta vaikuttamalla korko-odotuksiin. Lyhyisiin korkoihin

voidaan vaikuttaa nykyoloissa etenkin ennakoivalla viestinnällä ja nostamalla EKP:n talletuskorkoa. Vastaavasti keskuspankin hallussa pitämien arvopaperiomistusten vähentäminen tai sen ennakointi nostaisi pitkiä korkoja. Molemmat vaihtoehdot kiristävät rahapolitiikkaa. Avoimia kysymyksiä liittyy siihen, missä järjestyksessä ratkaisut kannattaa tehdä ja miten ajoittaa.

### **Kalvo 9. EKP:n neuvoston rahapolitiikkapäätökset 6-9/2018**

EKP:n neuvoston linjauksen perusteella politiikkakorkojen odotetaan pysyvän nykyisillä tasoillaan ainakin vuoden 2019 kesän yli, ja joka tapauksessa niin kauan kuin on tarpeen sen varmistamiseksi, että inflaatio palautuu kestävästi hintavakaustavoitteen mukaiseksi.

Taseen osalta EKP:n neuvosto odottaa arvopapereiden netto-ostojen päättyvän vuodenvaihteen 2018–2019 jälkeen, jos tulevat tiedot taloudesta vahvistavat sen keskipitkän aikavälin inflaatio-odotukset. EKP:n neuvosto aikoo kuitenkin jatkaa ohjelmassa ostettujen omaisuuserien erääntyessä niiden sijoittamista uudelleen vielä pidemmän aikaa ostojen päättymisen jälkeen, ja joka tapauksessa niin kauan kuin on tarpeen suotuisan likviditeettitilanteen sekä kasvua ja inflaatiotavoitteen saavuttamista tukevan rahapolitiikan ylläpitämiseksi.

### **Kalvo 10. Epävarmuuden oloissa varovainen eteneminen rahapolitiikan normalisoimisessa on perusteltua**

Vaikka talouskasvu jatkuu euroalueella vahvana, sekä kansainvälisessä toimintaympäristössä että kansantalouden inflaatioyhtälössä vallitsee tällä hetkellä runsaasti epävarmuutta. Ja kun epävarmuus on tavanomaista suurempaa, rahapolitiikan normalisoinnissa on perusteltua edetä asteittain, soveltaen varovaisuusperiaatetta *”better to be safe than sorry”* – ”parempi katsoa kuin katua”.

Miksi näin? Ensinnäkin epätavanomaisen rahapolitiikan toimien reaalitytöihin vaikutuksiin liittyy epävarmuutta, ja siten myös toimien purkamiseen. Toiseksi talouden pitkän aikavälin reaalin tasapainokorko eli ns. luonnollinen korko on voinut laskea, kuten äsken todettiin, jolloin toteutettu rahapolitiikka voi olla arvioitua kireämpää. Kolmanneksi talouden vapaan kapasiteetin ja potentiaalisen tuotannon arvioihin sekä niiden suhteeseen inflaatioon liittyy paljon epävarmuutta. Asteittaisen normalisoinnin avulla vaikutusten kehittymistä voidaan seurata ja välttää ennakoimattomia kielteisiä vaikutuksia talouden kasvuun ja työllisyyteen.

Tämä kytkeytyy keskusteluun inflaation ja vapaan kapasiteetin suhdetta kuvaavasta Phillipsin käyrästä, joka on taloustieteen ja rahapolitiikan keskeisiä käsitteitä ja työkaluja. Etenkin kriisin aikana ja jälkeen sen Phillips-käyrän kulmakerroin on käyttäytynyt aiemmasta poikkeavasti, ja on jopa epäilty sen paikkansapitävyyttä, koska inflaatio ei ole merkittävästi noussut huolimatta talouden ja työllisyyden kasvusta.

### **Kalvo 11. Euroalueen Phillips-käyrä 1999–2018**

Toisin sanoen Phillips-käyrä on ”lätääntynyt”, mikä on pysynyt ekonomistien ja keskuspankkiirien dilemmana koko kriisin jälkeisen ajan. Tällä kalvolla [11] vuosia 1999–2009 kuvaava Phillips-käyrä on piirretty punaisella, ja se osoittaa selvää negatiivista korrelaatiota pohjainflaation ja työttömyysasteen välillä. Mutta kun tarkastelemme vuosia 2010–18 [kalvo 12], nyt sinisellä piirretty Phillips-käyrä onkin vaakasuora, mikä osoittaa, että edellä mainittu korrelaatio inflaation ja työttömyyden ei tällä ajanjaksolla ole enää pätenyt.

Seuraavaksi olen yhdistänyt nämä kaksi yhteen kuvaan [kalvo 13], jossa näkyy jyrkempänä punaisena vuosia 1999–2009 kuvaava suora ja toisaalta vaakasuorana sininen vuosia 2010–2018 kuvaava suora. Jos tämä jäisi pysyväksi, niin mitä siitä seuraisi hintavakaudelle? Seuraus olisi, että vaikka tuotantokuilu muuttuisi positiiviseksi eli tuotanto nousisi yli arvioidun trendinsä, niin inflaatio ei silti vielä kiihtyisi odotetusti.

Mitä tästä puolestaan seuraisi rahapolitiikan kannalta? Loogista on, että sekä luonnollisen koron tason lasku että toisaalta inflaatio-odotusten matala taso puoltavat rahapolitiikassa asteittaista normalisointia. Sen myötä rahapoliittisten päätösten vaikutusten kehittymistä voidaan seurata ja välttää ennakoimattomia kielteisiä vaikutuksia.

Talouden toiminnallisen yhtälön muututtua keskuspankin on jatkuvasti arvioitava epävarmuudesta aiheutuvia riskejä. Esimerkiksi kun inflaation ennustetaan kiihtyvän, on arvioitava, kiristettäisiinkö rahapolitiikkaa liian vähän tai liian myöhään – vai onko riski pikemminkin, että sitä kiristettäisiin liian nopeasti tai liian aikaisin. Tavanomaisen rahapolitiikan oloissa on ajateltu, että kiristämisen tulisi



alkaa ennakoivasti, etupainotteisesti – eli selvästi ennen kuin inflaatio on kiihtynyt yli tavoitteen rahapolitiikan viipeiden vuoksi. Tähän on lisättävä se, että kun rahapolitiikan nollakorkoraja on saavutettu – tai tullut vastaan – ja toteutunut inflaatio on ollut pitkään alle tavoitteen, kasvaa rahapolitiikan liian nopean tai liian aikaisen kiristämisen riski merkittävästi.

#### **Kalvo 14. Epätavanomainen rahapolitiikka jatkuu toistaiseksi: omaisuserien ostot ja uudelleen sijoitukset ylläpitävät mittavaa tasetta**

Epätavanomaisen rahapolitiikan perintö näkyy selvästi keskuspankkien taseessa. Laajennetusta arvopaperien osto-ohjelmasta päätettiin tammikuussa 2015. Määrällinen keventäminen aloitettiin, koska deflaation riski euroalueella oli kasvanut, mutta tavanomaista rahapolitiikkaa ei enää olisi voitu keventää laskemalla lyhyitä korkoja, koska siihen ei enää ollut tilaa.

Rahapolitiikan normalisoinnissa keskuspankin taseen hallinnointi on keskeisessä osassa, toisin kuin tavanomaisen rahapolitiikan aikana. Tasetta on kasvatettu yli 10 vuoden ajan, joten sen supistaminenkin tulee olemaan vuosien mittainen savotta. Esimerkiksi pankeille viime vuosina myönnettyt pitkäaikaiset luotot jatkuvat maaliskuuhun 2021.

Käsitykseni mukaan epätavanomaiset rahapolitiikan välineet ovat tulleet työkalupakkiin jäädäkseen ja ovat tarvittaessa käytettävissä.

#### **Kalvo 15. Yritysten ja kotitalouksien velkaantuneisuus on yhä alentunut euroalueella**

Kevyt rahapolitiikka voi pitkään jatkuessaan olla ongelmallista rahoitusvakauden näkökulmasta.

Tällaisesta kehityksestä ei kuitenkaan ole toistaiseksi merkkejä. Yritysten velka-asteet suhteessa arvonlisään [kuvassa sinisellä] jatkoivat laskuaan alkuvuonna, kun taas kotitalouksien velka-asteet [keltaisella] ovat laskeneet tasaisesti vuodesta 2010 lähtien.

Kokonaisuutena euroalueen kasvu näyttäisikin yhä kestävältä, sillä yksityisen sektorin velkaantuneisuus ei ole kasvanut. Kevyen rahapolitiikan vaikutuksia rahoitusvakautteen tulee kuitenkin pitää silmällä. Maakohtaiset erot tässä ovat suuria. Jos paikallisia rahoitusvakautta vaarantavia kehityskulkuja havaitaan, tulee niihin puuttua ensisijaisesti kansallisilla makrovakauseräpolitiikan keinoilla.

#### **Kalvo 16. Markkinoiden koronnosto-odotukset**

EKP:n neuvoston viime kuukausien päätökset ovat pienentäneet tulevaa rahapolitiikkaa koskevaa epävarmuutta markkinoilla ja siirtäneet markkinoiden odotuksia koron nostojen aloittamisesta eteenpäin.

Markkinat odottavat – mitattuna eonia-korkojen odotetulla uralla – että korkojen ensimmäinen nousu ajoittuisi vuoden 2019 lopulle. Nämä odotukset ovat sopusoinnissa EKP:n päätösten ja ennakoivan viestinnän kanssa.

#### **Kalvo 17. Yhteenveto: rahapolitiikan asteittainen normalisointi epävarmuuden oloissa**

Yhteenvetona totean, että elvyttävä rahapolitiikka on edelleen tarpeen euroalueella, toistaiseksi, jotta voidaan tukea hintavakaustavoitteen saavuttamista kestävästi keskipitkällä aikavälillä. Euroalueen talouden kasvu on edelleen vahvaa, mutta pohjainflaatio yhä vaimeaa ja inflaatio-odotukset alhaalla.

Epävarmuus on lisääntynyt erityisesti protektionismin seurauksena. Epävarmuuden oloissa on perusteltua toteuttaa rahapolitiikan normalisointi asteittain.

Ohjauskorot ovat nykytasolla ainakin kesän 2019 yli ja arvopapereiden osto-ohjelmien mittaluokka ja elvyttävä vaikutus pysyy toistaiseksi ja pitkään nykyisellään, vaikka netto-ostoista luovutaankin. Näitä toimia on syytä jatkaa sopivassa mitassa aina siihen asti, kunnes hintavakaustavoite ”alle mutta lähellä 2 prosenttia” on saavutettu keskipitkällä aikavälillä, ja kestävällä tavalla.

Siihen kiteytyy EKP:n rahapolitiikan nykyinen elvyttävä viritys.

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[1] Tämä johtopäätös tehdään mm. laajaan kansainväliseen vertailututkimukseen nojaavassa tutkimuksessa Gabriele Fiorintini, Alessandro Galesi, Gabriel Pérez-Quirós and Enrique Santana, The Rise and Fall of the Natural Interest Rate. Banco de Espana, Working Papers nro 1822, 2018.

[2] Michaela Schmöller, Sekulaarinen stagnaatio: väärä hälytys euroalueella? Euro & talous 4/2018

[3] Espanjan keskuspankin tutkimuksessa sovellettiin myös Holston-Laubach-Williams -menetelmää, Kathryn Holston, Thomas Laubach and John C. Williams, Measuring the Natural Rate of Interest: International Trends and Determinants. Federal Reserve Bank of San Francisco Working Paper 11/2016



[4] Fiorintini et al, emt. Vrt. myös Benoit Coeure, Forward guidance and policy normalisation, Deutsche Institut für Wirtschaftsforschung, 17.9.2018.

[5] Laajemmin euroalueen rahapolitiikan normalisoinnin vaihtoehtoista artikkelissa Tomi Kortela, Rahapolitiikkaa normalisoidaan asteittain ja ennakoidusti, Euro & talous 4/2018.

[Olli Rehn: Rahapolitiikan asteittainen normalisointi epävarmuuden oloissa](#) from [Suomen Pankki](#)

# Pääjohtaja Olli Rehn: Eurooppa ja Suomi – 20 vuotta rahaliitossa

Pääjohtaja Olli Rehn  
Suomen Pankki  
Eurooppa ja Suomi – 20 vuotta rahaliitossa,  
Avauspuheenvuoro Turun Eurooppa-foorumissa  
Turku, 30.8.2018

## Eurooppa ja Suomi – 20 vuotta rahaliitossa

Arvoisa yleisö, hyvät ystävät, Ladies and Gentlemen!

Tervetuloa kaikki tähän Suomen Pankin järjestämään osuuteen Turun ensimmäisessä Eurooppa-foorumissa. Seuraavan parin tunnin ajan painopiste on talous- ja raha-asioissa, niin Suomen kuin Euroopankin.

