

Hermann Remsperger: The Monetary Stability Foundation

Speech by Professor Dr Hermann Remsperger, Member of the Executive Board of the Deutsche Bundesbank and Chairman of the Council of the Monetary Stability Foundation, at the third conference of the Monetary Stability Foundation, "Challenges to the financial system – ageing and low growth", Frankfurt, 7 July 2006.

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Ladies and gentlemen

I would like to warmly welcome you to the third conference of the Monetary Stability Foundation. As previously we have organised this conference in cooperation with the Federal Ministry of Finance and the Deutsche Bundesbank.

In his introduction, the Bundesbank's President, Professor Axel Weber, will go into the specific subjects of our conference. In my capacity as the Chairman of the Council, I just want to make a few remarks about the Monetary Stability Foundation itself.

The Monetary Stability Foundation was set up as a Federal institution under public law by Act of Parliament at the beginning of 2002. Its endowment capital amounted to DM 100 million or €51 million. The capital was raised from the profits which the Bundesbank made from the sale of DM 1 gold coins in July 2001. The coins were designed to commemorate the special role and history of the Deutsche Mark.

The gold required to mint the coins was taken from the Bundesbank's reserves. As the book value of the gold used was lower than the market value at which the gold coins were sold, a profit of €94 million was made. €43 million were used to finance the restoration of the Museum Island in Berlin. The remaining €51 million were given to the Foundation.

It is the Foundation's task to promote public awareness of the importance of monetary stability. For this purpose, it supports economic and legal research in the field of money and finance. This includes all aspects of monetary policy and financial stability. In this sense it also covers the issues of globalisation and the interaction of monetary and fiscal policy.

The Foundation has now more or less completed its start-up and development stages. This process initially involved designing its strategy and fixing the policy instruments. During this period, the Foundation inevitably had only a minor public presence. The most important decisions have now been made and implemented, which means that the Foundation is fully operational.

The Foundation will use about €1 million out of its income to finance the new Institute for Monetary and Financial Stability which is linked to Frankfurt University. At this research institute, three departments will work together in the area of monetary stability, focusing on its economic, business and legal aspects.

I hope that the interaction with the University will lead to the emergence of an internationally competitive centre of excellence here in Frankfurt. It should set trends and introduce new ideas not only in the academic sphere, but also in giving policy advice.

Two of three professors have already been appointed. I therefore would like to extend an especially warm welcome to Professor Inderst and Professor Siekmann, who will both be speaking at our conference. Professor Siekmann has already started his work here in Frankfurt. Professor Inderst will begin in October.

So you might say that the third conference of the Monetary Stability Foundation heralds the launch of a new research institution in Frankfurt. Together with other faculties and institutes our new Institute for Monetary and Financial Stability will form an important link between the University and the banking community. This may also benefit Frankfurt as a financial centre.

The Foundation will also provide limited support for other projects of up to €500,000 a year. In 2005, for example, a project was awarded to the well known Kiel Institute. The aim of this project is to develop macroeconomic stress tests in order to prevent systemic risks in the financial system.

Just last week we decided to launch a programme to support about fifteen post-graduate students, whose work will focus on the fields of monetary and financial market economics or monetary, currency and central bank law.

Last but not least, the Foundation will continue to subsidise conferences and smaller research projects. This will ensure that other academic centres besides Frankfurt also benefit from our support.

As you can see, ladies and gentlemen, the Foundation is involved in a wide range of activities. We try to intensify the link between academic research and its practical application. I think that the topic of this third Foundation conference is a good example of this.

I would now like to give the floor to the President of the Deutsche Bundesbank, Professor Axel Weber.

Thank you very much for your attention.