

Report on the Lámfalussy Lectures Conference 2026*

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The 11th Lámfalussy Lectures Conference, organised by the Magyar Nemzeti Bank (the central bank of Hungary, MNB), took place on 18 May 2026 under the title “Global Imbalances in a Changing World Order.” The event is named after Alexandre Lámfalussy – the “father of the euro” and a distinguished Hungarian-born economist, whose work has had a lasting impact on European economic and financial integration. The conference brought together high-level policymakers and leading international experts to discuss pressing issues shaping the global economy, with keynote speeches and panel discussions addressing the challenges of an increasingly complex and fragmented world. On this occasion, the Lámfalussy Award – established by the MNB in honour of the conference’s namesake – was presented to Adam Glapiński, Governor of the Narodowy Bank Polski (NBP).

1. In the spirit of Lámfalussy’s legacy: stability and international cooperation in a new era of the MNB

In his welcome speech, *Mihály Varga*, Governor of the Magyar Nemzeti Bank, highlighted that the 2026 edition of the conference marks the beginning of a new era, reflecting the change in the MNB’s leadership. Governor Varga paid tribute to the intellectual legacy of Alexandre Lámfalussy, the conference’s namesake, who foresaw that economic stability and growth would increasingly depend on cooperation among nations. According to Varga, recent global developments had clearly confirmed the lasting relevance of this insight. He emphasised that the global economic environment had undergone a profound transformation in recent years, as the predictability that once characterised the international economy had been replaced by persistent uncertainty.

The new leadership of MNB took office in March 2025 in this evolving global environment. *Varga* underlined that the MNB’s operations have since been placed on new foundations, with a renewed focus on its statutory core mandate. Accordingly, the primary objective of MNB remains the achievement and

* The papers in this issue contain the views of the authors which are not necessarily the same as the official views of the Magyar Nemzeti Bank.

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maintenance of price stability. At the same time, without compromising this objective, the MNB continues to support the government's economic policy within a framework of clearly-defined institutional responsibilities. He also highlighted that the MNB attaches particular importance to international cooperation, as reflected in the establishment of a dedicated Deputy Governorship for International Affairs under the new leadership.

Varga pointed out that the centres of gravity of the global economy are undergoing a significant realignment: the rise of China is challenging the long-standing dominance of the United States (US), while Europe's relative weight in the global economy is gradually declining. At the same time, rapid technological progress – particularly recent advancements in artificial intelligence – is expected to drive further economic and social transformations, many of which remain difficult to foresee.

Within this context, *Varga* recalled that Lámfalussy's thinking was profoundly shaped by his commitment to Europe's future and the goal of achieving unity and peace on the continent. This vision also provided a key motivation for the introduction of the euro as a common currency. *Varga* underlined that it was in the interests of the Hungarian economy to meet the conditions necessary for adopting the euro. At the same time, he stressed that introducing the single currency should not be seen as an end in itself, but rather as one step in a broader macroeconomic framework. He emphasised that the timing of euro adoption is appropriate only when the Hungarian economy is able to maximise its benefits while minimising the associated risks. In this process, the MNB acts as a constructive partner with the government in fulfilling the Maastricht criteria, while the final decision rests with the government.

Reviewing recent developments with regard to the MNB, *Varga* noted that inflation had been brought back within the central bank's tolerance band. At the same time, Hungary's foreign exchange and gold reserves had reached record levels – approximately EUR 60 billion and 110 tonnes, respectively – while the forint had strengthened significantly against the euro over the past year.

2. In a changing geopolitical environment central banks must serve as anchors of stability

In his "Lámfalussy Lecture", *Adam Glapiński*, Governor of Poland's central bank (Narodowy Bank Polski, NBP), approached the central theme of the conference from the perspectives of geopolitics, the European economy and the consequences for central banking. He emphasised that both geopolitics and the global economic landscape were undergoing a profound transformation. In this context, he identified three major structural trends.

First, he highlighted the global intensification of geopolitical tensions as shown by the spread of armed conflicts around the world. Second, he brought up the rise of China as a defining development, pointing out that in conjunction with its rapid economic expansion China had also strengthened its military and technological capabilities. In his view, the coming period would increasingly be shaped by strategic competition between the United States and China. Third, he pointed out Europe's relative decline, underlining that the continent's competitiveness has been steadily eroding over time. He also noted that Chinese industrial expansion now poses a growing challenge to European industry, while Europe remains overly dependent on US security guarantees.