Tämä foorumi on hieno aloite, eikä suinkaan ensimmäinen kerta, kun Turku vie Eurooppa-ajattelua eteenpäin. Turku oli suomalaisen EU-keskustelun moottori 1980-luvulla. Sallittakoon yksi tuohon jaksoon liittyvä muistelu siitä, miten eurooppalainen ja turkulainen vaikutus saapui Helsinkiin. Toimin tuolloin Helsingin yliopiston yleisen valtio-opin assistenttina ja vastasin liseniaattiseminaarin junailuista. Kutsuimme dosentti Esko Antolan Turun yliopistosta luennoimaan integraatioteorioista. Esko tuli ja luennon aika oli, mutta akateemisen vartinkin jälkeen meitä oli odotetun noin 30 liseniaattityön tekijän sijaan paikalla vain kolme seminaarilaista. — Nolo tilanne, ja kysyin Eskolta, riittääkö tämä kolmikko kriittiseksi massaksi kuulijoita. ”Eiköhän vedetä luento”, Esko vastasi. Panimme homman käyntiin. Esko käsitteli federalistisen, funktionalistisen ja kommunikatiivisen integraatioteorian ja vertasi niitä hallitustenväliseen suuntaukseen. Kävimme vilkkaan keskustelun – kerrankin sai puheaikaa – ja jatkoimme juttua muistaakseni läheisessä ravintola Pam-Pamissa. Entä sitten? Minä sain kimmokkeen väitöskirjani aiheeseen ja käytin myöhemmin Eskon pitämän luennon muistiinpanoja hyödyksi, kun valmistelin dosenttina omaa EU-luentosarjaani. Yksi meistä kolmesta – ajanpuutteen vuoksi nimiä mainitsematta – päätyi kymmeneksi vuodeksi EU-komissaariksi. Toinen eli valt. maist. Jukka Salovaara on nykyisin ulkoministeriön poliittisen osaston päällikkö ja entinen EU-asiain alivaltiosihteeri. — Saatan olla jäävi arvioimaan, mutta uskallan kuitenkin sanoa, että ei tainnut Eskon luento aivan hukkaan mennä.

Osaltani opin tästä ainakin sen, että yleisömäärä ei aina ratkaise ja aina kannattaa panna parastaan, vaikka olisi vain yksi kuulija paikalla. Niinkin on joskus matkan varrella käynyt. Tänäpäin täällä tilanne on onneksi toinen.

Esko Antolan ja Turun koulukunnan vaikutus suomalaiseen Eurooppa-keskusteluun on ollut mittava. Olisiko liikaa, jos Turun Eurooppa-foorumiin luotaisiin Esko Antolan nimeä kantava vuosittainen luento? Jätän tämän ajatuksen foorumin järjestäjien harkittavaksi.

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Tänä vuonna on tullut kuluneeksi 20 vuotta siitä, kun tehtiin ratkaisevat päätökset Euroopan talous- ja rahaliiton EMU:n käynnistämisestä ja Suomen liittymisestä siihen. Euroopan keskuspankki aloitti toimintansa heinäkuussa 1998. Euro otettiin käyttöön tilivaluuttana seuraavan vuoden alusta. Yhteinen raha on Euroopan integraation näkyvin saavutus, jonka me kansalaiset kohtaamme arjessa päivittäin. Se ostovoima, jota Maija Meikäläinen kantaa kukkarossaan eurosetelien muodossa, on käypää rahaa 19 maassa alueella, jossa asuu yli 340 miljoonaa ihmistä.

Suomalaiset arvostavat yhteisvaluuttaa. Eurobarometri -tutkimuksen mukaan peräti 76 prosenttia suomalaisista ilmoittaa kannattavansa rahaliittoa ja euroa. Vain 19 prosenttia sanoo olevansa sitä vastaan.

Suomen 20 vuotta sitten tekemällä päätöksellä liittyä oli sekä taloudelliset että poliittiset syyt. Taloudelliset syyt liittyivät vakauden tavoitteluun. Suomi oli kokenut 1990-luvun alussa vaikean pankki- ja valuuttakriisin, jonka jäljiltä haluttiin tavoitella suurempaa vakautta ison valuutta-alueen

osana. Tuoreessa muistissa oli, miten markkaan kohdistunut epäluottamus oli pitänyt Suomen markkinakorot kaksinumeroisella tasolla samaan aikaan kun talous sukelsi 80-luvun talouspolitiikan virheiden seurauksena.

Euroon liittymiseen oli myös poliittisia perusteita. Suomi oli pitkään osallistunut Euroopan integraatioon tavallaan puolinaisesti – lähinnä taloudelliseen integraatioon, erityisjärjestelyillä ja liitännäisjäsenyyksin, mutta 1990-luvulla halusimme liittyä vihdoinkin mukaan yhteisön täysivaltaisiksi jäseniksi, päättämään meitä koskevista asioista tasavertaisesti muiden unionin jäsenmaiden kanssa. Rahaliiton vaikutuksia Suomen talouteen on vaikeata varmuudella erottaa kaikista muista mullistuksista, joita kuluneiden 20 vuoden aikana on tapahtunut. Näitä ovat olleet 2000-luvun alun globaali noususuhdanne, johon Suomessa liittyi Nokian nousu ja kriisi, vuoden 2008 finanssikriisi ja sitä seurannut taantuma, sekä Venäjän-kauppamme nousut ja laskut.

EKP:n rahapolitiikka on sopinut hyvin Suomen taloudelliseen tilanteeseen. Viime vuosina koettu Euroalueen elpyminen, jota EKP:n laaja arvopaperien osto-ohjelma ja matala korkotasot ovat tukeneet, on vaikuttanut taloudellisen tilanteen paranemiseen myös Suomessa.

Ei Suomen käynnissä oleva elpyminen tietenkään ole tullut vain EKP:n toimien tuloksena. Suomen eurojäsenyyttä valmistellut Jukka Pekkarisen vetämä professorityöryhmä korosti työmarkkinoiden joustavuutta edellytyksenä sille, että Suomi menestyisi rahaliitossa. Tähän arvioon on saatu vahvistusta kuluneiden vuosien aikana. Kilpailukyky sopimusta ja sillä saatuja tuloksia suomalaisen työn ja tuotannon kilpailukykyä korjaamiseksi voidaan pitää osoituksena siitä, että rahaliitossa pärjäämiseksi tarvittavaa yhteisymmärrystä ja työmarkkinoiden joustavuutta Suomessa tiukan paikan tullen myös löytyy.

\* \* \*

Hyvät ystävät,

Euroopan unioni on sekä välittömistä käytännön tarpeista lähtenyt hanke että myös aatteellinen yhteisö. Aatteellisilla päämäärillä viitataan siihen, että Euroopan yhdentymisen tavoitteita toisen maailmansodan jälkeen olivat rauhan vakiinnuttaminen Euroopassa ja talouden elvyttäminen demokratian suojelemiseksi totalitaristisilta, epädemokraattisilta voimilta. EU:n taloudellinen ja poliittinen puoli liittyvät nykyäänkin toisiinsa. Tämä näkyy siinä, miten unionin rooli avoimen maailmankaupan edistäjänä ja liberaalin demokratian lipunkantajana on viime aikoina korostunut. Nationalistinen toimintamalli on maailmalla voimistunut esimerkiksi kauppapolitiikassa, ympäristöpolitiikassa ja rahoitusmarkkinoiden sääntelyssä. Esimerkiksi Yhdysvallat, Kiina ja Venäjä korostavat entistä yksipuolisemmin kansallisia etujaan globaalin yhteistyön sijaan. Tämän seurauksena avoimen, yhteisiin sääntöihin ja instituutioihin nojaavan kansainvälisen järjestelmän omistajuus on tänään hukassa.

Käynnissä olevassa globaalissa murroksessa EU edustaa valistuksen arvoja – kansainvälisessä politiikassa sitä ajatusta, että kansojen ja valtioiden väliset suhteet on perustettava sääntöperäiseen yhteistyöhön, joka nojaa lakeihin ja sopimuksiin eikä raakaan voimaan. Tämä ohjaa luonnollisesti EU:n sisäistä toimintaa jäsenvaltioiden yhteisönä, mutta määrittää myös EU:n kansainvälistä toimintaa.

Suomen kannalta on tärkeää, että EU ja rahaliitto toimivat mahdollisimman hyvin. Siksi meidän kannattaa edistää sellaisia uudistuksia, jotka vievät eteenpäin euroalueen vakaata, kasvun ja työllisyyden kannalta suotuisaa toimintaa. Kotikatsomoa lämmittävien kynnyksilyönnin asettamisen sijaan nyt tarvitaan ennen muuta eurooppalaista sillanrakennusta.

Asian ulottuvuus on laajempi kuin vain rahapolitiittinen: euroalue muodostaa EU:n poliittisen ja taloudellisen ytimen, ja sen häiriötön toiminta on ehto koko EU:n menestykselle. Euroalueen uudistaminen on siten nähtävä osana isompaa savottaa Euroopan kansainvälisen aseman ja sen poliittisen ja taloudellisen vaikutusvallan vahvistamiseksi.

\* \* \*

Meidän suomalaisten ei kannatakaan jäädä sivustakatsojiksi keskustelussa euroalueen uudistamisesta. Turun Eurooppa-foorumi tarjoaa nyt erinomaisen tilaisuuden keskustella myös talous- ja rahaliiton kehittämisestä. Me Suomen Pankissa arvostamme suuresti sitä, että voimme olla mukana virittämässä tällaista keskustelua.

Euroaluetta uudistettaessa on syytä ottaa opiksi kuluneiden 20 vuoden aikana saaduista kokemuksista. Tärkein opetus on, miten olennaista rahoitusmarkkinoiden vakaus on reaalitalouden

ja työllisyyden kannalta.

Maailmanlaajuinen finanssikriisi kymmenen vuotta sitten pani myös rahaliiton rakenteet kovaan testiin. Vaikeiden vaiheiden ja vaikeiden päätösten myötä tilanne saatiin hallintaan. Vuonna 2012 päästiin myös vihdoinkin poliittiseen yksimielisyyteen pankkiunionista, jolla finanssi- ja velkakriisin toistuminen estettäisiin. Sen jälkeen tehtyjen uudistusten seurauksena Euroopan pankkijärjestelmä on nyt paljon vahvempi ja turvallisempi kuin 20 vuotta sitten, kun rahaliitto muodostettiin.

Euroopan unionissa on jälleen käynnissä isojen strategisten valintojen aika. Monet Euroopan maiden kohtaamista haasteista, kuten ilmastonmuutos, maahanmuuton hallitseminen ja kauppapolitiikka, ovat sellaisia, että niihin on vastattava yhteisvoimin.

Konkreettisenä esimerkkinä: unionin jäsenmailleen tarjoaman kauppapoliittisen selkänojan merkitys on viime aikoina nopeasti korostunut globaalin järjestelmän horjuessa. Suomelle EU:n kauppapoliittisella toimintakyvyllä on iso merkitys — meille pienenä ja suhdanneherkkänä maana sillä on ehkä jopa suurempi merkitys kuin monelle muulle jäsenmaille. Vapaakauppaa ylläpitävä kansainvälinen järjestys on ollut Suomen kasvutarinan kulmakivi.

Myös työtä rahaliiton rakenteiden kuten pankkiunionin vahvistamiseksi on yhä jäljellä. Keskeneräisiä asioita, joissa pitäisi päästä eteenpäin, ovat etenkin pankkikriisien hoitoon tarkoitetun rahaston vahvistaminen, yhteisen talletussuojan rakentaminen sekä toimet, joilla Euroopan vakausmekanismin kykyä vakauttaa valtionlainamarkkinoiden toimintaa parannettaisiin.

Lisäksi Suomen ja koko Pohjolan kannalta olisi hyödyksi, jos kaikki Pohjoismaat, joiden kanssa meidän pankkisektorimme on pitkälle yhdentynyt, voisivat liittyä euroalueen pankkiunionin rakenteisiin. Tähän EU-sopimukset antavat mahdollisuuden, jos poliittista tahtoa löytyy.

Meillä on seuraavaksi mahdollisuus kuulla ensin tohtori Francesco Papadian keynote-puheenvuoro ja sen jälkeen asiantuntevan ja monipuolisen paneelimme näkemyksiä siitä, mitä rahaliitto on merkinnyt Suomelle ja Euroopalle ja miten tästä olisi syytä jatkaa.

Kiitos, tervetuloa ja toivotan kaikille antoisaa keskustelua Suomen ja Euroopan tulevaisuudesta.

# Pääjohtaja Olli Rehn: Talouskasvun näkymät epävarmuuden oloissa: Eurooppa ja Suomi

Pääjohtaja Olli Rehn

Suomen Pankki

Talouskasvun näkymät epävarmuuden oloissa: Eurooppa ja Suomi

Pori, 19.7.2018

Esityskalvot ([pdf](#))

[Pääjohtaja Olli Rehn: Talouskasvun näkymät epävarmuuden oloissa: Eurooppa ja Suomi](#) from [Suomen Pankki](#)

# Deputy Governor Olli Rehn: Central Bank Issued Digital Cash. Helsinki, 13 June 2018.

Dr Olli Rehn, Deputy Governor of the Bank of Finland,  
at the seminar on Central Bank Issued Digital Cash,  
Helsinki, 13 June 2018

## Central Bank Issued Digital Cash

Ladies and Gentlemen, Dear Colleagues,

It is a pleasure for me to open the second session of the seminar on Central Bank Issued Digital Cash. This session asks what would be a rational and justified reason for central banks to pursue digital cash.

