



## Monetary Policy, Economic Integration and the “New Normal”

Annual Conference of the Bank of Albania

co-organised with the London School of Economics and Political Science (LSE)

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Thursday, 1 November 2018  
Tirana International Hotel, Balsha room

Albania is set to start EU accession talks, joining three other states in Southern-Eastern Europe (SEE) in the process to join the EU. The Commission expects that these SEE countries could become members by 2025 at the earliest. This translates into a 7-8 years of negotiation and transition period for the EU membership. Potential Eurozone membership is even further away.

What should the optimal mix of monetary, exchange rate policy and financial stability approach for such small open economies on the long way to full economic and monetary integration? The question is not new as many former transition countries have become EU members since 2004, and their experiences offer invaluable lessons and insights. Yet new conditions and specific country circumstances may require some serious re-considerations of previous experiences. Among the major changes taking place we should consider the following:

- Critical elements of monetary policy theory are being reconsidered following the Global Financial Crisis (GFC). Advanced country central banks, including the ECB, have started to “normalise” monetary policy after their “unconventional” quantitative easing policy that responded to the GFC. But while the process has started the question remains: what exactly is the “new normal” into which SEE countries are integrating? What are the implications and spillovers from the changing advanced country monetary policy?
- Institutions in the EU and the Eurozone have also undergone significant changes in the wake of the GFC and the subsequent Eurozone crisis in 2011/12. Economic integration today is taking place in a radically new policy and institutional environment as a result. At the same time, the global financial architecture is under review by the G20, with regional financial arrangements (RFAs) increasing in importance. What are the ensuing implications of these institutional developments for small emerging markets? How can the policy voice of SEE economies be strengthened at the global and regional policy-making table?
- The SEE region’s banking sectors have been owned mainly by Eurozone-based parent banks, which however have deleveraged, while capital market has hardly advanced and may in any event be constrained by size, leaving a potentially significant market gaps.

What are the implications for financial stability and also for the conduct of monetary policy, and more generally policy coordination?

- Technological change is accelerating in the financial sector but still not an integral part of economic analysis. Artificial intelligence (AI) is creating new opportunities for innovation, financial inclusion, start-up and SME finance and regulatory compliance, but also potential systemic risks. How can monetary and regulatory policy react to, and perhaps leverage, these changes for various policy objectives such as making compliance easier or increasing financial inclusion? Also, could there be room for central bank digital money issuance in small economies; and how should they adapt to central bank digital money issuance in other countries?

## Programme

**08:30 – 09:00**    **Registration**

**09:00 – 10:00**    **Welcome and opening speeches**

Welcome address by **Gent SEJKO**, Governor, Bank of Albania

Welcome address by **Erik BERGLOF**, Director, LSE Institute of Global Affairs

Greeting speech by **Arben AHMETAJ**, Minister of Finance and Economy

Greeting speech by **H.E.Mr. Edi RAMA**, Prime Minister of the Republic of Albania

**10:00 – 10:10**    **Group photo (all speakers)**

**10:10 – 11:20**    **FIRST SESSION: The “new normal” of monetary policy**

*As advanced country central banks are “normalising” monetary policy after their unprecedented quantitative easing (QE) in the past decade, what is the “new normal” they are aiming for? They cannot go back to pre-2008 policies that had given rise to the GFC, and the QE experience may offer new lessons and policy toolkit for central banks. The panel will consider the key elements of the “new normal” of monetary policy and central banking in advanced economies, and it will assess their implications for emerging economies and in particular small integrating emerging economies in the “policy sphere” of the ECB.*

**Chair: Piroska NAGY-MOHACSI**, Programme Director, LSE Institute of Global Affairs

**Rethinking inflation targeting: some lessons from Israel**

**Leonardo LEIDERMAN**, Professor, Berglas School of Economics, University of Tel Aviv

**Monetary policy in a low interest rate world**

**Dimitris MALLIAROPULOS**, Chief Economist and Director of Economic Analysis and Research, Bank of Greece

### **In & out of QE - A Mirage of central banks?**

**Mario I. BLEJER**, Former Governor of the Central Bank of Argentina and LSE Visiting Professor

### **Will there be a “new normal” in monetary policy any time soon?**

**Marko ŠKREB**, Former Governor of the Croatian National Bank and Centralbanking Consultant

### **Monetary policy amidst rapid structural changes: Bank of Albania’s experience with the post-crisis “new normal”**

**Elisabeta GJONI**, First Deputy Governor, Bank of Albania

### **Living the new normal – some perspectives from Sveriges Riksbank**

**Marianne NESSÉN**, Senior Advisor to the Executive Board, Sveriges Riksbank

### **The “new normal” of monetary policy**

**Guido DELLA VALLE**, IMF consultant and former Resident Advisor to the Bank of Albania

**11:20 – 11:30**    **Questions & Discussions**

**11:30 – 11:50**    **Coffee break**

**11:50 – 13:00**    **SECOND SESSION: Financial globalisation and the evolution of global and regional cooperation arrangements**

