

Jens Weidmann: Welcome remarks for a lecture given by Agustín Carstens

Welcome remarks by Dr Jens Weidmann, President of the Deutsche Bundesbank and Chairman of the Board of Directors of the Bank for International Settlements, for the SAFE/CFS/Deutsche Bundesbank Lecture, given by Mr Agustín Carstens, General Manager of the Bank for International Settlements, Frankfurt am Main, 6 February 2018.

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1 Introduction

Dear Agustín Carstens,

Dear Vice-President Haar,

Ladies and gentlemen,

It's a pleasure and a privilege to welcome you to the joint lecture of the SAFE Policy Center, the Center of Financial Studies and the Deutsche Bundesbank.

Today we welcome a former minister of finance, a former central bank governor, a former Deputy Managing Director at the International Monetary Fund (IMF), a graduate from the University of Chicago and an erstwhile General Manager of the Bank for International Settlements (BIS).

Normally, this constitutes a highly exiting composition for a panel discussing monetary and financial issues. But today we are doing even better. Our speaker has held all these positions – not at the same time, but at some point in his career.

I am talking about Agustín Carstens. After graduating with a PhD from the University of Chicago, Agustín began his career at the Central Bank of Mexico. He then became Executive Director at the IMF, before being appointed Mexico's Deputy Finance Minister and thereafter Deputy Managing Director at the IMF. In 2006 he returned from Washington to Mexico-City to serve as minister of finance.

In this position – rather unusual for a finance minister – he earned some reputation in the oil market. In 2008 he insured Mexico's oil revenues against lower oil prices. A move that earned Mexico 8.5 bn \$ in 2009. Some traders joked, he was that year's most successful, but worst paid oil manager.

The finance ministry was by no means the end of your career. Between 2010 and 2017 you served as Governor of the Bank of Mexico.

And in December last year, you added the most recent entry to your CV, when you became the General Manager of the BIS. You are an excellent choice for the position and I am already looking forward to working with you in Basel. I am certain the BIS will benefit from your enormous experience. This experience manifests itself not only in the long list of positions you held in your impressive career, but also in the economic events you witnessed during that time.

It is safe to say that your career was very eventful in this respect. In the 1990's, when you were head of the research department at the Banco de Mexico, Mexico went through the so called Tequila-crisis, when it encountered difficulties in financing its large current account deficits. And in 2008, as Mexico's Minister of Finance, you helped to coordinate an international response to global financial crisis in the G20.

It was during this time that we first met and I was impressed by your strong push towards an international response to the crisis. It helped prevent the world from falling back into trade protectionism and an even deeper recession. And it established the G20 as the key body for international economic cooperation – not only on the field of financial market regulation.

The common efforts of the G20 have demonstrated that multilateral cooperation does work – a message which is worth to be repeated these days when some countries do not get tired to doubt the meaning of multilateral agreements.

Dear Agustín, at the high-point of the sovereign debt crisis in euro area, you offered the euro area to benefit from your huge experience. In a 2013 speech you draw lessons from Mexico's Tequila crisis for the euro area¹. Two of your conclusions were that "an exchange-rate system [or a common currency] cannot be a substitute for policy discipline". And you also pointed out that fiscal discipline needs to be maintained after the crisis. This is very close to our thinking here at the Bundesbank.

It also appeared to me that at that time you were tactfully trying to remind us in the euro area to make progress in crisis resolution. I am aware that many considered the sovereign debt crisis as a risk for the global economy.

This is why I am happy to be able to state that matters have improved substantially since then. The euro area has turned from a drag to a driver of growth. In 2017, the euro area grew slightly faster than the average of the advanced economies.

The greatest risk is now to assume that all problems are solved. Shocks in specific region or specific sectors of the economy can still put the euro area to an endurance test – despite the progress that has been made in the past years.

But at least the times where the sovereign debt crisis required the full attention of policy makers, regulators and bank-supervisors is behind us. We are now able to turn some of our attention to other important issues. One such issue is certainly the digitalization of finance. The Bundesbank has put this topic on the agenda of the G20 during Germany's presidency last year.

One important aspect of this issue we weren't able to look at in the framework of the G20 is the possibilities and risks that come with the issuance of digital tokens or even digital central bank money. The question whether new technology changes fundamentally the foundations of central banking is increasingly discussed amongst central bankers.

Agustín, your talk today is highly welcomed because it will contribute to an objectification of the debate and will constitute an important input for our policy deliberations. I am very happy that we were able to attract such a distinguished speaker for this task.

Fire away. The floor is yours.

¹ Agustín Carstens (2013). The quest for successful policy responses to sovereign crises. Speech at the Monetary Authority of Singapore Lecture 2013, 5 February 2013.