Today's seminar is part of a trio of events this week, partly academic and partly for a wider audience in the financial sector. This seminar is for central bankers only, since we wanted to facilitate open and possibly frank discussions, with no any need for official statements.

We have also chosen different colour codes for the three events.

I'm not sure if the yellow colour of our badges has been deliberately chosen to indicate a yellow card, i.e. to be warned due to a foul. Maybe some people see that even a discussion about a digital central bank currency is dangerous play. But here today we won't be afraid of discussion.

In fact, virtual currencies or crypto assets, as we prefer to call them today, already emerged on central banks' radar screen many years ago. Since then, central banks, other authorities and academics have studied the phenomenon and published analyses on it. When the market turned into a highly speculative one, both financial supervisors and central banks issued warnings. In our view, virtual asset creation and trade should be regulated in the same way as other tradeable assets. It is important to protect consumers and prevent fraud.

Originally, promoters of virtual assets like Bitcoin claimed they would provide an alternative to banks' payment systems and change the whole financial system. Even if virtual assets currently don't have the capacity to fulfil the original vision, they did bring to the surface two very interesting issues: the potential of blockchain technology, and the future role of central bank money in the modern financial infrastructure.

The discussion on the future use of central bank money, whether physical cash or digital, has emerged and even intensified recently, especially in countries where the role of cash in society has been declining.

This raises several pertinent and difficult questions:

What would happen if physical cash really vanished? How would it affect central banks, the financial industry and society as a whole? What will legal tender mean in the future? How will monetary policy and financial stability change if perfectly safe central bank cash were to disappear? If physical cash were to become obsolete, should central banks still be involved in providing central bank money to the public – perhaps in a digital form?

These are indeed relevant questions, even if the issuance of euro cash still continues to grow. This seminar aims to contribute to the contemporary debate and increase our understanding of these

questions.

Against this background, let me focus on three topics that the central banks must in my view carefully analyse.

1. What is **the role and meaning of legal tender** and the need for some form of generally available and usable central bank money for members of the public?

The historical background of legal tender lies in times when different monies circulated and, for the sake of stability, one of them had to be classed as legal. That gave central banks the power to create unlimited liquidity in their own currency, useful for financial stability. However, as the Bank of Finland Legal Unit concluded in its survey, this concept is surprisingly vague today, at least in retail payments.

There are several reasons for this. In some countries, legal tender stands for the common fall-back, if no other payment instrument is agreed upon. In some countries legal tender means the mandatory acceptance of cash for payment e.g. in retail. In the U.S., where it reads on dollar bills that they are “legal tender for all debts”, there is no mandatory requirement to accept them in the purchase of goods and services.

2. How can we maintain the ability of official oversight to ensure the safety and – under the dual threats of fragmentation and monopolization – the efficiency of payment systems?

As I mentioned earlier, the payments market is in turmoil with all the new initiatives. Some of them are just user interfaces, but also completely new transmission mechanisms are being introduced to the market.

This development entails some potential problems for the oversight of payment systems. First, while consumer choice is a positive thing, fragmentation may increase uncertainty about trustworthy services. It may become impossible for supervisors to monitor all players, and for the overseers to ensure the robustness of the overall payment system.

Another problem may arise from the fact that more and more service providers are non-banks that are not accustomed to regulatory requirements and may prefer to stay outside the oversight domain. The end-game may look like the free banking era, when competing private banks were printing their own banknotes, and it was hard to keep track of their value. In such a situation, at least, the reintroduction of legal tender in the form of digital cash might become a serious issue.

Robust payment systems are a crucial backbone of modern economies. We must be able to safeguard their functioning also in the future.

About a week ago, Europe experienced a short hiccup in the Visa payment card network. Even if the technical problem was solved in less than 10 hours, it showed how vulnerable our daily lives have become. When 75% of payments are not working, a lot of uncertainty and losses are created. The event reminded us that, to ensure resilience, we need parallel safe infrastructures that can be scaled up, if the normal network is failing.

Today, we still have cash. If or when cash is no longer used to the extent that it can be easily scaled up, other alternatives will be needed. One line of analysis contemplates whether some alternative means of payment could or should be provided by central banks.

3. How are the efficiency of monetary policy and the objectives of macroeconomic and financial stability to be maintained, if all money is issued by private parties, all of which are not necessarily even banks?

Central bankers are often considered conservative. But work in central banks has had to continuously adapt to meet the challenges of a changing environment. The tasks of price stability, financial stability and oversight of payment and settlement systems tend to change and take on new forms, but the core content endures.

This capability to adapt has been evident since 2008, when, during the financial crises, central banks were able to think 'out of the box' and create new monetary policy tools to fulfil their task. The outcome was not just new monetary policy tools, but also stronger macroprudential supervision and, in Europe, the creation of Banking Union.

Bearing that in mind, it is entirely reasonable to expect that the central banks will be able to adapt to the changing financial and payment landscape also when the driver is not a recession, but a technological revolution.

Dear Friends,

I trust your discussions today will be interesting and substantive, and that you will have new insights with you when travelling back home. Sharing both understanding and open questions, being able to work together in the future and take action jointly, all these will be ever more vital when our common field of work is transformed in so many ways.

I wish you a successful seminar.



# Deputy Governor Olli Rehn: Climate Change and Green Finance. Helsinki, 13 June 2018.

Dr Olli Rehn, Deputy Governor of the Bank of Finland  
Finnish Climate Summit, Helsinki, 13 June 2018

## Climate Change and Green Finance

Ladies and Gentlemen,

Many thanks for the invitation to this important event, the Finnish Climate Summit. Helsinki is in fact today fully tuned to the music of the future, i.e. key future policy issues, since the Bank of Finland is right now running a three-day conference on the subject “Money in the Digital Age” on the other side of the town. I am glad to “change the club” for a moment, not least as Sitra is originally a spin-off of the Bank of Finland, some half a century ago.

Already in 1987, the report of the World Commission on Environment and Development – known as the Brundtland Commission – defined the need for economic growth to be socially and environmentally sustainable. I am a proud owner of the first edition of that report. Already back then, key questions of sustainable development were much the same as today: how to balance its three pillars, i.e. economic, social and ecological development.

Today, it is widely recognized that climate change is a significant risk to economic growth and financial stability – and to the future of our planet. For instance, the World Economic Forum concluded in its annual Top-10 list of the biggest risks in terms of impact, that no less than eight of those risks are linked to climate change, one way or another.

That should not have been big news. The fundamental problem with climate change was described thus in the Stern Review in 2006: “*Climate change is the greatest and widest-ranging market failure ever seen.*” This is because climate change is an economic externality, meaning that whoever causes the emission does not pay the full costs of the damage.

Despite the significant political achievements, like the Paris Agreement and the Kyoto Protocol, global policy action still falls short of what is required. The withdrawal of the USA from climate action is of course detrimental. The EU is leading the global effort also in this field.

Mark Carney, Governor of the Bank of England, has referred to “the tragedy of the horizon”: the impact of climate change is felt far in the future, while the costs are immediate, and thus we lack the right incentives to fix the problem. Economists might talk about ‘time inconsistency’.

That compels us to ask some fundamental questions on policy. If carbon is the problem, why not just ban it or strictly limit its emission?

The reason is that for the past couple of centuries, economic growth has also implied equivalent growth in the emissions of CO<sup>2</sup>. And historically, economic growth has gone hand in hand with the increase in welfare.

Thus, by limiting carbon emissions without any structural change we would also limit the welfare of our citizens. Instead, we need to figure out how to continue enabling our economies grow, while at the same time effectively cutting down our emissions. Some countries have already managed to weaken the link between economic growth and emissions, but for the future of our planet, the link needs to be cut across the world.

The transition of our economies to sustainability requires a lot of capital. The European Commission has estimated that, in the EU, there is a gap of 180 billion euros a year in investments to support the transition.

And every year when this gap is not closed, it accumulates. Let's call this **the climate debt**. And it needs to be paid back at some point. For us not to become over-indebted, we urgently need to start filling the gap.

In the Commission's action plan, prudential regulation aims at providing incentives for green finance. This would imply e.g. that risk weights for green investments in banks' capital requirements would be lower – relative to 'brown' or environmentally damaging activities.

However, a word of caution is in order. Green investments are not without normal financial risks either, and these risks cannot be disregarded without jeopardizing financial stability. The previous financial crisis pushed climate policy discussions into the political background for a decade. Let's not repeat that. So, financial stability needs to be at the heart of environmental finance, because it also must be economically and socially sustainable – let's not forget the lasting wisdom of the Brundtland Commission!

The central banks in the Eurosystem are keenly aware of the problem posed by climate change, and understand that the environmental goals of the EU belong to the objectives that the treaty obliges the central banks to support – without compromising the goal of price stability. At the same time, we understand that it is primarily the responsibility of the political authorities to decide on the appropriate public policy measures to achieve these goals.

Correct pricing and supervision of financial risks stemming from climate change (and other environmental hazards) are needed, both for sustainable economic development and for a well-functioning financial system. The central banks in Europe support the ongoing work in various international fora for removing the obstacles holding back green finance, for better disclosure of climate-related risks, and for better integration of risk management and regulatory frameworks to environmental assessments.

In concrete terms, sustainability considerations should be better reflected in the key tools for decision-making by market actors and policymakers, such as benchmarks and credit ratings. At the same time, we must take care that changes to regulatory frameworks are justified from a prudential perspective and do not undermine their own original purpose.

In financial regulation, environmental risks are increasingly relevant. Insurance is a case in point. Insurers have already started paying for climate change. Insurers' risk models need to adjust to the increasing frequency and severity of the extreme weather events.

Thus, the insurance industry clearly has incentives to be part of the solution. But exactly the same applies for the banking industry as well, and in financial regulation and management we should take into account not just the risks that the investment projects themselves are vulnerable to, but also the risks which any 'brown' or unsustainable projects may cause to the economy.

Talking about environmental finance, the most direct way to influence the flow of funds is to use semi-public institutions, like the European Investment Bank, multilateral development banks, and other similar organizations for the purpose. With them, the right incentive structure for private money can be created without overburdening the public finances. After all, such institutions are already active in the field, and further involvement could be encouraged.

The European Fund for Strategic Investments (EFSI) is a prime example. Its extended version, EFSI

2.0, has a mandate to invest at least 40% of its 500 billion euros capacity in green investments. Such investments can be leveraged with private capital for an even bigger impact. Private money, and more importantly private investment decisions made by private companies, need to be aligned with the sustainability targets.

Economic theory suggests that the first consideration of policy should be to remove wrong incentives and replace them with better ones, which would take into account the environmental externalities of different economic activities. No longer should the polluting companies freeride on the backs of others – we need to move towards the principle of ‘the polluter pays’.

The International Energy Agency has estimated that global fossil-fuel subsidies exceeded EUR 250 billion in 2016. This is a direct subsidy for fossil fuel consumption at a time when we have problems in finding out how to pay for the transition to sustainable energy. This balance must be changed.

Ending fossil fuel subsidies is only the first step. As a second step, we need to incorporate the costs of emissions into the decision-making processes of every company. Fixing the EU Emissions Trading System or introducing a global carbon tax should help solve this externality problem.

The third step is to increase transparency in companies’ business models by requiring them to disclose their emissions. The Commission and the Financial Stability Board have been working on such reporting. Many large institutional investors have already embraced their recommendations.

As I have argued, there is much that can be done in the financial sector to promote sustainable development. However, there is no single ‘silver bullet’ that would solve the problems of environmental finance at a stroke. Rather, it will take a lot of careful and detailed work, going through our regulatory systems and financial management frameworks, to build a more environmentally friendly and solid financial system.

At the Bank of Finland we want to play our part, too. We have recently decided to apply responsible investment standards to the management of our investment portfolio. We will also be a member in the newly created Central Banks and Supervisors Network for Greening the Financial System, which is an important forum to discuss climate action with the financial sector.

Finally, everybody needs to be part of the change. Hence, I call on both private companies and public institutions to work for sustainable development – and for sustainable finance – with the economically and socially effective means at their disposal.

Thank you very much for your attention.

# Deputy Governor Olli Rehn: The Euro Area Economy: On the Road of Recovery and Reform? London, 24 May 2018.

Dr. Olli Rehn  
Deputy Governor of the Bank of Finland  
European Economics and Financial Centre  
London, 24 May 2018  
([presentation pdf](#))

## The Euro Area Economy: On the Road of Recovery and Reform?

Ladies and Gentlemen,

Let me first thank the European Economics and Financial Centre for the invitation to join you here in the financial capital of Europe today. London is and will remain a financial powerhouse. We euro area central bankers need to engage with market participants and academia – and European Economics and Financial Centre provides opportunities to bring them together to share knowledge and develop ideas. I am therefore glad to share with you today some thoughts on two issues and to listen to your views on them. I will start with the state of the European economy and then discuss euro area reform.

### **Euro area economy**

The euro area economy has now been growing for over five years, as seen in Figure 1.

Figure 1: Level of euro area GDP and forecast (ppt slide)

Equally important, growth remains broadly based across sectors and also across the Member States. The ECB's latest forecast from March foresees growth to be 2.4% this year and 1.9% in 2019. Euro area GDP reached its pre-crisis level in 2015.

