**Mojmír Hampl**
Czech National Bank Vice-Governor

The eurozone is the main trading partner of the Czech Republic. How about the consequences of the Greek crisis and crisis of the eurozone? We are certainly not happy about what is going on in Greece and about the waves of uncertainty that financial markets feel towards the whole euro area, its members’ sovereign debt, its banks and the euro. As you say, the euro area is our main trading partner and its problems are indirectly also ours. Moreover, despite sitting in the euro-sceptic camp for quite a long time, I am still personally surprised how shaky the foundations of the euro area eventually have proved to be.

Unfortunately, the bank levy has received huge political support in many Western EU countries and the CNB or the Czech Republic as such has got only a small chance to do anything about it.

Where do you see new sources of economic growth in the region? What is the main growth impulse in the future?

Introduced ten years ago, the now infamous Lisbon Strategy assumed that Europe would grow on the back of fast productivity growth fuelled by innovation and research, organized and supported somehow “from the above”. A decade later, it is clear that this plan did not work. The point is that productivity growth can hardly be organized “from the above” – it can be expected to emerge only after the motivation for innovation and production of new ideas ceases to be hindered by bureaucracy, legal obstacles, inflexibility of the labour market, obstacles to establishing new businesses etc. Frankly, from the long-term perspective it is quite normal that market economies typically show growth. And this growth does not have to be “orchestrated” by somebody somewhere. This holds for all EU members.
What is the Czech National Bank monetary policy in 2010? Your colleague Mr. Miroslav Singer announced for Reuters ‘no change in policy for now’? What does this mean exactly for the Czech economy?

A few months ago it looked like the CNB’s monetary policy was heading for a relatively smooth return (with just a small and short dent this year) to long-term levels of inflation and interest rates. Since then, however, new growth-hurting and inflation-decreasing developments, or at least new sources of uncertainty, have emerged especially in the euro area. In this environment, I think the CNB is likely to stick to the current fairly low levels of interest rates for longer than I had previously thought.

In our region the recovery in loan demand has not been seen yet. Analysts say that it is still unknown when the banks will start to increase the amount of approved loans. What is the situation in the Czech Republic?

Our situation is comparable to yours. In April, total loans roughly stagnated, with an 8% growth in loans to households compensating for a decrease in loans to businesses. Anecdotal evidence suggests that the overall stagnation of loans is a result of a more circumspect attitude on the side of both lenders and borrowers. But a new factor has emerged quite recently and I think it is likely to have an additional adverse impact on lending – it is the so-called „regulatory uncertainty“.

What do you think about bank taxes?

Concerning the bank levy or fee the CNB is rather sceptical. We have argued several times at the EU level that such a fee or levy might: i) increase, not decrease moral hazard, ii) drain financial sources away from the financial system while we need more money in it than
with fiscal consolidation. This should have a beneficial effect on the stability of the Czech crown, on the ability of the CNB's monetary policy to influence long-term interest rates, etc.

What about your preparation for the Euro with regard to the current situation in the eurozone? The EU leaders announce new strict criteria? How about your plan and the deadline?

In my view, the priority in any country at any time is to conduct sound and stable monetary, fiscal and other macroeconomic policies. If such policies allow a country to meet the criteria for joining the euro area at some point, all the better, but it is an issue of secondary importance. It would only be nice to have a choice whether or not we want to keep our own monetary policy a bit longer. The recent financial and economic crisis - and especially the Greek crisis - has taught us all a lesson. It is thus no wonder if the criteria for euro area entry are somehow altered. At the same time, it will be no wonder to see a change in the conditions under which politicians and citizens in the rest of the EU view the entry of their respective economies into the euro area as beneficial for those economies. So I think that setting a euro adoption target date in our country is a “dead issue” for the time being.

The Czech population don’t like the euro. What do you think about last results?

To describe the situation correctly, we should say that the Czech population sees no need to switch to the euro. This is probably because most people in this country have been relatively satisfied with the status quo - a separate monetary policy and the autonomous Czech currency. Most people seem to like the mix of low and fairly stable inflation, low interest rates and continuing nominal appreciation of the crown versus the euro. Of course, many Czech exporters keep calling for the switch to the euro so that the exchange rate is completely fixed. Analysts, on the other hand, agree that besides the obvious advantages of eliminating the exchange rate towards the euro, there are also significant disadvantages. As a result, it seems to me that the Czech population in general does not see this as a major issue at the moment.

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How do you see future of the eurozone after the Greek crisis and Spain and Portugal?

The only thing clear now is that the eurozone in the future will be different compared to the one we used to know in the past. But nobody really knows what this difference is going to look like. Neither outsiders, nor insiders know that. The eurozone is a unique experiment in the monetary history, there are no good guidelines, no proven ways. The eurozone will have to shape its own future. Let’s wait and see.