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Interview with the Governor published in ABC: “The jobs of the future will be those that machines cannot do”*

* English translation from the original in Spanish

Question. In an increasingly digital world, the last two major economic crises have been triggered by phenomena as old and as analogue as humanity itself: a pandemic and a war. Will the economy always be sensitive to such phenomena? Are we doomed to suffer whenever the world is shaken this way?

Answer. Economic activity will always be affected by such shocks. It is probably inevitable. Our responsibility as economic policymakers is to minimise their effects. As history has taught us, that means ensuring that the economy is at all times healthy – with no build-up of macroeconomic imbalances – and sufficiently flexible. It also means building up room for manoeuvre during boom years, for instance in budgetary terms or as capital buffers in the banking sector. Of course, this requires decisive economic policy action when those shocks occur, to prevent their adverse effects from persisting over time.

Q. The COVID-19 crisis proved that we placed too much faith in logistics, and this was (and remains) a vulnerability: borders were closed and we ran out of medical supplies and equipment and many other things. Something similar has now happened with energy: we are not autonomous enough and this holds us back. Do you think we have reflected on how we should face the future so as not to trip over the same stone again?

A. We must emphasize that globalisation (and the interdependence associated with it) has been highly positive for improving efficiency, productivity and, in short, the growth of our economies. Obviously, the counterargument is that it renders us more vulnerable to an increasingly complex environment, prompting the focus to shift from efficiency to security and autonomy considerations. This explains why the European Union has launched an ambitious agenda to increase its strategic autonomy. The key (and challenge) lies in how to achieve these goals while preserving the essential advantages of globalisation.

“The best answer to all the current challenges we face necessarily involves pressing ahead with the European project”

Q. Do you believe that the European Union will continue to exist in twenty or thirty years? What would its demise entail for the Spanish economy?

A. Absolutely. The European Union is the only vehicle that has allowed European citizens to live in peace and prosperity in recent centuries. On the economic front alone, it's worth remembering that the European Union has done more to strengthen its financial architecture in 15 years than the United States in its first 100 years of history. More importantly: the best answer to all the current challenges we face necessarily involves pressing ahead with the European project.

Q. Will tourism remain a valid driver of growth in the future considering the greater impact of climate change and the consequent rise in temperatures? Or should we steer our productive model towards other sectors?

A. Productivity, productivity, productivity. These are the keys to long-term welfare. And improvement in these fields is possible through very different sectoral structures. Public policymakers are responsible precisely for providing conditions that foster productivity growth, by optimally designing the educational system, ensuring an innovative and competitive business environment, being conducive to an adequate functioning of the labour market, etc.

Q. There is a generation that has not known what inflation was until now. The last decade was very stable, but prices have now started to rise. Do we need to get used to living with inflation in the long run, to the end of free money and to high interest rates on loans?

A. As you rightly say, we've just had a long period of very low inflation. Now, in the wake of the pandemic and with Russia's invasion of Ukraine, we are experiencing a strong surge in inflation. Preventing it from becoming persistent (with the consequent negative effect on households' and firms' real income and, ultimately, on economic growth) is the main reason why monetary policy has initiated – and, more recently, accelerated – an interest rate normalisation process. Citizens should not doubt the European Central Bank's determination and ability to bring back inflation rates to our target of 2% over the medium term. Price stability is the mandate given to us by citizens and we intend to fulfil it.

“Cash will continue to exist for as long as citizens continue to use it”

Q. It seems that cash is becoming nearly obsolete, archaic. Is it doomed to disappear?

A. Cash will continue to exist for as long as citizens continue to use it. But citizens also demand other forms of money, especially e-money. And, as central banks, we must make it available to them, with full guarantees of security and to ensure financial stability.

Q. What do you think about the cryptocurrency market? Are cryptocurrencies a threat to traditional banks and how they operate in the economy?

