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Welcoming remarks

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1 Introduction

Ladies and gentlemen

I am very pleased to welcome you to this year's Bundesbank Lecture here in the very heart of Berlin.

I am particularly grateful that Dominique Strauss-Kahn, Managing Director of the IMF, will be our speaker. My special welcome to Dominique and thanks for accepting our invitation. It is an honour to have you here.

Let me now say a few words regarding both this event and our speaker for today.

2 On the event

The Bundesbank Lecture Series has two objectives: First, to provide a high-level forum for public debate on economic and monetary policy issues. Second, to raise the Bundesbank's profile in the German capital.

Today's gathering marks the 6th anniversary of the Lecture Series, which started in 2004. The previous speakers were: Alan Greenspan, Jean-Claude Trichet, Tommaso Padoa-Schioppa, Ben Bernanke and Mario Draghi.

3 On the subject

The financial crisis has been the dominant topic for more than two years now. Since the crisis intensified last September, policymakers have been fighting it on many fronts.

- Central banks have acted through massive interest rate cuts and an extremely large-scale provision of liquidity, but also through recourse to unconventional measures.
- National governments have initiated substantial fiscal stimulus packages and bank rescue measures.

These extensive efforts are having stabilising effects on the financial markets and the real economy. The global recession is bottoming-out, and strains in banking and financial markets are abating.

Nonetheless, huge uncertainties remain. The crisis is not yet over and there will, in all likelihood, be further tests ahead.

However, as forward-looking decision-makers, we are well advised to take a step back and consider the longer term as well. In this context, I would like to stress two issues:

- First, we need to reform the financial market architecture to make markets more resilient and less prone to speculative exuberance. In order to achieve this, we have to use the current political momentum.
- Second, credible exit strategies will be needed at the right moment all around the globe.

Both issues represent important preconditions for a return to sustainable growth and price stability.

The issue of credible exit strategies includes winding down excessive liquidity and rebuilding fiscal balances: Without a doubt, fiscal stimuli and bank rescue measures were warranted, but they have markedly increased debt. A

substantial fiscal consolidation is needed in order to maintain confidence in fiscal sustainability – all the more so as demographic challenges are looming.

In addition, we have to step up efforts to rebalance economic growth. The global recession and the financial crisis may have dampened the level and/or growth rate of potential output, in which case structural reforms have a role to play.

So far, the measures I have listed are based on national policies – even though they concern many countries. But there is also a truly international aspect, namely reducing global imbalances.

These constituted an integral part of the global pattern of low interest rates and large capital inflows, particularly into the USA. Reducing such imbalances implies the continued implementation of policies that redistribute the pattern of global demand, including exchange rate issues, such as the choice of exchange rate regimes and reserve currencies.

Hence, there is no time for complacency and policy responses to the crisis should not lose momentum!

The IMF is working hard on several fronts to help its members combat the crisis. It closely tracks economic and financial developments worldwide, analyses risks and gives policy advice to countries and regions. It has

significantly expanded lending to assist EMEs and low-income economies hit by the crisis.

It is also intensifying its collaboration with the FSB (which brings together central banks, supervisory bodies and international financial institutions) in order to provide an early warning of macroeconomic and financial risks and the actions needed to address them.

In a nutshell, in doing so, the IMF aims to foster global cooperation, to secure a stable international monetary system and financial stability, and to promote high employment and sustainable economic growth.

The current crisis highlights that an international body like the IMF is an indispensable part of the international structures which exist for economic analysis, cooperation and coordination.

4 On Dominique Strauss-Kahn

Dominique Strauss-Kahn has been the Managing Director of the IMF since November 2007.

This position – together with his economic, political and international expertise – makes him an excellent speaker on the global financial and economic crisis.

Prior to assuming office at the IMF, he was a long-time member of the French National Assembly. He served both as Minister of Economy, Finance and Industry (1997 – 1999) and as Minister of Industry and International Trade (1991 – 1993).

Dominique began his career as an assistant professor and was subsequently engaged as a professor of economics at the Universities of Nancy and Paris. From 2001 to 2007, he taught economics at the Paris Institute of Political Studies. He was also a visiting professor at Stanford University in 2000.

The title of his speech is “Beyond the crisis – sustainable growth and a stable international monetary system” – a highly relevant and interesting topic to all of us.

I am looking forward to hearing your insights. The floor is yours.

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