Building on this assessment, *Glapiński* stressed that although policymakers in the European Union (EU) had recognised the need for adaptation in a changing global environment, acknowledgment alone was insufficient and must be followed by concrete policy action. At the same time, he underlined that Europe continues to possess significant strengths in terms of economic scale, human capital and social cohesion. In his view, the EU would benefit from a shift toward deregulation and greater regulatory flexibility. He argued that excessive regulatory burdens often act as a constraint on growth. As an example, he pointed out that while Europe is a global leader in climate policy, the EU accounts for only around 6 per cent of global greenhouse gas emissions. He emphasised that European climate policies have contributed to elevated energy prices, while a substantial share of the benefits of the green transition is being captured by Chinese firms.

In the second part of his presentation, *Glapiński* focused more explicitly on the challenges posed by the evolving geopolitical environment for central banks. He underlined that central banks must serve as anchors of stability, preserving confidence in the monetary system. In line with the intellectual legacy of Alexandre Lámfalussy, he stressed that central banks must remain firmly focused on their primary mandate of maintaining price stability. He also stressed that central bank independence is essential, noting that Lámfalussy himself strongly believed in this principle. At the same time, he warned that such independence has come under increasing pressure in both Europe and the United States. He argued that even if these pressures often take the form of political rhetoric, they can nevertheless have tangible economic consequences, as they may lead to an increase in inflation expectations and, indirectly, necessitate tighter monetary policy. For this reason, he concluded that central bank independence should not be viewed as a privilege, but rather as a necessity for fulfilling the central bank mandate.

Turning to developments in Poland, *Glapiński* noted that the Polish economy had demonstrated resilience in the face of recent shocks and was not characterised by macroeconomic imbalances. Given the prevailing uncertainty, the Narodowy Bank Polski continued to pursue a data-driven approach to monetary policy and

remained ready to act when necessary, while refraining from pre-committing to any specific policy path. He also pointed out that the evolving global order has implications for financial stability. Quoting John Pierpont (J.P.) Morgan's well-known statement – 'gold is money, everything else is credit' – he explained that, in order to strengthen financial security, Poland had significantly increased its gold reserves and set a target of reaching 700 tonnes.

Glapiński addressed the issue of euro adoption as well. He noted that while *Lámfalussy* was an advocate of monetary union, he was also pragmatic and recognised the risks associated with premature accession. *Lámfalussy* repeatedly emphasised that achieving sustainable convergence was a critical prerequisite for fully capturing the benefits of monetary integration. *Glapiński* stressed that Poland continues to converge toward euro area income levels, with economic growth approximately three times faster than the euro area average. He argued that, as a consequence, it was necessary to maintain higher interest rates than those prevailing in the euro area, in order to ensure balanced economic growth. In his view, premature accession of the euro area would likely result in interest rates being set below levels consistent with macroeconomic stability, which could trigger boom-bust cycles, followed by higher unemployment and an erosion of competitiveness, as had been observed in several countries which adopted the euro. He also highlighted the stabilising role of the national currency. For these reasons, he concluded that discussions on euro adoption in Poland should take place only once the country's GDP per capita had converged to the euro area average.

3. Why our changing world needs a strong euro

Martin Kocher, Governor of the Austrian central bank (Oesterreichische Nationalbank, OeNB), focused his keynote speech on the challenges arising from the rapidly changing global environment and the stabilising role of the euro. As an illustrative starting point, he presented current economic developments through the example of a fictitious, export-oriented Central European company. From the perspective of this company, "Onlyup," he highlighted that demographic shifts, rapid technological change, rising protectionism and mounting energy and labour costs jointly imposed significant adjustment pressures on European firms. He also pointed out that the rules-based international order that had previously underpinned international cooperation was in some cases being replaced by transactional, politically-driven decisions, further exacerbating global structural imbalances.

Kocher emphasised that Europe must address these challenges with a calm, analytical and forward-looking approach. Referring to *Lámfalussy's* legacy, he underlined that European integration was built on cooperation, shared responsibility and collective decision-making, in contrast to unilateral approaches. In his view, one

of the key pillars of European integration was the Economic and Monetary Union, which had played a crucial role in stabilising the European economy, reducing the costs of international transactions and strengthening the EU's competitiveness vis-à-vis other major economic regions.

Regarding the international role of the euro, *Kocher* stressed that the euro was now the world's second-most important reserve currency after the US dollar, accounting for approximately 20 per cent of global foreign exchange reserves. Moreover, around two-thirds of trade within the European Union was invoiced in euro, which, in his view, reflects strong trust in the euro both within Europe and globally. One key pillar of this trust was the independence of the European Central Bank (ECB). Citing survey evidence from the OeNB, he noted that in most Central, Eastern and Southeastern EU member states – including Hungary – with national currencies, the euro tends to enjoy higher levels of public trust than domestic currencies.