This includes, however, somewhat different country-specific paths. German output, for example, already reached its pre-crisis level in 2010. Meanwhile, Italian output is still smaller than before the crisis, although it has recently returned to the path of recovery and growth.

The euro area's stronger performance in output and growth has also paved the way for positive labour markets trends. Euro area aggregate unemployment fell to 8.5% in March 2018 as can be seen in Figure 2.

Figure 2: Euro area unemployment rates (ppt slide)

Moreover, the unemployment rate is trending down in almost all Member States (see Figure 3). The German unemployment rate has dropped to a record low of 3.4%, whereas unemployment remains relatively high in the countries that suffered most from the financial crisis; for example in Italy it is down to 11% from around 14%.

Figure 3: EU unemployment rates (ppt slide), Source: Eurostat

Overall, there was a strong expansion in the euro area economy in 2017. Short-term indicators, however, suggest that the pace of growth has cooled somewhat in early 2018.[1] Some of this could

be explained by temporary factors – such as the cold winter – but recent data points to some moderation in the pace of economic growth from the high rates observed at the end of 2017. Nevertheless, the overall economic outlook for the euro area is strong, supported by favourable financial conditions, a strong labour market and steady income growth.

There is, however, a certain discrepancy or even mismatch between the currently strong economic fundamentals in the euro area economy, on one hand, and the surrounding political uncertainty on the other. In a nutshell, growth in the medium-term could be quite solid and sustainable, unless the possible political risks derail it.

So far, European financial markets have been quite resilient to geopolitical events, sanctions and tariff threats, emerging market jitters and political events in the euro area. Significantly improved and stronger economic fundamentals and the ECB's measures have helped to contain the impact of these negative shocks.

But complacency on the part of the authorities, including us central bankers and market participants, should not be allowed to creep in. Excessive exuberance in the markets should be avoided, as valuation ratios in global financial markets are approaching high levels, although we do not see excessive credit growth in Europe for the moment.

The recent rise in Italian government bond yields needs to be taken seriously – see Figure 4. Figure 4: Italian and German 10-year bond yields and spread (ppt slide)

The recent rise in yields in Italy has been in the scale of 60 bp in relation to the German Bunds. While still relatively limited, its signal should be taken seriously: markets are indicating that they are anxious about the medium-term impact on growth and public finances of the measures put forward in the negotiations to form a government in Italy.

## **Getting ready for Brexit**

Speaking here in London I probably cannot avoid discussing Brexit, even though it is not my favourite topic. As you can probably guess from my background, I respect, but regret, the UK's decision to leave the EU. Now both of us must not reminisce about the past, but focus on the future given the rather lousy cards we have been dealt with.

We should try to work together on both sides of the channel towards a solution that minimises the damage caused by the UK leaving the Single Market. The solution needs to respect the integrity, level playing field and financial stability of the Single Market, and the will of the UK people. There are accordingly evident constraints to possible solutions. In any case, trade cannot be as frictionless outside the Customs Union and the Single Market as within them.

Aside from trade, Brexit's impact on the banking system and financial markets is obviously something I keep observing as a central banker. As I mentioned at the beginning, the UK forms a key part of the European financial markets. It is likely to remain a key financial hub despite it cannot become the centre of the Capital Markets Union.

At the same time, we must recognise that some things are likely to change as a result of Brexit. I do not want to prejudge the outcome of the negotiations on the future trade arrangements and, in particular, as it concerns financial services. These discussions are still at an early stage. The withdrawal agreement, too, which contains the transition period, is not yet ratified since important issues still remain open.[2]

I would therefore urge market participants to make prudent arrangements to be able to continue serving their customers smoothly from the day one after the UK leaves the EU – in all scenarios,

including one with no transition or passporting. If these arrangements involve setting up new entities in the EU or channelling more activity via existing EU entities, it is worth noting that the Single Supervisory Mechanism, which is responsible for the Banking Union, has been clear that this increased activity cannot be done using empty shell entities. According to SSM guidance, authorisation applications for the new entities should be initiated as soon as possible, at the latest by mid-2018.

For new and existing entities to qualify for a banking licence in the Banking Union, meaningful and commensurate resources compared to overall activities must be located in the Banking Union. The SSM has communicated that the ECB and national supervisors may allow more time for banks to meet certain supervisory expectations regarding their local risk management capabilities and governance structures, and to move to an adequate and balanced business organisation within the euro area. Finally, market participants should also prepare for the continuity of financial contracts.[3]

With proper preparation by market participants and authorities, the risk that access to wholesale and retail financial services would be materially restricted for the euro area economy appears limited, as indicated by the ECB in its financial stability review. The impact on financial services is likely to be reflected more in the cost of financial services and in costs for financial institutions than in a reduction in the availability of services.[4]

### **The ECB's monetary policy**

Despite the recent recovery, euro area inflation has remained below its historical average for a prolonged period of time. Measures of underlying inflation remain subdued and have yet to show convincing signs of a sustained upward trend. This has been puzzling and has inspired economists to identify several different explanations for the persistently low inflation.[5]

Figure 5: Euro area inflation rate (ppt slide), Source: Eurostat

Without going into a detailed list of these explanations, it is a fact that the financial and debt crisis that the euro area recently faced was exceptionally deep and persistent, which has had an impact on inflation expectations. However, the latest estimates of excess capacities point to a closing output gap. This, together with the ECB's accommodative monetary policy, is expected to lead to a gradual pick-up in inflation rates. The ECB's recent forecast expects euro area annual inflation to reach 1.7% on average in 2020.

In fact, despite the massive unconventional measures in the past decade by the leading central banks, the advanced economies have suffered from a persistently low inflation, or 'low-flation'. In 2013-14 in the euro area there was also a serious danger of deflation. The latter threat was successfully combatted by the ECB's decisive action in 2014-15, and the spectre of deflation subsequently disappeared. But the rate of inflation has continued to be low in a very persistent manner, even though growth has picked up. Core inflation in 2014-17 was barely at 1%, while the ECB's price stability target is "below but close to 2% in the medium-term".

Economists and central bankers all over the developed world keep on analysing the reasons for the persistently low inflation. Some have blamed "secular stagnation" for this phenomenon, implying that the natural rate of interest is very low due to both cyclical and structural reasons, such as low productivity growth and/or population ageing. Others have even gone as far as to maintain that the Phillips curve (i.e. the correlation between unemployment and inflation, see Figure 6) has lost its relevance. In my view, the Phillips curve has not disappeared anywhere, but the impact of improving employment on expected rise of inflation has been delayed, for both cyclical and structural reasons.

Figure 6: Unemployment and inflation in the euro area (ppt slide)

The main culprit for the continuously low inflation can be found in the combination of the remaining 'slack' or still untapped economic potential (for long, relatively high unemployment) and the long shadow of the global financial and euro area debt crisis. The wage demands have not really picked up, since many unemployed have only recently found jobs; since part-time employees prefer to work more hours before asking for wage increases; since many outside the labour force return to it thanks to improving economy; and since immigration may keep supply of labour up and thus curb wage pressures.

In early 2018, however, there were signs in the US that inflation has finally been picking up (partly because of energy price increases). Moreover, in Germany IG Metall, the Metal Workers' Union (the usual wage leader) and Ver.di, the public sector workers and civil servants Union secured significant wage increases and shorter working time. We may thereby assume that the inflation rate will pick up in the medium-term. A normalisation of monetary policy in the euro area is therefore looming on the horizon, even though not yet around the corner – and wisely so. It will be a stepwise, gradual normalisation.

Having said that, the normalisation of monetary policy will not mean that otherwise we would return to the pre-2008 '**old normal**' context of unsustainable boom. Instead, as a result of the root-and-branch reforms in financial regulation and supervision, the emergence of macro-prudential policies and the substantial evolution in monetary policy, we justifiably talk about **a new equilibrium** that is able to deliver financial stability, sustainable growth and sound job creation.

I am delighted to return to the Governing Council meetings. I used to represent the European Commission between 2010 and 2014 in the Governing Council, speaking on economic policy, fiscal policies and structural reforms, but without the voting right – next time I expect my colleagues to let me speak on monetary policy, as well! I look forward to participating in the monetary policy debate for the first time on 26 July. Meanwhile, let me recap where we stand today.

The ECB Governing Council reiterated on 26 April that an ample degree of monetary stimulus remains necessary, so that underlying inflation pressures will continue to build up and support headline inflation developments over the medium term. The Governing Council rightly stressed the paramount importance of patience, persistence and prudence in its monetary policy-making. The path to a gradual and sequential phasing out of our non-standard measures has been clearly outlined by the Governing Council as part of its forward guidance. The sequencing is as follows:

- First, the ECB intends to continue net asset purchases, at the current monthly pace of €30 billion until the end of September 2018, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim.
- After the end of the net asset purchases, the Governing Council expects them to remain at their present levels for an extended period of time, and well past the horizon of our net asset purchases.
- After the end of the net asset purchases, the Eurosystem will continue to reinvest the principal payments from maturing securities purchased under the asset purchase programme for an extended period of time, and in any case for as long as necessary.
- Finally, one should not forget the targeted long-term refinancing operations i.e. TLTRO-II programme and our standard refinancing operations that will be conducted on a fixed-rate full allotment.[6] The last one of the TLTRO-II operations is set to run until March 2021. These TLTRO-IIs provide over 700bn of affordable funding to banks at rates as low of as -0.4%.

## **Euro area reform**

Next, I will share some views on completing the Banking Union and reinforcing the ESM. I focus today on these two issues in the interests of time, but we should not forget that there is also still a lot

of work to be done in undertaking structural reforms in member states, developing the Capital Markets Union, revising fiscal rules and developing fiscal stabilisers.

## **Completing the Banking Union**

Completing the Banking Union is crucial for the stability of the European banking system, and the prime priority of euro area reform. The crisis revealed serious weaknesses in the institutional structure of euro area. It revealed especially how financial stability concerns – in particular the stability of the banking system and of the government bond markets – were neglected when the euro area was created.[7]

Significant progress has been made since 2012. The Single Supervisory Mechanism and the Single Resolution Mechanism have been set up. At the same time, the financial stability of the euro area has improved. The capital, leverage and funding positions of euro area banks have strengthened. Figure 7 shows the improvement in capital.

Figure 7: Euro area banks' capital positions are strengthening (ppt slide)

However, the work to strengthen the euro area financial system and to increase stability must continue. In this respect, priority should be given to strengthening the resolution and deposit guarantee schemes.

First, we need a fiscal backstop to the Single Resolution Fund, the privately financed resolution tool of the Single Resolution Mechanism. Such a fiscal backstop is important in order to give solid credibility to the commitment of the SRM to resolve, wind up or reorganise failing banks, quickly and effectively. The backstop would be a reserve instrument, activated only if the Single Resolution Fund becomes temporarily short of the resources required for its tasks, even after the owners and eligible creditors of failing banks have borne the losses allocated to them.

Financially, the backstop could operate as a credit line in the reformed European Stability Mechanism. It should be fiscally neutral, so that, over time, the Single Resolution Fund and ultimately the banking industry itself would replenish any funds drawn from it.

The firepower of the ESM could give the Single Resolution Fund the tools to tackle liquidity concerns. One idea is that the ESM could provide its bonds to liquidity-constrained banks emerging from resolution. Thus far, ESM bonds have been used for the recapitalisation of banks in program countries. Lending ESM bonds to banks emerging from resolution would allow them to use these bonds as collateral in market transactions. ESM bonds are also eligible collateral in our monetary policy operations.

The liquidity tool for resolution could be developed as part of the fiscal backstop arrangement for the Single Resolution Fund, as also endorsed by the ECB in its opinion on the proposal for a Council Regulation on the establishment of the European Monetary Fund.[8]

Second, we need a common deposit guarantee scheme, the ultimate objective of which is to prevent bank runs. A bank run is usually caused by lack of confidence in a single bank or in a banking system. The stronger and more credible the deposit guarantee scheme is, the less likely it is that it will have to be used.

A common European deposit insurance scheme would significantly increase the stability of the euro area banking system compared with the current situation in which national funds are responsible for the deposit guarantee. The goal should be that confidence in the secured bank deposits is equally strong throughout the euro area.

The completion of the banking union can be enhanced by reducing risks in the euro area banking system. Significant progress has already been made, as the level of non-performing loans (NPLs)



has decreased from 7% to below 5% in the euro area. In Italy, which has the largest volume of NPLs, their share has been brought down from 16% to 11% in two years 2016-2017.

It is important that the PM-designate Giuseppe Conte has underlined the European commitment of Italy – as far as the completion of the banking union and the necessary financial repair is concerned, this can be proven by keeping up the positive trend in the reduction of NPLs, which has been maintained in the past two years.

## **ESM reinforced**

In addition, Europe's financial firewall, the European Stability Mechanism, should be developed further by reinforcing its capacity to take decisions and extending its toolbox with a more workable and effective precautionary credit instrument.[8]

In the event that the euro area faces excessive market turbulence, the ESM should be able to take rapid, effective decisions to help stabilise the situation. For a precautionary credit instrument, a pertinent benchmark is provided by the IMF's Flexible Credit Line (FCL), which was successfully used during the crisis by three countries: Colombia, Mexico and Poland, as a crisis-prevention instrument against market turbulence. None of the three countries had to draw on these lines, as the FCL provided an effective backstop for these countries and strengthened market confidence during the time of elevated risks.

