

Stanisław Gomułka, Forum Ekonomiczne w Krynicy, 9-ty września 2011, wystąpienie w panelu Marka Belki, Prezesa NBP.

The question which the chairman asked me to answer is the following: What should in the current circumstances in the world financial markets be Poland's strategy about the entry to the eurozone?

Before the summer of 2008 my answer to this question was: Poland should enter as soon as we can. This answer presumed that there would be almost immediately considerable net benefits from entry (lower interest rates, less costly international trade, bigger foreign investments, enhanced credibility in financial markets), and that the time of entry dependent solely on Poland meeting all the necessary conditions.

The world financial crisis, and especially the present turmoil in the eurozone, split the arguments into two groups:

- A. The risk of the eurozone disintegrating is sufficiently high that we should wait until new institutional and policy reforms are adopted to reduce that risk substantially.
- B. The hard core of the eurozone is healthy and therefore the formula that we should join as soon as possible still applies.

Clearly, significant reforms in the eurozone are needed. In particular we need a better enforcement mechanism for the Maastricht criteria and a better coordination of fiscal policies. Possibly we need also additional Maastricht criteria with respect to a maximum total (private and public) foreign debt and a maximum current account deficit.

In the case of Poland, the sequence of policies is to me quite clear:

Firstly, we should meet all the Maastricht criteria. This we should do anyway, irrespective of what happens in the eurozone. With sufficient determination, it will take perhaps 2 years, 2012 and 2013, to achieve that aim.

Secondly, we don't know what developments will take place during the next 2 years in the eurozone. It is possible that the risk of disintegration will be much reduced, but it is also possible that it will still persists. If the former is the case, we should enter the ERM-2 in 2013 and adopt the euro in 2015 or 2016. But if the latter is the case, we wait further.

The specific reasons for my recommendations are the following:

1. The next several years are likely to represent a window of opportunity for Poland to meet all the Maastricht criteria. The recent growth slowdown lifted the rate of unemployment to a level at which it should be easy for the NBP to keep the inflation rate low. In the present climate of high uncertainty, a relatively modest growth rate of the economy, some 3 to 4 percent, is now likely to continue for several years.
2. On the fiscal front, Poland needs to be quite radical. The present government aims to have zero deficit of the public sector from the year 2013, perhaps 2014. This should help to reduce Poland's long-term interest rates. These rates would fall anyway if more stability in the eurozone and in the USA is established.
3. During the world crisis 2008-2009, the fact that Poland was outside the eurozone helped considerably to absorb external shocks. This experience plus the present

turmoil in the eurozone reduced the public support for the euro. The government cannot quite ignore that political fact. However, the next few years might be sufficient to repair the fiscal problems in Italy and Spain. Also, the present crisis in the eurozone may turn out to be helpful, because the national political classes and the electorates become more rational during a crisis or under the threat of a crisis. In the current circumstances it should therefore be easier to initiate and implement an institutional reform capable of reducing substantially the risk of similar problems emerging in the future.