Kocher also addressed whether the euro could assume a stronger global role in the future, potentially as an alternative to the US dollar. He argued that several factors could support such a development, including concerns regarding the long-term sustainability of US government debt, the use of the dollar as a geopolitical instrument and uncertainty about the willingness of the US to continue acting as a global “insurer” in times of crisis. By contrast, the EU's institutional framework – particularly the Stability and Growth Pact (SGP) – contributed to fiscal sustainability and strengthened confidence in the euro.

Kocher further elaborated on the advantages of euro area membership. The introduction of the euro reduces transaction costs and exchange rate risk, while improving the cross-border comparability of prices. In addition, integrated financial markets broaden both savings and financing opportunities. In times of crisis, euro area members and their banks benefit from access to financial support through the European Stability Mechanism, as well as from ECB financing or liquidity. From a monetary policy perspective, euro adoption can also strengthen central bank credibility and help to anchor inflation expectations.

Turning to Hungary, *Kocher* noted that euro adoption could bring substantial economic benefits. He highlighted that the euro already plays a dominant role in Hungary's external trade, and the elimination of exchange rate-related costs could generate significant savings. At the same time, he cautioned that adopting the euro also involves trade-offs, notably the loss of monetary autonomy and reduced flexibility in responding to asymmetric shocks. However, these risks may be mitigated by the convergence process preceding adoption, by economic policy coordination within the euro area and by the ECB's monetary policy toolkit. In conclusion, he noted that inflation concerns related to euro adoption tend to be overstated, as recent estimates suggest that the introduction of the common

currency has typically resulted in only moderate and temporary increases in inflation.

4. Panel Discussion on Macroeconomic Adjustments and Policies

The first panel discussion, moderated by *Dániel Palotai*, Deputy Governor of the MNB, examined the macroeconomic implications of global economic fragmentation and rising trade tensions, with a particular focus on growth, inflation, debt dynamics, financial sector developments and current account imbalances. The panel featured *Catherine L. Mann*, Member of the Monetary Policy Committee of the Bank of England (BoE); *Carmen Reinhart*, Professor at Harvard Kennedy School; *Athanasios Orphanides*, Professor at MIT Sloan School of Management and former Governor of the Central Bank of Cyprus; and *Jeromin Zettelmeyer*, Director at Bruegel.

In his opening remarks, *Palotai* noted that the global economy had been hit by a series of shocks in recent years, creating a complex, uncertain environment and raising questions about the sustainability of global imbalances. One of the most important questions of the panel discussion was what economic policy steps would be needed for orderly adjustments, especially in the US and China.

Mann drew parallels between current developments and earlier financial crises, arguing that these episodes typically combined domestic macroeconomic imbalances with opacity in the financial sector. She stressed that the sustainability of the US current account deficit should be assessed through external debt service flows, noting in this context that 30–40 per cent of US Treasury securities were held by foreign investors. She also mentioned that it remains an open question as to how much exposure to US Treasury securities global investors were willing to tolerate in their portfolios. She pointed out that the success of industrial policy ultimately depends on its ability to generate productivity growth sufficient to ensure sustainable debt repayment, but that current data do not reflect this so far.

Orphanides argued that not all current account surpluses are beneficial and not all deficits are detrimental from a welfare perspective, as long-term economic trends also depend on domestic policy frameworks and geopolitical conditions. He cited China as a case where persistent surpluses were partly the result of successful industrial policy and strategic positioning in emerging industries. By contrast, Europe, despite maintaining a surplus, has struggled to implement effective industrial strategies due to political fragmentation, and the trends tended to point to an economy falling behind instead of moving ahead. He emphasised that the main question was how countries adapt to the process of reducing imbalances and the ensuing global economic environment. In relation to this, he criticised Europe's post-2008 macroeconomic policy framework, as in his view, Europe would benefit from a stronger investment-driven policy approach.

Reinhart noted that while current account deficits are not inherently problematic, persistent imbalances have often ended in crisis. She noted the central role of the US as the world's largest capital importer and highlighted while the US budget deficit played an important role in the persistence of these fiscal imbalances and the deterioration seen in recent years, the equity market rally associated with artificial intelligence (AI) should also be taken into account. While foreign holdings of US Treasuries had declined somewhat, foreign participation in US capital markets had expanded significantly. She pointed out the risks associated with shifts in global demand for these assets. She noted that US public debt was not on a sustainable trajectory and there were justified concerns about overinvestment, in relation to AI due to the "winner-take-all" dynamics.