There are other proposals on the table as well. One is to change the name of the ESM to European Monetary Fund, EMF. Would this be justified? To my mind, the nameplate is less important than the substantive improvements in the functioning of the ESM. In my view, the primary reform of the ESM now needed is to enhance its concrete functionality and capacity to act in cases of market turbulence.

## **Conclusions**

By way of conclusion, let me refer to the importance of ownership by Member States and policy learning in developing the euro area.

The early 20th century film-maker Groucho Marx was famous for quipping that he would refuse to join any club that would have him as a member. Sometimes during the crisis as Commissioner I got the feeling that the euro area member states were indeed thinking like Groucho Marx, behaving rather as outsiders than as members. Their sense of common ownership of the European project – be it the fiscal rules, economic reforms, the stability mechanism, or the then still nascent Banking Union – was sometimes rather limited.

But to be fair, there was a lot of policy learning by most of us who were responsible for policy-making in the euro area, as assumed by theories of muddling through or incrementalism. Over time, the ownership by euro area member states developed in a better direction, and in 2012 it facilitated the decisive moves in the European Council and the ECB Governing Council. It was indeed an evolutionary learning process, in which the decision-makers gradually realised that the concerns of financial stability and thus the union's future were in fact even more important than the concerns of moral hazard, without belittling the importance of the latter.

The starting point for any consequential and effective reform of the euro area is therefore quite simple: Since the euro area member states are committed to their membership in the common project, it is better for each and every member state that the euro area functions well and effectively in every respect. In other words, each and every member state should have every reason to support a solid, robust foundation of the euro area that can withstand economic headwinds and support sustained growth.

There is no use in getting nostalgic over the bygone 1990s by repeating the Clash 1980 classic “should I stay or should I go?” – at least outside “London calling” – for an umpteenth time.

Instead, we should look to the future and work to ensure that the euro has a solid architecture to support economically and ecologically sustainable and employment-friendly growth in the economies of all member states.

And that’s why we’d better actively proceed in setting the directions of European reform in anticipation of preventing the next crisis in the euro area before it has even started.

Thank you very much for your attention!

[1] The preliminary flash estimate on the GDP growth rate for the first quarter of 2018 was 0.4%, while in the last quarter of 2017 the growth rate was 0.7% from the previous quarter.

[2] See the speech by Vice-President Valdis Dombrovskis at City Week in London on 24 April 2018: [http://europa.eu/rapid/press-release\\_SPEECH-18-3523\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-18-3523_en.htm)

See also the Speech by Michel Barnier at the Eurofi High-level Seminar in Sofia on 26 April 2018: [http://europa.eu/rapid/press-release\\_SPEECH-18-3569\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-18-3569_en.htm)

[3] For the SSM view on relocation of financial services to the euro area from the UK, see Brexit: Booking models and “empty shells” on 14 February 2018:

<https://www.bankingsupervision.europa.eu/press/publications/newsletter/2018/html/ssm.nl180214.en.html>

For the SSM view on preparing for Brexit and supervision during the transition period, see Brexit: impact of a potential transition period on 16 May 2018:

<https://www.bankingsupervision.europa.eu/press/publications/newsletter/2018/html/ssm.nl180516.en.html>

[4] For the analysis, see the ECB Financial Stability Review, November 2017:

<https://www.ecb.europa.eu/pub/pdf/other/ecb.financialstabilityreview201711.en.pdf?7a775eed7ede9aee35acd83d2052a198>

[5] For a thorough review of the discussion, see Constâncio, V. (2017) ‘Understanding and overcoming low inflation’, Remarks at the Conference on ‘Understanding inflation: lessons from the past, lessons for the future?’, Frankfurt am Main on 21 and 22 September 2017:

[https://www.ecb.europa.eu/press/key/date/2017/html/ecb.sp170922\\_2.en.html](https://www.ecb.europa.eu/press/key/date/2017/html/ecb.sp170922_2.en.html)

And Yellen, J. (2017) ‘Inflation, Uncertainty, and Monetary Policy’, Remarks at the ‘Prospects for Growth: Reassessing the Fundamentals’ 59th Annual Meeting of the National Association for Business Economics on 26 September 2017:

[https://fraser.stlouisfed.org/content/?item\\_id=576509&filepath=/files/docs/historical/federal%20reserve%20history/bog\\_members\\_statements/yellen20170926a.pdf](https://fraser.stlouisfed.org/content/?item_id=576509&filepath=/files/docs/historical/federal%20reserve%20history/bog_members_statements/yellen20170926a.pdf)

See also Kortela, Oinonen & Vilmi (2018) ‘Reports of the Phillips curve’s death are greatly exaggerated’, Bank of Finland Bulletin 1/2018:

<https://www.bofbulletin.fi/en/2018/1/reports-of-the-phillips-curve-s-death-are-greatly-exaggerated>

[6] The main refinancing operations and the three-month longer-term refinancing operations will continue to be done as fixed rate tender procedures with full allotment for as long as necessary, and at least until the end of the last reserve maintenance period of 2019.

[7] For a comprehensive analysis by the ECB on completing the banking union and establishing the capital markets union see financial integration in Europe, May 2018:

<https://www.ecb.europa.eu/pub/pdf/other/ecb.financialintegrationineurope201805.en.pdf?b0006123fb19ed01dac2dc3f19cc4c02>

See also the ECB Occasional Paper titled: Completing the Banking Union with a European Deposit Insurance Scheme: who is afraid of cross-subsidisation? ECB Occasional Paper Series No 208 / April 2018:

<http://www.ecb.europa.eu/pub/pdf/scpops/ecb.op208.en.pdf?557c7f15bddfac62f842fd08920b1e6e>

[8] See also the ECB opinion on a proposal for a regulation on the establishment of the European Monetary Fund:

[https://www.ecb.europa.eu/ecb/legal/pdf/en\\_con\\_2018\\_20\\_f\\_sign.pdf](https://www.ecb.europa.eu/ecb/legal/pdf/en_con_2018_20_f_sign.pdf)



# Johtokunnan varapuheenjohtaja Olli Rehn: Artikkeli Kaleva-lehdessä

Johtokunnan varapuheenjohtaja Olli Rehn

Suomen Pankki

Artikkeli [Kaleva-lehdessä](#)

26.4.2018

## Suomen alueet ponnistavat kasvuun eri eväin

Suomi on osiensa summa, myös taloudessa. Kaksi vuotta sitten käynnistynyt talouskasvu on maantieteellisestikin laaja-alaista. Toisaalta alueet ponnistavat kasvuun erilaisista lähtökohdista. Pidemmällä kaarella teollinen rakennemuutos on kohdellut Suomen alueita hyvin eri tavoin. Tämä tiedetään hyvin Oulun seudulla ja muualla Pohjois-Pohjanmaalla. Kuluneen vuosikymmenen alkupuolisko oli vaikeaa aikaa Pohjois-Pohjanmaan teollisuusyrityksille. Vuosi 2016 oli käännekohta parempaan, ja alueen yritysten näkymät ovat nyt pääosin hyvät.

Toipuminen on käynnissä vielä koko Suomessa, joka on viimeisen kymmenen vuoden aikana käynyt läpi kaksi taantumaa. Kokonaistuotannon taso oli viime vuonna vielä prosentin pienempi kuin vuonna 2008. Kyyti oli pitkään kylmää erityisesti teollisuudessa.

Sähkö- ja elektroniikkateollisuuden tunnetut ongelmat muodostuivat koko kansantalouden ongelmaksi. Muun metalliteollisuuden investointeihin perustuva vientikysyntä pysähtyi kriisivuosina kuin seinään. Suomen teollisuudesta on menetetty 100 000 työpaikkaa viimeisten vajaan kymmenen vuoden aikana.

Teollisuuden ongelmat olivat osin kotikutoisiakin. Vientiteollisuuden kustannuskilpailukyky heikkeni voimakkaasti epäonnisesti ajoitettujen ja väärään suhdannenäkymään perustuvien palkankorotusten vuoksi vuosina 2008–2009. Kilpailukyvyn umpeen kurominen on osoittautunut hankalaksi, kun kustannuskehitys on ollut maltillista kilpailijamaissakin. Kilpailukyksopimus ja tuottavuuden koheneminen korjaavat kuitenkin parhaillaan olennaisesti suomalaisen työn ja tuotannon kilpailukykyä.

Metsäteollisuuden tuotannosta merkittävä osa syntyy pienehköillä tehdaspaikkakunnilla, joten tuotannon supistukset osuivat niihin erityisen rankasti. Suhteellisesti eniten työpaikkoja menetettiin Kaakkois-Suomessa, mutta myös Pirkanmaan ja Keski-Suomen metsäteollisuuspaikkakunnat kokivat kovia.

Perinteisen metalliteollisuuden osalta tilanne oli osin samankaltainen. Suhteellisesti suuria menetyksiä kokivat Raahe, Itä-Lappi ja Lounais-Suomi. Metalliteollisuuteen luettavan sähkö- ja elektroniikkateollisuuden – erityisesti Nokian – supistuminen kohdistui kuitenkin myös suuriin kaupunkeihin, vaikka Salossa isku olikin omaa luokkaansa. Myös Oulun seudulla vaikutukset olivat tuntuvia.

Oulussa ja muissa suurissa kaupungeissa teollisten työpaikkojen menetyksiä on kompensoinut työpaikkojen lisääntyminen muilla aloilla. Rakennemuutoksen plussapuolella on palvelualojen kasvu. Yksityiset ammatilliset, tieteelliset ja tekniset palvelualat ovat kasvaneet vahvasti.

Maakuntien elinvoima on aina perustunut niiden omien vahvuuksien onnistuneeseen hyödyntämiseen. Alueiden vahvuudet poikkeavat toisistaan ja voivat olla teollisuutta, teknologiaosaamista, bio- ja kiertotaloutta, matkailua ja muita palveluita tai kotimaista lähiruokaa ja muita maaseutuelinkeinoja.

Oulun seudun kehityksen tukijalka on tietotekniikka, joka on jo vahvempi kuin Nokian aikoina. Tutkimuspanostus näkyy siinä, että Oulussa toimivat terveysteknologian yritykset ovat päässeet hyvään vauhtiin.

Euroopan unionin rakennerahastoilla on Oulun seudulla tuettu korkeaa osaamista ja kilpailukykyä rakennemuutoksen jälkeen.

Pohjois- ja Itä-Suomessa ne ovat merkittäviä yliopistojen, ammattikorkeakoulujen ja

tutkimuslaitosten rahoituslähteitä. Myös EU:n Horisontti 2020 -ohjelma on tärkeä suomalaisen tutkimuksen ja innovaatioyhteisön rahoitukselle.

Kainuussakin näkymät ovat pitkästä ajasta paremmat. Terrafame on saanut kaivostuotannon vahvaan kasvuun ja purkanut edeltäjältään perittyjä ympäristöongelmia.

Transtechin tilauskanta on hyvällä tolalla. Myös Lapissa kaivannaisteollisuus ja biojalostamohankkeet pitävät hyvää taloudellista virettä yllä. Lapin matkailu takoo ennätyslukuja. Työ- ja elinkeinoministeriön tuoreen selvityksen mukaan suuressa osassa maata jo yli kolmanneksella yrityksistä on hankaluuksia löytää sopivaa työvoimaa. Siten työvoiman kohtaanto-ongelma ei ehkä olekaan niinkään alueellinen – se, että työpaikat ja työtä etsivät olisivat maantieteellisesti eri paikoissa.

Pikemminkin kyseessä on ammatillinen ja osaamiseen liittyvä ongelma. Siksi elinikäiseen oppimiseen ja täydennys- ja muuntokoulutuksen kannattaa panostaa. Lisäksi tarvetta on edelleen parantaa kannustimia työn tekemiseen.

Tänä vuonna Suomen talouden kasvun ennustetaan jatkuvan kohtuullisen vahvana. TEM:n selvityksen perusteella positiivisia kasvuodotuksia on laajasti koko maassa.

Talouden kasvu ja paremmat ajat tulisi käyttää julkisen talouden tilan kohentamiseen sekä sellaisten uudistusten toteuttamiseen, joilla pyritään korjaamaan myös paikallisesti tunnistettavia kasvua hidastavia tekijöitä.

# Johtokunnan varapuheenjohtaja Olli Rehn: Suomen Pankki 1918 ja Suomen talous 2018. Oulu 25.4.2018

Johtokunnan varapuheenjohtaja Olli Rehn  
Suomen Pankki  
Puhe Suomalaisella klubilla  
Oulu, 25.4.2018  
Esityskalvot ([PDF](#))

## Suomen Pankki vuonna 1918

### #2 Kansi

Tammikuusta toukokuuhun 1918 kestäneen sisällissodan aikana Suomen Pankki toimi kolmen kuukauden ajan punaisen Kansanvaltuuskunnan alaisuudessa. Suomen Pankista tuli keskeinen väline punaisen Suomen rahoituksessa. Samalla Vaasaan siirtynyt senaatti joutui kehittämään sodan aikana erilaisia poikkeuksellisiakin ratkaisuja korvatakseen Suomen Pankin menetyksen.

