Miroslav Singer is that rarest of beasts: he’s a jovial central banker. And in today’s gloomy economic climate, he must be a ray of sunshine at the rather grim-faced meetings that the world’s top bankers have these days.

But then again the governor of the Czech National Bank (CNB) has a right to feel at least a little bit upbeat – after all, the Czech Republic is not part of a European currency that’s in flames, the country’s banking system is sound and stable, and he hasn’t had to resort to the kind of unorthodox policies, such as quantitative easing, which other major central banks are testing out in a desperate bid to get their economies moving.

Though Singer is not “repulsed” by the rounds of quantitative easing (the printing of money to buy assets) that the US Federal Reserve and the Bank of England have undertaken, he is glad that the CNB hasn’t had to do it. “We won’t have to resort to [quantitative easing], but it’s a normal reaction of a central bank when the space to ease through interest rates is exhausted,” Singer tells Focus in the offices of the CNB on a quiet Friday afternoon in January. “I am happy we don’t have to do it, but I don’t find anything particularly repulsive or wrong with doing it.”

About the Czech banks Singer is also fairly relaxed, pointing out that the country is rather exceptional within Europe for having a sound, very liquid and profitable banking system. He puts this down to the traditional conservative approach to banking that Czech bankers have pursued – taking in deposits, using that money to lend wisely to businesses and households; the kind of banking “which everyone would now like to do.”

It’s these solid foundations that will allow the Czech Republic to avoid the self-perpetuating problem afflicting other European Union (EU) states, where the overleveraged banks restrict lending, putting a dampener on businesses, which hurts the economy and raises the amount bad loans, which further slows lending. “We have one of the lowest loan/deposit ratios in Europe at around 70%, so banks have ample sources to finance credit growth,” he says. “The problem is the opposite: significant sections of the Czech public are too conservative to borrow from banks.”

He is also keen to stress that the crisis is not a global crisis in the same way that it was in 2007 and 2008. “We tend to think of this crisis as universal, yet for a significant part of the world there is no crisis. Even in Europe there are many private entities doing well and some states not doing badly, like Poland and ourselves. Industry in Europe is doing reasonably well, it will grow this year though maybe not stellar growth. So you see the world is more heterogeneous that the headlines suggest,” he says.

Singer saves most of his ire (perhaps indignation is a better word for such an affable man) for a cultural attitude among Europe’s elite that created this crisis and then allowed it to perpetuate and dete-
rionate. He calls it Europe’s “mythi-
cal approach to reality”; more co-
loquially, it would be the triumph
of hope over experience.

For Singer, the real danger is that
this active suppression of accep-
ting things need to change funda-
mentally is allowed to continue for
so long that the European dream
will be consigned to the dustbin
of history, along with the world’s
other extinct empires. “History has
shown us that decaying empires
can decay for quite a while in very
good style. Venezia was decaying
for hundreds of years, but was still
a hotspot for rich gentlemen,” he
says. “Talking to many people in
Europe you get the feeling that
they still think we are a beacon of civilisati-
on for the rest of the world. Talking with
my Asian or Latin American colleagues
I can clearly say that we are not a beacon
for others. The By-
zantine Empire pro-
bably thought it was
a beacon to follow
until its last days.”

Singer is quick to
stress that the EU
doesn’t have to meet
the same end as the
Byzantine Empire.
But its leaders need
to drop this mythical
approach to reality
and start facing up
to the fundamen-
tal changes that are
needed to create
sustainable growth rather than
the lopsided trade growth that the
euro generated until the huge im-
balances caused the whole edi-
fice to collapse. This will require
that these imbalances are mitiga-
ted or reversed, and this will crea-
te a different pattern of European
trade. Most of this adjustment will
have to take place in the consu-
mer part of the economy, rather
than a huge reindustrialisation
of the continent, which won’t be
pleasant for those forced to bear
the brunt of this.

“I’m not sure whether Europe is
ready to understand this, it seems
not to be getting through. But it
will sooner or later have to do
it,” he says. “This is a deep crisis,
but we tend to underestimate
how the world has to change
after this crisis.”