Zettelmeyer argued that although global imbalances are not at historical highs, they have increased markedly since 2019. He stressed that the concerns extend beyond current account balances to broader developments, and agreed with Reinhart's assessment on developments in the US. Regarding China, he noted that while it was partly structural factors that underpinned China's surplus, its recent growth had also been driven by a reallocation of capital from the struggling real estate sector to tradable goods industries. He acknowledged concerns in the US that a correction of external imbalances could coincide with a fiscal crisis, but assessed this risk as low. Nevertheless, he identified two key vulnerabilities in such a scenario: first, historically large net international investment position imbalances, implying potentially significant global wealth effects from exchange rate adjustments; and second, the risk that US Treasury securities could lose their stabilising role in the global financial architecture. He also highlighted China's expanding goods exports as a global challenge, posing risks to industrial bases in other economies, including Europe. In addition to the direct negative effect, Europe's potential response could also have detrimental economic and political ramifications, but China's technological development was a structural issue, which could only be offset by increased investment.

Turning to policy responses, *Orphanides* argued that meaningful US fiscal adjustment was unlikely without external pressure or crisis, given political constraints. He suggested that Europe could contribute indirectly by strengthening the international role of the euro through deeper integration, thereby exerting adjustment pressure on the US.

Reinhart noted that fiscal consolidation in the US would reinforce the US dollar's global role. She argued that the dominance of the US dollar reflects, above all, the lack of viable alternatives, as the renminbi is not fully convertible and European financial markets remain fragmented.

From a European perspective, *Zettelmeyer* highlighted the need for a sustainable increase in investment across the continent, supported by deeper integration across sectors and the removal of barriers to cross-border corporate activity, complemented by national structural reforms. However, he expressed scepticism regarding the political feasibility of such reforms, noting that the momentum following the Draghi Report had faded, although emerging challenges might provide new impetus.

In terms of the institutional dimension, *Mann* stressed the importance of better understanding the incentives and behaviour of the financial sector, given its central role in mediating global imbalances. She highlighted that past crises had been managed largely through financial intermediation channels and pointed to the G20, which was created in the wake of the 2008 crisis, as a key platform for international cooperation.

In closing, Palotai asked the panellists about the potential impact of the Middle East conflict on global imbalances. While noting the difficulty of assessment, *Orphanides* explained that it would have negative economic effects through reduced productivity and wealth accumulation at the global level. *Reinhart* warned of a possible shift toward stagnation reminiscent of the 1970s. *Mann* broadly agreed with the latter, while highlighting that unlike in the 1970s, when petrodollar surpluses were recycled into US assets, revenues in the present were more likely to be directed toward rebuilding of domestic economies. *Zettelmeyer* concluded that while the risk of market correction had increased, global imbalances remain fundamentally structural in nature, and the conflict was therefore unlikely to significantly alter their trajectory.

5. Panel discussion on the future of the international monetary system

The second panel discussion examined the key challenges facing the international monetary system in the context of geopolitical fragmentation, changing trade patterns and rapid technological advancements, in particular the spread of cryptoassets. The session was moderated by *Zoltán Kurali*, Deputy Governor of the MNB, and featured *Laurence Boone*, Head of Santander Corporate and Investment Banking in France; *Beata Javorcik*, Chief Economist of the European Bank for Reconstruction and Development (EBRD); *Klaas Knot*, former President of De Nederlandsche Bank (central bank of the Netherlands); and *Robert Koopman*, former Chief Economist of the World Trade Organization (WTO) and professor at American University.

In his opening remarks, *Kurali* highlighted that the current global environment was shaped simultaneously by geopolitical conflicts and energy market shocks, posing significant stagflationary risks. Despite these uncertainties, financial markets

remain resilient, with strong performance and relatively low risk premia. Against this backdrop, he invited participants to assess ongoing global developments, particularly the transformation of international trade and the role of central banks in this evolving environment.

Boone argued that the three foundational pillars of the international monetary system – the US commitment to maintaining global order, open capital markets and a rules-based trading system – were all increasingly under strain. She emphasised that the organising logic of the global economy was undergoing a fundamental shift: efficiency, and comparative advantages were gradually being replaced by strategic autonomy and control over supply chains. In her view, key vulnerabilities of the international monetary system stem from its strong reliance on the US, the growing use of sanctions and the increasing diversification of reserve assets.