### #3 Suomen Pankki talvella 1917–1918

Vallankumouslinjan käsiin joutuneen SDP:n toimeenpaneva komitea päätti punakaartin liikekannallepanosta 26.1.1918. Kaksi päivää myöhemmin annettiin julistus punaisen vallankumousohallituksen eli Kansanvaltuuskunnan perustamisesta.

Suomen Pankki siirtyi Eduskunnan alaisuudesta Kansanvaltuuskunnalle "teknisesti" tarkastellen yllättävän maltillisesti – jopa laillisia muotoja tavoitellen.

Reilun viikon kestäneitten, pankkivaltuuston ja pankin laillisen johtokunnan kanssa käytyjen keskustelujen jälkeen kansanvaltuuskunta totesi pääkonttorin vallatuksi. Myös 6 haarakonttoria ja Pietarin konttori sekä setelipaino vallattiin.

### #4 Vuoden 1918 alkaessa pankkivaltuustossa oli sosialistinen enemmistö

Suomen Pankin aseman vaihtumisen rauhalliseen toimeenpanoon vaikutti se, että jo ennen sodan alkamista pankkivaltuustossa oli sosialidemokraattinen enemmistö.

Vuoden 1916 vaaleilla valitun sosialidemokraattienemmistöisen eduskunnan kausi jäi lyhyeksi, mutta se ehti kuitenkin valita kaikille 4 vapautuvalle pankkivaltuustopaikalle sosialidemokraattiset edustajat. Vanhasta pankkivaltuustosta jatkoivat vain pankkivaltuuston varapuheenjohtaja professori E. G. Palmén ja professori K.J. Ståhlberg.

Pankkivaltuuston puheenjohtajaksi valittiin Helsingin yliopiston dosentti Edvard Gylling. Hänen johdollaan vuosina 1916-1917 sosialidemokraattiset edustajat kritisoivat Suomen Pankin harjoittamaa valuuttakurssipolitiikkaa, joka oli antanut markan heikentyä Venäjän ruplaa seuraten. Tämä oli Gyllingin mukaan tapahtunut työväestön kustannuksella teollisuuden etujen turvaamiseksi – kritiikki kohdistui siis aikansa "devalvaatiopolitiikkaan". Toisaalta Suomen Pankin johtoa vastaan esitetty kritiikki johtui osaltaan turhautumisesta, mitä sosialidemokraattisen puolueen pitäminen sivussa Suomen Pankkia koskevasta päätöksenteosta oli aiheuttanut.

Poliittisesti Gylling kannatti parlamentaarista toimintalinjaa aina sisällissodan syttymiseen asti. Vallankumouksen alettua hän kuitenkin lojaalisuussyistä lähti mukaan kansanvaltuuskunnan toimintaan.

Porvarilliset pankkivaltuusmiehet Palmén ja Ståhlberg tuomitsivat Suomen Pankin haltuun ottamisen. He korostivat tapahtumien laittomuutta, eivätkä osallistuneet pankkivaltuuston kokouksiin alkuvaiheen neuvottelujen jälkeen. Heidät korvattiin sen jälkeen pankkivaltuuston sosialidemokraattisilla varajäsenillä.

Palmén otti pankin valtauksen jälkeen yhteyttä Helsingissä toimiviin ulkomaiden edustajiin, jotta tieto pankin laittomasta haltuunotosta välittyisi näiden maiden hallituksille.

### #5 Sisällissodan aika keväällä 1918

Punainen pankkivaltuusto valitsi helmikuun alussa uuden johtokunnan, jonka puheenjohtajaksi nimitettiin Anton Huotari, kansanedustaja ja tamperelaisen Kansan Lehden päätoimittaja. Gyllingin tavoin myös hän koetti ainakin aluksi noudattaa juridisia muodollisuuksia. Tapahtumia Suomen Pankissa onkin kuvattu sanoilla "laillisia muotoja tavoitellut laiton haltuunotto".

Suomen Pankin vakinainen virkamiehistö kieltäytyi yhteistyöstä valloittajien kanssa, joten Kansanvaltuuskunta palkkasi vaihtelevalla menestyksellä uusia työntekijöitä. Yhteensä neljä pankin vakinaista virkamiestä menetti sodan aikana henkensä teloitettuina tai kaatui taisteluissa.

Kansanvaltuuskunnalle osoitettiin ylitsepääsemättömäksi haasteeksi talouden järjestäminen. Sotatilan vuoksi veroja ei juuri pystytty keräämään. Ainoa mahdollisuus oli käyttää Suomen Pankkia sota- ja hallintomenojen rahoittamiseen.

Pääkonttorin ja haarakonttorien kassoista Kansanvaltuuskunta sai käyttöönsä seteleitä. Ulkomaiset kirjeenvaihtajapankit eivät suostuneet punaisen Suomen Pankin kanssa yhteistyöhön, koska pitivät haltuunottoa laittomana. Suomen Pankista valtauksen aikana saadut varat, noin 240 miljoonaa markkaa, menivät valtaosin siviilihallinnon ja punakaartin palkkoihin.

Pääkonttorin valtaus päättyi huhtikuun alkupäivinä 1918, jolloin punainen Suomen Pankki siirtyi Viipurin konttoriin ja sieltä edelleen Pietariin huhtikuun lopulla.

Huhtikuun puolessa välissä, muutama päivä sen jälkeen kun saksalaiset joukot olivat vallanneet Helsingin, Suomen Pankin vanha johtokunta saattoi saapua pankkiin tutkimaan mahdollisia hävityksiä. Mitään suurta hävitystä ei ollut havaittavissa, tosin holvit olivat tyhjä. Pankkia inventoitiin noin viikko, minkä jälkeen pankki avasi ovensa yleisölle 22.4.1918.

#6 Suomen Pankin kultavarat säilyivät Kuopion konttorissa

Suomen Pankin haarakonttorien tilanne määräytyi rintamalinjojen mukaan. Porin, Turun, Tampereen, Hämeenlinnan, Kotkan, Viipurin ja Pietarin haarakonttorit jäivät punakaartin haltuun ilman neuvotteluja ja valtausta vastustaneet esimiehet pidettiin. Hämeenlinnan konttorin kaksi johtohenkilöä murhattiin pian valtauksen jälkeen.

Suomen Pankin kultavaranto oli jo I maailmansodan syttymisen jälkeen siirretty Helsingistä turvallisemmaksi koettuun Kuopioon. Koska siirrosta oli keskusteltu pankkivaltuustossa, oltiin siitä Kansanvaltuuskunnassa tietoisia. Niinpä ennen pääkonttorin haltuunottamista Kuopion punakaartin paikallinen päällikkö sai Helsingin punakaartin päälliköltä sähkeen, jonka mukaan Kuopion haarakonttori tulisi asevoimin vallata ja pitää punakaartin hallussa.

Konttorin komisarius sai kuitenkin tiedon uhkaavasta tilanteesta, jolloin hän Kuopion poliisimestarin kanssa ryhtyi organisoimaan haarakonttorin puolustusta. Komisarius ilmoitti punakaartille noudattavansa vain Suomen Pankin johtokunnan määräyksiä. Mukaan puolustukseen saatiin runsaasti vapaaehtoisia ja helmikuun alkupäivinä valtausyritykset onnistuttiin torjumaan valtaajien ylivoimasta huolimatta.

#7 Oulun konttori

Suomen Pankin Oulun konttorin toiminta sujui sisällissodan aikana ilman pahempia häiriöitä. Vastaavasti myöhemmin talvi- ja jatkosodan päivät olivat rankempia Oulun kaupungille ja konttorille, pommitettiin kaupunkia kovasti ja siitä kärsi myös konttori.

#8 500 mk seteli

Sekä punainen Suomen Pankki että Vaasaan siirtynyt valkoinen Suomen Pankki joutuivat kehittämään erilaisia vaihtoehtoisia maksuvälineitä. Tärkeimpien liikepankkien johtajat sitoutuivat valkoisen Suomen rahoituksen järjestämiseen.

Valkoisen Suomen "keskuspankiksi" nousi Vaasan Osakepankki. Sen "setelit" suunnitteli Aksei Gallén-Kallela.

#9 Kansanvaltuuskunnan kuparinen 5 penniä

Vaihtorahasta oli huutava pula myös punaisten puolella. Suurimmat liikepankit pitivät ovensa suljettuina koko Kansanvaltuuskunnan vallassaolon ajan punakaartin vartioimina.

Kansanvaltuuskunta, jolla oli myös rahapaja hallussa, ehti keväällä 1918 lyödä erän kuparisia 5-pennisiä. Niiden kehältä löytyy teksti: "Kansan työ, kansan valta".

#10 Setelistön kasvu ja kuluttajahintojen nousu

Sisällissodan aikana Kansanvaltuuskunnan haltuun jäi myös setelipaino. Punaiset laskivat liikkeelle holveista löytämiensä lisäksi myös uusia seteleitä, mutta ne erottuivat vanhoista sarjanumeron perustella. Elinkeinoelämän edustajat hylkivät niitä ja pyrkivät pääsemään niistä eroon

mahdollisimman pian.

Maksuvälinekaaos jatkui myös sodan jälkeen.

Sodan jälkeen setelien tuotanto oli käynnistettävä niin pikaisesti kuin mahdollista. Niinpä osa punaisten painamista puolivalmiista seteleistä otettiin käyttöön. Niihin lisättiin tyyppimerkintä "Litt. A".  
#11 Laittomat setelit

Sen sijaan punaisen hallinnon liikkeeseen laskemat setelit julistettiin mitättömiksi, mutta ne erosivat pätevistä vain sarjanumeron perusteella.

Tilanne johti lukuisiin väärennöksiin, kun arvottomista seteleistä pyrittiin pääsemään eroon.

Väärennösten vuoksi kesäkuussa päätettiin uusia seteleiden värit. Kaikkiin uudenvärisiin seteleihin painettiin merkintä "Sarja II". Myös näitä uusia seteleitä väärennettiin. Vuoden 1918 aikana seteleitä muutettiin myös poistamalla Venäjän kaksoiskotka ja venäjänkielinen arvomerkitä setelien takasivulta.

Vuoden 1918 lopussa alkuperäisestä Saarisén 1909 setelisarjasta oli liikkeessä viisi eri versiota, joista neljä oli laillista ja yksi – punaisten painamat setelit – oli julistettu väärennökseksi.

Kaiken kaikkiaan sisällissodan kansallinen murhenäytelmä jätti näin ollen isot jäljet myös Suomen talouteen ja rahajärjestelmään. Turbulenssi jatkui vuosia, 1920-luvun puoliväliin saakka.

Risto Rytin kausi pääjohtajana alkoi vuonna 1924 ja jatkui aina vuoteen 1945. Hänen pääjohtajakautensa alussa itsenäisen tasavallan rahajärjestelmä saatiin vakaalle tolalle, ennen kuin 1930-luvun suuri maailmanpula ja myöhemmin toisen maailmansodan syttyminen taas sitä horjuttivat. Mutta se on jo uuden alustuksen teema, toisen kerran.

Lähteet:

A. Kuusterä ja J. Tarkka (2011). "[Suomen Pankki 200 vuotta. Keisarin kassasta keskuspanniksi](#)".

V. Ikonen. Rahamuseon näyttely "[Suomen Pankki 1918](#)".



# Olli Rehn: “Empowering Women in Business Leadership”. Helsinki on International Womens’ day, 8 March 2018.

Olli Rehn

Dr, Deputy Governor of the Bank of Finland

Empowering Women in Business Leadership

Helsinki, on International Womens’ day, 8 March 2018

[Slides](#) (pdf)

*Check against delivery*

Ladies and Gentlemen,

Many thanks for the invitation to give the opening address in this very important seminar on “empowering women in business leadership”. I find the subject of today’s seminar particularly topical and pertinent for the International Women’s Day, and want to warmly thank the French Embassy and EU Representation for organizing this event.

Let me start with some personal reflections on the subject. I have all the reasons to respect competent women, especially as I had one very close by, at home. My mother Vuokko (1938-2011) was the first gymnasium (high school) graduate and the first university student of her extended family. She worked as English and Swedish teacher for many years, and was also a ‘school steward’ in the teachers’ trade union OAJ. Later on she became the marketing manager of our company – and was elected a Member of Parliament in the mid-1990s. I am most grateful to her for encouraging me to respect equal rights and value the importance of education.

Another reflection concerns Finland as a nation. One thing I am particularly proud of Finland is gender equality and women’s rights. We were the country which first gave full and universal political rights to women to vote and be a candidate in 1906. With the extension of education and building up of social and family policy, we have made big strides over the past decades. But I am not saying that everything is perfect or that we are in the goal already. No, we have still much work to do, especially in the working life and business leadership.

The same goes for Europe, as well. As Commission Vice-President I was glad to sponsor in 2012 the proposal championed by my colleague Viviane Reding to break the glass ceiling that bars female talent from top positions in Europe’s biggest companies. The Commission proposed legislation with the aim of attaining a 40% goal of the underrepresented sex in non-executive board-member positions in publicly listed companies, with the exception of SMEs. While not flying as such, it was a strong call for action to bring about gender equality in corporate boardrooms and in economic decision-making.