A. I think it is important to distinguish between the technologies behind many cryptocurrencies, which can be valuable (also for the banking sector), and the design of their issuance, valuation and trading process, where there are, literally, a myriad of options, ranging from simple digital representations of traditional financial assets to purely speculative schemes. Consequently, more than a threat to banks, what I see as a threat to

citizens is their investing in these products without being fully aware of the risks they are taking on.

Q. One of the criticisms of cryptocurrencies is that it is difficult to apply monetary policies to them because they are decentralised. What are your thoughts on this? Can they become overly dangerous because they are (partly) uncontrollable?

A. Once again, the main danger I see in this area at present, especially in developed countries, is that citizens may invest their money in products without understanding their risks. Unfortunately, this danger has already materialised in part.

Q. NFT technology provides exclusive digital ownership. All signs point to the metaverse developing along these lines, towards the creation of a digital society with its own economy, where we can become owners. How important do you think the metaverse economy will be?

A. I am intellectually curious about the transforming potential offered by these technologies, but I honestly do not know how capable they will be of realising this potential.

Q. It seems that we are changing from an ownership society to one where rent or pay-per-use is more common. What do you think of this trend? Is it unavoidable? Do you think it has the potential to change the economic system?

A. I wouldn't draw any major conclusions, since, in the case of housing, for instance, it is unclear whether these changes arise from new preferences or from difficulties younger generations face in getting on the housing ladder. In any event, all signs point to human capital being the most important factor in the future, as it is something nobody can take away from us as individuals. Naturally, it can depreciate, which is why it is important to invest in it over our lifetime. This long-term capital is the one thing that is truly important for changing an economy, not whether we are the owners of a car or we engage in car-sharing.

Q. Let's talk about work now. What are the future prospects for the labour market? Which do you think will be the important jobs of the future?

A. Those that machines cannot do. Those requiring imagination or non-codable talent.

Q. Experts agree that we are in the midst of the fourth industrial revolution, largely marked by the development of artificial intelligence and quantum computing. These technologies have the potential to increase productivity, but also to destroy many, let's say, mechanical, jobs. Do you think these jobs will be replaced by other new ones or will we have to accept that unemployment levels will rise even more?

A. If automation frees us from the most repetitive and mechanical tasks, we will be able to cultivate and harness talent more. It is unclear how this will be achieved. This is why creating value in the economy is a decentralised process that often requires much trial and error. In any event, countries' structural unemployment has more to do with their institutional framework. Thus, unemployment in other European countries has been lower than in Spain,

with or without artificial intelligence. This does not mean that these technological transformations will not have an impact – they will, and it will be sizeable.

Q. What role should education play? Looking forward, what should we do to improve human capital?

A. Education is crucial. In fact, it is a necessary but not sufficient condition for productivity, which, as I noted earlier, is the key to sustainable prosperity. It is also essential to ensuring equal opportunities, something any society should aspire to. Ongoing improvement in education, seeking excellence, should be a national priority.

Q. Financial education remains an issue in Spain, don't you think? Which measures do you consider are needed for the population to achieve a minimum level of financial literacy? It is not uncommon nowadays to meet people who do not know how to issue an invoice or understand a bank bill or a letter from the tax authorities.

A. Spain is ranked mid-table in terms of its citizens' financial literacy. In any event, the Banco de España is aware that there is much to be done, and promotes, for instance, the Financial Education Plan. Nevertheless, to achieve a substantial improvement in this field, these subjects should be reinforced in the school curriculum at a relatively early age.

Q. Our society is increasingly ageing and people now live longer than ever, which translates into an ongoing rise in pension expenditure. At the same time, young people start to work later and later and have jobs that are more insecure and lower-paying. What does the future hold in store for us?

A. There are major challenges on the horizon that we must address by taking a long-term view. This is why since the onset of the pandemic I have been advocating the need to reach a broad political and social consensus enabling us to undertake the structural reforms and fiscal consolidation necessary to provide security to our elders and a prosperous outlook to our young.