Javorcik pointed out that industrial policies were strengthening protectionism and thus deglobalisation, as they were often inherently discriminatory toward foreign partners. She stressed that these developments also had important implications for monetary policy, as the objective of stimulating investment may create pressure on central banks to maintain lower interest rates.

Knot similarly described the current period as one of deglobalisation, characterised not by gradual change but by a sequence of shocks. He highlighted that central banks must act decisively when necessary while limiting intervention as much as possible, with the anchoring of inflation expectations playing a crucial role.

By contrast, *Koopman* argued that current developments should be interpreted less as deglobalisation and more as a reorganisation of globalisation along geopolitical lines. Global value chains were increasingly deepening within major regional blocs, while trade between these blocs was moderating. He stressed that the expansion of global trade continued to be driven primarily by overall economic growth, whereas trade policy measures had a more limited impact.

The second round of discussion focused on the future shape of the international monetary system, including the role of fiat currencies, the global reserve currency status of the US dollar, and the rise of central bank digital currencies (CBDCs) and stablecoins.

Boone noted that the high cost and low speed of cross-border payments were driving demand for alternative solutions, as reflected in the development of domestic digital payment infrastructures in the Global South. *Javorcik* argued that while the dominance of the US dollar had enhanced the effectiveness of US sanctions, it had simultaneously created incentives for countries to develop alternative payment and settlement systems, as illustrated by the growing international role of the renminbi. *Knot* approached the issue from a historical

perspective, noting that the evolution of financial systems had always been shaped by the interaction between public trust and innovation. In his opinion, CBDCs could replace cash while the various forms of private money could be replaced by stablecoins, although the latter could be more limited. While he acknowledged the potential role of stablecoins, he argued that tokenised bank deposits represented a more robust alternative, given that they were fully fungible, covered by deposit insurance and interest-bearing, thereby contributing to the financing of the real economy. Finally, *Koopman* noted that digital currencies may contribute to reducing transaction costs in international trade, but also emphasised the current lack of a coherent global regulatory framework, which remained essential for ensuring trust and the smooth functioning of the system.

The panel concluded with a discussion on Hungary's potential euro adoption. *Kurali* recalled that, although the introduction of the euro had been on the policy agenda in the 2000s, it was ultimately postponed due to unmet fiscal conditions. He posed the question of whether euro adoption would represent entry into a "club of winners" or expose the country to new economic risks. *Boone* argued that economic scale was increasingly important in the current geopolitical context, suggesting that euro area membership could enhance Hungary's economic and political position. *Javorcik* highlighted that increasing sovereign debt service costs increased the pressure on central banks, and the ECB's perceived resilience to fiscal pressures may strengthen trust in the euro. *Knot*, however, on a more cautious note, emphasised that both the EU and the euro area still face significant structural challenges, including the imperfect functioning of the single market, declining cross-border banking activity despite creation of the banking union, and the lack of a deep and integrated capital market. *Koopman* concluded that while euro adoption could offer clear benefits to Hungary, it ultimately required a strategic choice between preserving monetary policy flexibility and leveraging the advantages of euro area membership.

6. Different perspectives, common messages

In his closing remarks, *Deputy Governor Palotai* expressed his gratitude to all participants, highlighting that the discussions during the conference closely reflected the key themes shaping current international economic discourse. He said that while speakers approached the issues from different perspectives, a remarkable degree of convergence emerged regarding the main messages and takeaways.

He noted that differing views on euro adoption were expressed: Governor Glapiński argued in favour of an autonomous monetary policy and a sovereign currency in the case of a converging economy, whereas Governor Kocher noted the benefits of the common currency. Governor Varga took a pragmatic approach and added that the

euro adoption was appropriate for Hungary once the country could maximise the benefits stemming from being a part of the euro area while also highlighting that it was in the interest of the Hungarian economy to meet the conditions necessary for adopting the euro.

He further highlighted the strong alignment between Governor Varga and Governor Głapiński on the importance of central bank independence. He also reiterated Governor Varga's emphasis that the new leadership of the MNB is firmly focused on its statutory core mandate, with the maintenance of price stability as its primary objective.

Finally, Palotai extended special thanks to György Szapáry, who, as a former student of Alexandre Lámfalussy – widely regarded as the “father” of the euro – played a pivotal role in establishing the conference series. In this regard, he noted that Szapáry can rightfully be considered as the “founding figure” of the Lámfalussy Lectures Conference.