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Let us next look at the current state of gender balance in the working and business life in Finland. Income differences, measured as yearly average disposable income, between genders have slightly narrowed during the past 25 years. The lifetime income of women is, however, still smaller than that of men.

(See slide 2)

Position in the labour market is essentially associated with **education**. Unemployment rate of the Finnish people with university degree tends to be significantly lower than that of people with only basic education.

The level of education of young people increased trend-wise until the end-1970s. Especially the high participation to education of women has increased the average education level of the whole population.

In achieving a solid position in the labour market, high education is even more important factor for women than what it is for men. Participation rates of women with only basic education, in particular, have been alarmingly low during the past few years. When the more highly educated men and women are compared, however, the smaller becomes the difference in participation rates. Education

indeed matters.

The two recent economic recessions in Finland have treated men and women in different manner. Recession in the 1990s forced women in particular out of the labour market in Finland.

By contrast, the financial crisis in 2008–2009 and the resultant economic downturn appear to have impacted more on male-dominated sectors and thus on male employment and labour market participation.

(See slide 3)

Effects of the recession in the 1990s had, however, only temporary effect on average earnings growth of the Finnish X-generation. X-generation generally refers to people born in the 1970s. (In the figure, cohorts born in 1973-1975.) As the economy picked up towards the end of the 1990s, X-generation reached the income level of the previous generations at the same age.

The recession after the financial crisis may have had more permanent effects to the income growth of young men. Earnings growth of 'The Y-generation' men, born in the mid 1980s still seems to be slower than earnings growth of previous generations at the same age. The path of earnings growth of Y-generation women, in contrast, has not significantly been affected by the recession.

Evidence of slow income growth of people born in the 1980s and early 1990s has also been found in many other developed countries.

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Let me conclude with a few words on the Eurozone reform. The European economy has been on the path of recovery and growth for five years now. It is a good time to focus on reform.

Can we learn something from the euro crisis for the future reform? In my view it has provided a wealth of lessons of general application that should not be ignored.

**1. Financial stability was grossly neglected before the crisis, and this should now be corrected by completing the banking union.**

Against this background, too, the near-term focus in euro-area renewal should be kept on finalisation of the banking union.

What we still need to do to complete the banking union is two things. First, to create **a credible fiscal backstop for the bank resolution fund**. Second, to build **a common European Deposit Insurance Scheme**. To be politically feasible, these remaining elements will require convincing measures of risk reduction, and possibly some co-insurance features in their construction, at least in the first phase.

**2. In building the stability union, the main responsibility for economic policies should rest with the member states, while this should be balanced with the insurance provided by common structures, especially as regards ensuring financial stability.**

Going forward, the next reform should aim at producing a synthesis between the principles of "German" economic philosophy, which calls for proper incentives and rules, and those of "French" economic philosophy, which emphasizes insurance and stabilization.

I found the recent joint policy paper of leading French and German economists, published in January, most relevant, with its call for a constructive rethinking of the inherited national positions on the question of the future development of the EMU. Creating a European synthesis means building a solid stability union that emphasizes each member state's own responsibility, but also recognizes the necessity of joint structures to preserve financial stability.

We should work for such kind of Europe that combines entrepreneurial drive and a stability culture; for a Europe that seeks growth beyond its own borders through free-trade agreements despite headwinds; for a Europe where citizens and businesses can benefit from a genuine single market; and for a Europe that guarantees civil rights in the digital age.

And we should build the kind of Europe that opens up our citizens' opportunities to innovate and create new businesses and therefore jobs. Ensuring equal rights and unleashing the potential of women at workplace in the business life is an essential building block of a more creative productive Europe, France and Finland.

Let me wish you a successful conference and a Happy International Women's Day!

Thank you for your attention.

# Olli Rehn: Puhe Finanssiala ry:n Finanssi-illassa

Hyvät naiset ja herrat,

Kiitos kutsusta ja Finanssiala ry:lle tämän tilaisuuden järjestämisestä. On kovin arvokasta, että rahoituslalla ja sen sidosryhmillä on tilaisuus säännöllisesti vaihtaa näkemyksiä ajankohtaisista aiheista. Ja niitähän riittää. Viime aikoina on rahoitusalan kehitystä kommentoitu monella tavalla, mutta en muista kenenkään sanoneen, että juuri nyt toimialan tilanne olisi vakiintunut tai muuttumaton!

Haluan myös käyttää tilaisuutta hyväkseni ja onnitella täällä paikalla olevia Talousguru-kilpailun finalisteja. Voin vakuuttaa, että nuorille talousosaajille on kovaa kysyntää niin rahoituslalla kuin makrotalouden saralla. Parhainta menestystä huomenna ja jatkossa!

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Ennen kuin menen päivän epistolaan rahoitusalan murroksesta, pari sanaa Euroopasta. Euroopan unioni on selättänyt velkakriisin ja käynnistelee nyt seuraavia uudistuksia, jotta se pystyisi paremmin hoitamaan perustehtäviään, rauhan ja turvallisuuden vahvistamista sekä kestävän talouskasvun ja työllisyyden perustan rakentamista

Kolmen viikon päästä järjestettävä EU:n huippukokous keskittyy talous- ja rahaliiton uudistamiseen. Suomessakin on syytä tiivistää sitä koskevaa keskustelua ja katsoa tässä lyhyttä sihtiä pidemmälle eteenpäin – yli vaalikausien, yhteistä näkemystä hakien.

Eikä pelkästään ennakkoehtoja asettaen, vaan eurooppalaisia ratkaisuja aktiivisesti rakentaen. Näin pystymme vaikuttamaan euroalueen uudistamisen suuntaan niin, että siitä tehdään aito vakausunioni ja siten tukevampi perusta kestäväälle kasvulle ja työllisyydelle. Pankkiunionin viimeistely on työlistan kärjessä.

Mutta kyse on myös isommasta asiasta. Maailmanpolitiikan käännteet – Yhdysvaltain alttius protektionismiin, Britannian eristäytyminen, Kiinan vahvistuminen ja Venäjän paluu geopolitiikkaan – korostavat EU:n asemaa liberaalin kansainvälisen järjestyksen puolustajana. Euroalueen uudistaminen on osa tätä isompaa savottaa Euroopan poliittisen ja taloudellisen vaikutusvallan vahvistamiseksi.

Suomelle EU:n toimintakyvyllä on iso merkitys. Elintasomme nousu viimeisen 150 vuoden aikana on perustunut maamme yhdentymiseen maailmantalouteen. Vapaakauppaa ylläpitävä kansainvälinen järjestys on ollut Suomen kasvutarinan kulmakivi. Meille on tärkeää, että Eurooppa on taloudellisesti vahva ja kykenee puolustamaan monenkeskistä järjestelmää ja solmimaan uusia kauppasopimuksia.

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Rahoituslalla on jälleen murroksessa, jonka moottorina toimii nyt digitalisaatio. Siitä on viime aikoina puhuttu paljon, mutta ei kyllästymiseen asti – tai ainakaan niin ei liene kenelläkään varaa sanoa! Samalla on kysyttävä, ainakin kansallisen rahaviranomaisen näkökulmasta: Miten digitalisaatio hyödyttää koko yhteiskuntaa: kotitalouksia, yrityksiä, sijoittajia? **Mikä siinä on "ehtaa" ja mikä "höttöä"?** Tästä kulmasta voidaan erottaa kolmenlaisia ilmiöitä:

1. Niitä, joita on syytä **hyödyntää**, kuten reaaliaikainen maksaminen ja siihen liittyvät innovaatiot. Niiden myötä yksittäisen kansalaisen talousosaamisen merkitys korostuu – palaan tähän hetken päästä.
2. Niitä, joita on syytä **käsitellä varoen tai suorastaan välttää**, kuten virtuaalivaluutat ja niiden riskit.
3. Niitä, joita on syytä **edelleen kehittää**, kuten lohkoketjuteknikka, joka ei vielä ole valmis keskuspankkien hyödynnettäväksi, mutta jossa on ilmeistä potentiaalia toimialan näkökulmasta. Yksittäiselle kansalaiselle rahoitusalan murros näkyy selvimmin maksamisessa. Siinä tapahtuu nyt paljon. Uudistettu maksupalveludirektiivi PSD2 on astunut voimaan, ja sen vaikutukset näkyvät vähitellen. Rinnalla keskuspankit kehittävät reaaliaikaisen maksamisen mahdollistavia järjestelmiä. Marraskuussa euroalueella otetaan käyttöön EKP:n johdolla kehitetty TIPS-järjestelmä, joka mahdollistaa pikamaksut 24 tuntia päivässä vuoden jokaisena päivänä. Maksut tulevat liikkumaan päivien sijaan sekunneissa.

Maksu- ja selvitysjärjestelmissä on kiistattomia skaalaetuja. Suuret järjestelmät ovat kustannustehokkaita. On elintärkeää, että maksujärjestelmämme on tiiviisti integroitunut Eurooppaan ja globaalisti. Näin pienikin maa hyötyy skaalaeduista. Pidän myönteisenä, että pohjoismaiset pankit yhdessä – suomalaiset aktiivisesti mukana – ovat käynnistäneet työn maksujärjestelmiensä yhdentämiseksi, eurooppalaisten standardien pohjalta.

Valitettavasti kukaan ei voi kuitenkaan taata, että yhteiset järjestelmät toimivat aina ja iankaikkisesti. Myös mahdollisissa häiriötilanteissa meidän on tarvittaessa pystyttävä huolehtimaan yhteiskunnan välttämättömistä perustoiminnoista omavaraisesti, pahimmassa tapauksessa eristyksissä.

Maksuliikenne on tällainen perustoiminto. Siksi tarvitaan kansallinen varajärjestelmä, joka voidaan hätätilanteessa ottaa käyttöön ilman ulkomaailmasta saatavaa tukea.

Olemme pitkään työstäneet kansalliseen varautumiseen liittyviä kysymyksiä finanssialan kanssa. Viranomaisten ja elinkeinoelämän yhteistyöhön perustuva toimintamalli yhteiskunnan kriittisten toimintojen varmistamiseksi on kansallinen vahvuutemme. Vapaaehtoisuuteen perustuva rakenne edellyttää kuitenkin tuekseen riittävää lainsäädäntöpohjaa. Jos yhtäkkiä iskee ”tilanne päälle”, on toivottoman myöhäistä alkaa valmistautua. Toivottavasti en ainakaan tässä joukossa kuulosta vanhanaikaiselta, kun sanon, että kansallisen varautumisen osalta on oltava isänmaan asialla.

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Nämä skenaariot poikkeusoloista ovat varautumista pahimpaan, jota emme toivo. Normaalina aikoina yhteiskunnan päävirta vie päinvastaiseen suuntaan, kansainvälistymiseen ja yhdentymiseen. Luotettava valvonta ja rahoituskriiseihin varautuminen ei tällaisessa maailmassa voi olla pelkästään kansallista. Euroopan pankkiunionin rakennustyössä on jo merkittävästi edistytty. Yhteinen pankkivalvonta toimii valtuuksiensa rajoissa hyvin. Myös kriisinratkaisumekanismi on käytössä ja sitä kehitetään edelleen.

Talletussuoja sen sijaan on edelleen kansallinen. Yhdessä muiden euroalueen keskuspankkien kanssa Suomen Pankki korostaa pankkiunionin viimeistelyn merkitystä, etenkin yhteisen talletussuojan toteuttamista, jotta talletuksiin kohdistuva luottamus olisi vahvaa koko euroalueella. Yhteinen talletussuoja on mahdollista rahoittaa riskiperusteisesti ja vakuutusluontoisesti siten, että pelätyt moraalikato- ja tulonsiirto-ongelmat voidaan välttää.

Mitä uskottavampi eurooppalaisesta talletussuojasta saadaan, sitä pienemmällä todennäköisyydellä sitä joudutaan käyttämään.

Eurooppalaiseen talletussuojaan siirtymistä edistäisi se, että finanssi- ja velkakriisin ajalta periytyneiden järjestämättömien luottojen määrä edelleen vähenee. Tämän tulisi tapahtua tietysti mieluiten pankkien omin toimin, tai jos ne eivät riitä, niin sitten kansallisin varoin, komission määrittelemien suuntaviivojen mukaisesti.

Suomen kannalta kysymys talletussuojasta näkyy eri valossa kuin vielä jokin aika sitten. Yhteisestä talletussuojasta on näet eniten hyötyä sellaisille maille, joissa on suuri ja hyvin keskittynyt pankkijärjestelmä – eli muutamia maan kokoon nähden hyvin suuria pankkeja. Suomi on juuri tällainen maa.

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Finanssialan kannalta makrotalouden kehitys on olennaista. Suomen kasvu on nyt vahvaa ja laaja-alaista. Taustalla on monia tekijöitä – osa on kotimaisen talouspolitiikan ansiota, osa kumpuaa muualta. Euroopan ja maailmantalous kasvavat hyvin. Kilpailukyky sopimus on olennaisesti korjannut suomalaisen työn ja tuotannon kilpailukykyä. Palkanmuodostuksen ”Suomen mallin” soisi kipuilusta huolimatta vielä toteutuvan käytännössä, vaikka teoriassa se jäikin tekemättä.

