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Introductory remarks at the 7th Bundesbank Lecture

Speech at the Bundesbank Lecture 2010

in Berlin

Tuesday, 14 September 2010

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Inhalt

1 Introduction

Ladies and gentlemen

I am very pleased to welcome you to this year's Bundesbank Lecture, which is being held at the Old Town Hall in the very heart of Berlin. The Old Town Hall was built between 1902 and 1911 as an extension of the "Red Town Hall", which is just a stone's throw from here. From 1949 to 1990, the Old Town Hall was the seat of the Council of Ministers of the then GDR, and, in 1990, the Unification Treaty between the two German States was negotiated in this very building. Today, it serves as the seat of the Senator for the Interior of the federal state of Berlin. The room we are in is the "Bear Hall", named after the statue of a bronze bear in the middle of the hall. This statue – the bear is Berlin's heraldic symbol – had been exiled to East Berlin's zoo for four decades before it returned in 2001.

It is in these historic surroundings that we have gathered for the 7th Bundesbank Lecture. I am particularly grateful that Mr Mark Carney, Governor of the Bank of Canada, will be our speaker today. Mark, my special welcome to you and thanks a lot for accepting our invitation. It is an honour to have you here.

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Let me say a few brief words about both this event and our speaker for today.

2 On the event

When we established the Bundesbank Lecture in 2004 we had two objectives in mind: The first objective was to raise the Bundesbank's profile further in the German capital. The second aim was to provide a high-level forum for public debate on economic and monetary policy issues. Especially this second objective seems to have gained in importance given our turbulent times and the intellectual uncertainty they have provoked. Consequently, we are happy to look back on a long line of very distinguished speakers – including, of course, Mark Carney, but also Alan Greenspan, Jean-Claude Trichet and Ben Bernanke, to name just a few.

3 On the subject

It is no surprise that the financial crisis has dominated this event during the recent past. We have just entered the fourth year of the crisis and it still seems too early to announce its end. However, we certainly are in a phase where the lessons learnt are being turned into political reality. This is especially true for the reform of financial regulation.

Great effort has been put into addressing the shortcomings in the regulatory framework that were revealed by the crisis. At the global level, a comprehensive reform agenda was set in train by the G20 summits in Washington, London and Pittsburgh. The envisaged reforms aim at creating a strong regulatory framework that ensures financial stability and supports steady and sustainable economic growth. The major step towards that end will be the reform

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of the Basel II framework for capital regulation. Relevant proposals were put forward in December 2009 by the Basel Committee on Banking Supervision. The proposed measures have since been calibrated and have been decided as a package last weekend in Basel by the meeting of Governors and Heads of Supervision. In November, the G20 will take the final decision on the implementation of this package.

The new rules will shape the financial system for years to come. There is some concern in the financial industry regarding the possible negative impacts of financial reform on the real economy. It is argued that, by placing additional burdens on banks, their capacity to hand out loans is constrained to a degree that might reduce economic performance. However, recent studies by the Basel Committee on Banking Supervision and others show that the impact of financial reforms on economic performance is likely to be rather small. Nevertheless, this is an important issue and I am glad that Mark will be covering it in more detail. The title of his speech is “the economic consequences of financial reform” and he is indeed the right man to provide the necessary insights.

4 On the speaker

During his career, Mark Carney has been working on all sides of the financial system, so to speak. With a sound academic background from Harvard and Oxford, he joined the investment bank Goldman Sachs in 1990. For the next 13 years, he worked in the banks’ offices in London, Tokyo, New York and Toronto. In 2003, he became Deputy Governor of the Bank of Canada. A year later, he left the bank and assumed the post of Senior Associate Deputy Minister of Finance. In this function, he represented Canada in various international forums, including the Financial Stability Forum which is now the Financial Stability Board. In 2008, he returned as Governor to the Bank of Canada.

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It is this blend of different viewpoints and experiences that makes Mark Carney the perfect speaker for today's subject. Mark, I am looking forward to hearing your insights. The floor is yours.

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