*Full integration into the European single market, the common currency area, the Banking Union and the evolving Capital Market Union will pose specific monetary policy and financial stability challenges for Albania and other small open SEE economies currently outside these arrangements. In addition, the global financial architecture is undergoing a major review at the request of the G20. The global safety net has grown significantly after the GFC with new additions such as central bank swap lines and regional financing arrangements (RFAs), most notably in the EU’s European Stability Mechanism (ESM). This panel will consider the experiences and lessons from several emerging economies; the coherence and complementarity in the newly emerged safeguarding landscape; and implications for home-host supervisory collaboration with non-members.*

**Chair: Natasha AHMETAJ**, Second Deputy Governor, Bank of Albania

### **The end of the global financial safety net?**

**Charles WYPLOSZ**, Professor of Economics, The Graduate Institute, Geneva

### **Making the system function as a system – global financial governance reform in the Trump era**

**Erik BERGLOF**, Director, LSE Institute of Global Affairs

### **How a small, open economy (like Poland) can pursue an independent monetary policy**

**Marek BELKA**, Former President of the National Bank of Poland and LSE Visiting Professor

**Cross-border banking and monetary policy spillovers: implications for Emerging Europe**

**Előd TAKÁTS**, Senior Economist, BIS and LSE Visiting Fellow

**The European Union: the core and the geographic periphery**

**Charles ENOCH**, Director, Political Economy of Financial Markets (PEFM), St Antony's College, University of Oxford

**The credibility of banks: balance sheets, governance and law**

**Lars NYBERG**, Former Deputy Governor of Sveriges Riksbank

**Ukraine on its way to EU - risks and opportunities for small open economy**

**Valeria GONTAREVA**, Former Governor of the National Bank of Ukraine and Senior Policy Fellow, IGA - LSE

**13:00 – 13:10**    **Questions & Discussions**

**13:10 – 14:30**    **Lunch**

**14:35 – 15:35**    **THIRD SESSION: Financial innovation and implications for monetary policy and financial resilience**

*Financial innovation and artificial intelligence are penetrating financial markets, with potentially profound implications for the financial system, monetary policy and regulatory approaches. An emerging area is digital central banking: pros and cons for issuing central bank digital currency and the regulation of private digital (crypto) currencies. At the same time, it is not clear if post crisis macroprudential policies are truly effective. The panel will discuss the effectiveness of post-crisis regulations and the transformative impact of fintech on the financial system, the economy in general and financial inclusion, and how regulatory and monetary policy frameworks can be prepared for this new world.*

**Chair: Erik BERGLOF**, Director, LSE Institute of Global Affairs

**The King Kong Mistake and how to avoid it: improving the regulatory response to the 2008 GFC**

**Kevin JAMES**, Co-Investigator, Systemic Risk Centre, LSE

**Financial innovations, indebtedness and coordination of monetary and macroprudential policies**

**Jan FRAIT**, Executive Director, Financial Stability Department, Czech National Bank

**Fintech and banking: implications for business models and regulation**

**Emidio COCOZZA**, Deputy Head of the International Technical Cooperation and EU Neighbouring Economies Division, Bank of Italy

**The Bali Fintech Agenda, and what it could mean for Albania**

**Jan Kees MARTIJN**, IMF Chief Mission for Albania

**Financial innovation: relevance, drivers and implications for Macedonian economy**

**Emilija NACEVSKA**, Vice Governor, National Bank of the Republic of Macedonia

**Crypto-instruments, classification and financial regulation**

**Ousmène Jacques MANDENG**, LSE Visiting Fellow

**15:35 – 15:45**    **Questions & Discussions**

**15:45 – 16:00**    **Coffee break**

**16:00 – 16:30**    **Keynote Speech: Ricardo REIS, A.W. Phillips Professor of Economics, LSE**

**16:30 – 18:00**    **Closing Panel with the Governors' Roundtable: What are the main challenges for small economies in this “new normal”?**

**Chair: Ricardo REIS**, A.W. Phillips Professor of Economics, LSE

**Gent SEJKO**, Governor, Bank of Albania

**Már GUÐMUNDSSON**, Governor, Central Bank of Iceland

**Senad SOFTIĆ**, Governor, Central Bank of Bosnia and Herzegovina

**Sandra ŠVALJEK**, Deputy Governor, Croatian National Bank

**Sokol HAVOLLI**, Deputy Governor, Central Bank of the Republic of Kosovo

**18:00 – 18:15**    **Conference summary**

**Mario I. BLEJER and Piroska NAGY-MOHACSI**, LSE

**18:15 – 18:30**    **Concluding Remarks**

**Gent SEJKO**, Governor, Bank of Albania

**Erik BERGLOF**, Director, LSE Institute of Global Affairs