Vaikka tuotanto kasvaa ja työllisyys kohenee, Suomen talouden kuvassa on myös huolestuttavia merkkejä. Kotitalouksien velkaantuminen on huolista päällimmäisiä. Kotitalouksilla on paljon korkoriskiä, sillä kasvava velka on pääosin vaihtuvakorkoista, eivätkä markkinakorot ikuisesti pysy nollatason tuntumassa. Viime vuosina myös asuntoyhteisöjen velat ovat kasvaneet nopeasti. Tämäkin velka on viime kädessä kotitalouksien vastuulla, ja siitä näyttää muodostuneen piilevän yhteisvastuun suomalainen versio.

Käytettävissä olevien makrovakausvälineiden osumatarkkuus ei nykyisellään ole paras mahdollinen, minkä vuoksi selvitystyö välineistön kehittämistä on käynnissä. Tällä hetkellä asuntolainoille on laissa säädetty enimmäisluototussuhde. Jos velkaantumiseen liittyvät riskit yhä kasvavat, lainakatto voidaan tarvittaessa kiristää.

Finanssivalvonnan johtokunta totesi viimeisimmässä makrovakauspäätöksessään joulukuussa olevansa valmis lainakaton kiristämiseen, jos velkaantumiskehitys edelleen voimistuu. Seuraavan kerran teemme päätöksiä maaliskuun puolivälin jälkeen.

Velkaantuminen, maksuhäiriöt ja uudentyypiset lainoittajat ovat nostaneet esiin kysymyksen positiivisen luottorekisterin perustamisesta. Positiivinen luottorekisteri, johon koottaisiin tiedot lainanottajan kaikista luotoista, auttaisi ehkäisemään ylivelkaantumista. On sekä lainanottajien että sitä myöntävien etu, että kokonaiskuva velkaantumisesta on niin hyvä kuin mahdollista.

EKP:n rahapolitiikka on tukenut elpymistä heikkoina vuosina ylläpitämällä kulutusmahdollisuuksia ja helpottaen lainojen hoitoa. Sitkeä taantuma piti inflaation heikkona. Rahapolitiikka on reagoanut tähän pitämällä korot ennätysalhoisena.

Taloustieteilijät puhuvat ns. Phillips-käyrästä, joka kuvaa työttömyyden ja inflaation välistä käänteistä yhteyttä – eli kun talous toimii täydellä kapasiteetilla tai jopa ylikuumenee, niin inflaatiolla on tapana kiihtyä. Nykykehityksen valossa, kun Euroopan talous on elpynyt, mutta inflaatio ei ole siitä pysyvämmiin kiihtynyt, hätäisimmät ovat jo ehtineet julistamaan Phillips-käyrän kuolleeksi.

Sytä hitaalle inflaatiolle on tarjottu useita, niin rakenteellisia kuin suhdanneluonteisiakin. Olennaista lienee, että työsuhteiden luonteet ovat muuttuneet ja osa-aikatyö on nykyisin aiempaa yleisempää. Monet ovat ilmeisesti valmiita tekemään ensin enemmän työtunteja ennen kuin vaativat korkeampaa palkkaa.

Oma käsitykseni on se, että Phillips-käyrä kyllä toimii edelleen, mutta osin finanssikriisin pitkän varjon ja inflaatio-odotusten laimeuden vuoksi inflaatio nousee olennaisesti vasta viiveellä, paremman talouskehityksen ja kohenevan työllisyyden myötä. Varmuuden vuoksi totean, että tämä vastaa EKP:n neuvoston kantaa.

Kaiken kaikkiaan rahapolitiikan kannalta talouden tyhjän kapasiteetin asteittainen täyttyminen lisää luottamusta euroalueen inflaation palautumiseen tavoitetasolle. Mutta inflaation kestävä kiihtyminen takaisin hieman alle 2 prosenttiin vaatii vielä toistaiseksi mittavaa elvyttävää viritystä rahapolitiikalta. Voinee siis kiteyttää, että rahapolitiikan asteittainen normalisointi ei väijy vielä nurkan takana, mutta häämöttää mahdollisesti horisontissa, riippuen ennen kaikkea hintavakaustavoitteen saavuttamisesta kestäväällä tavalla. Euroopan keskuspankki on ennakoivassa viestinnässään johdonmukaisesti korostanut tätä rahapolitiikan ehdollisuutta inflaatiokehitykselle.

Hyvät ystävät,

Kun tarkastelee rahoitusala muovaavien voimien vaikutusta Suomessa, kokonaiskuva ei ole lainkaan synkkä.

Yksi vahvuutemme liittyy digivalmiuksiin. Suomalaiset asiakkaat ovat avoimia uusille digitaalisille palveluille ja valmiita muutokseen.

Toinen vahvuutemme on suora pääsy EU-sisämarkkinoille ja jäsenyys Euroopan pankkiunionissa, joka tarjoaa vakaan ja ennakoitavan toimintaympäristön. Kysykää vaikka Nordean johdolta.

Kolmas vahvuutemme on Suomen kansantalouden elpymisen ja voimistuva tulevaisuudenusko.

Rahoitusalan menestys on aina sidoksissa reaalitalouteen – kasvuun, kilpailukykyyn ja vakauteen.

Tunnustan samalla, että olen tänä iltana ottanut myönteisten asioiden lisäksi esille myös eräitä huolenaiheita. En halua pilata tunnelmaa synkistelyillä. Mutta rahoitusallalla, jos missä, nimenomaan hyvät vuodet on osattava käyttää varautumiseen – vakauden ja valmiuksien vahvistamiseen – ja siten lujittaa kestävä kasvun perustaa.

Toisin sanoen: pessimisti ei pety, mutta kärsivälliset perivät maan. Silloin kun vauhti on oikein kovimmillaan, vaikkapa neljänkymppien kohdilla, ei kannata höyrytä huolettomasti, vaan vaihtaa sukset ja parantaa pitoa viimeiselle kymppille. Tämä taitaa päteä paitsi olympialadulla myös talouden kestävä kasvun suhteen.

Kiitos – hauskaa iltaa ja hyvää kevään odotusta!

# Olli Rehn: Digital transformation in the financial industry – potential and challenges.

## Brussels, 27 Feb 2018.

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Digital transformation in the financial industry - potential and challenges

Second Annual Conference on FinTech and Digital Innovation: Regulation at the European Level and Beyond, Brussels, 27 February 2018

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### **Digital transformation in the financial industry – potential and challenges**

Ladies and Gentlemen,

Many thanks for the invitation to speak in this important conference. Europe has indeed plenty of potential – but also major challenges – in the field of FinTech and digital innovation. We have the technological competence, no doubt, and a big enough home market in the form of the euro area. But let's face it, Europe at large has not been a forerunner in FinTech. Can this be turned around? And how?

Today, there is much excitement about many financial innovations, such as mobile banking, robo advisory, algorithmic trading, and peer-to-peer lending. There are also phenomena like cryptocurrencies and initial coin offerings that – at least for a pre-middle-aged chap like me – resemble the new economy boom around the turn of the millennium.

But we should not only take a technology-driven view on digitalization. Instead, we want to look at it from the citizens' point of view, i.e. from the standpoint of what is good for society and for its citizens, whether they are consumers, clients or investors.

Therefore, it is of paramount importance to identify what is real and what is hype in the digital revolution of the financial industry. Both entrepreneurs, investors and authorities must face this problem. I will try to do that today, based on the work done by the economists, regulators and other experts at the Bank of Finland and the Finnish FSA.

I will divide the relevant issues and developments in three categories

(1) those that clearly increase societal welfare and should be benefitted from, such as mobile and real-time payments - as long as we take care of enhancing the financial literacy in this brave or grave new world;

(2) those that should be watched, or even prevented, such as booms and busts related to cryptocurrencies and initial coin offerings; and

(3) those that could be further developed, such as blockchain or distributed ledger technology, even if for now central banks are developing their operations by other means, such as the introduction of new systems enabling real-time payments, like the TIPS and T2S.

Before delving deeper into these issues, let us look at how digitalization is creating new business models and changing consumer behaviour.

### **Slide 2: Digitalisation creates new business models**

Digitalisation is the single most significant force changing the financial sector today; the other two

are **regulation** and **consumer behaviour**.

In the coming years, we will see many more agile **FinTech** companies enter the market. Hundreds of FinTech start-ups have already emerged, with business models that are very different from incumbents. At the same time, global **big-tech** companies [Google, Apple, Facebook, Amazon, Alibaba, Tencent] are enlarging their foothold to new business areas, including payments.

Partnerships between FinTechs and incumbents are being built around Europe. The Nordic region has the second largest FinTech community in Europe. All Nordics have set up several Fintech hubs and initiatives. Last year a cooperation agreement was signed between Nordic Fintech hubs for sharing knowledge and helping FinTech start-ups to scale.

**Regulation** is the second driver. The EU's revised Payment Services Directive (PSD2) will promote competition in the financial sector, help create better services and boost lower prices. It will open the market to third parties, i.e. payment initiation service providers and account information service providers. Its effects will become gradually visible, not overnight. This change is probably comparable to what happened in the telecom markets in the early 2000s.

**Consumer behaviour** is the third factor shaping financial services in the future. Consumers are moving online, and once there, they will stay connected around the clock. They seek information from various sources, including social media. This puts the consumer centre-stage in digitalisation. Future success stories are likely to be those that provide the best user experience and value for the consumer – but remember: the first-mover advantages are also significant in this competition.

### **Slide 3: The playing field of payments is changing: is it an old game with new rules – or an entirely new game?**

Where is the transformation most visible to the consumer? In the business of payments. Is it an old game with new rules – or an entirely new game?

More ways to pay have been born, as various mobile applications have emerged alongside card payments and cash. All of these new payment services have three things in common.

*First of all*, they are **real-time and instant**. Money is transferred from one person to another in seconds.

*Secondly*, there will be **fragmentation**. Consumers are using several methods of payment, just as they are now using for communication – phone calls, text messages, e-mail, Whatsapp, Skype, Snapchat etc.

*Thirdly*, payments will be **seamless**. They will be used in a simple way, for example by confirming payments with fingerprints or facial recognition. The payment action is disappearing from the foreground and becoming an integral part of the customer experience.

### **Slide 4: Importance of payments for Finnish banking sector**

What is an opportunity for the consumer, is a challenge to a banker.

Let me illustrate the importance of payments for the Finnish banking sector. In 2016, payments made up 8 % of total income and 19 % of operating profit. These figures show that payments are profitable business for banks and make up a large share of their revenue today.

I will not speculate on the share of payment transactions that will in future be carried out by actors other than incumbent banks. Let's however ask what it would mean if half of the income from

payments today were to vanish while business models remain as they are.

This would mean a 4% loss in total income. But since payments are a very profitable business, it would require a 10% increase in net interest income to compensate for the losses. It might be an uphill struggle to compensate the losses with current business models, to say the least.

### **Slide 5: Importance of digital skills and financial literacy**

Digitalisation, in general and in the financial industry, creates the need for new skills. For instance, every citizen needs at least basic knowledge of cyber security and data protection.

Citizens should also understand their rights as data subjects. Families, schools, authorities and financial service providers have an important role in increasing public awareness of these issues.

Instant payments, i.e. real-time account transfers, are just around the corner. Payments are disappearing into the background and becoming part of the customer experience. This makes financial management more challenging for households and underlines the need for financial literacy. Financial literacy skills are a necessity in the digital age.

Financial literacy is nowadays promoted by various actors: financial service providers, supervisory authorities and third sector players. It is crucially important that these different parties cooperate, to ensure adequate financial literacy throughout the whole of society. Responsible behaviour is expected from the service providers: the sustainable interest of their customers should be the primary focus.

### **Slide 6: Block-chain vs. centralised payment systems**

Part of financial literacy is to understand new phenomena like cryptocurrencies. Bitcoin and other cryptocurrencies are now mostly used for speculation, but the technology underlying cryptocurrencies, called block-chain or distributed ledger technology, is actually quite promising. It allows to make certain processes faster, and suitable versions of the technology have been developed for the financial sector. They are mainly being developed by private actors and are good examples of the diversity of digital transformation in the financial sector.

At the Bank of Finland we have, with other Eurosystem central banks, studied distributed ledger technology. It does not yet meet the requirements of central banks. Central bank systems are being developed by other means, however, such as the introduction of new functions and systems enabling real-time payments (TIPS & T2S).

### **Slide 7: Summary**

Ladies and Gentlemen,

Digital transformation in the financial sector is well underway and moving fast. Europe has realistic chances of succeeding well in this transformation with its many initiatives. If we can fully utilise our potential, this can be turned to the benefit of the whole society.

This calls for cooperation between small and large, old and new players, in order to build flourishing ecosystems. And it calls for a dynamic and competitive financial industry that can turn the innovations into services that genuinely enhance our economic and social welfare.

But it also calls for confidence and trust, rock-solid financial stability and good consumer protection. As financial services are moving online, there is a growing need for digital skills and financial literacy. I trust the financial industry and other stakeholders share these worthy goals, and encourage you to work together in reaching them.

Thank you!

[Olli Rehn: Digital transformation in the financial industry – potential and challenges. Brussels, 27 Feb 2018](#) from [Suomen Pankki](#)