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President Lagarde, Ladies and Gentlemen, Dear Friends,

I am very pleased to welcome you to this conference, which brings together “The ECB and its Watchers” since 1999. I am delighted we can have so many of you here in person, even though we are still under Corona Rules. And more of our friends and colleagues are with us online. So greetings to you, too! Thank you for zooming in. By next year, I hope, we can have the full size conference again in location.

Today is the 22nd instalment. There were none in 2013 and 2021. The 2020 conference had to be moved from March to September and then took place in hybrid format with some of the speakers and a few participants. Great to have you all here today and to be able to relate directly.

As the corona crisis is receding, inflation has come back with a vengeance. Last December the ECB produced its then-largest revision of inflation projections. Thus, the need to change course in monetary policy became very clear.

But now as we meet, the World is faced with an even greater challenge – outright war in Europe – the large-scale Russian attack on Ukraine. Till the last moment in February, many observers did not believe it could happen, though some had predicted it rather clearly. Every day we hear of new atrocities or even see horrible pictures and video directly from the war zone.

We are faced with what is likely to turn into a long-term conflict between the West and Russia. A conflict fought right now on the battlefields in Ukraine, but also in the economic and financial sphere. In the latter, central banking is

playing an important role in terms of enforcing restrictions on financial flows and denying Russia access to central bank reserves.

People my age and older flash back to the Cold War and nuclear standoff in Europe last century. In Germany, in particular, we had happily put this behind us with re-unification and shared a strong belief that nothing like this could ever happen again.

However, nowadays the West is bigger and reaches further into the East. And Russia and its satellites are not the Soviet Union, but smaller and so far more integrated in the world economy. Yet, it's no Cold War but a wide spread war on the people of Ukraine.

What are we to do? What are the risks we face? What does it mean for the economic outlook? What does it mean for defense and energy security? What does it mean for monetary and fiscal policies and financial stability in the euro area? Surely, these question will come up in one or the other form throughout the contributions today. And we will learn a lot from each other's insights.

From my side, just one brief remark in this regard. To win a war, to prevail in conflict, one needs to obtain a superior position, to build up one's strength, so as to be able to strike a winning blow. In my own country, we have been indulging in weakness, we are lacking military strength and readiness even from a purely defensive perspective, we are lacking energy security because of poorly diversified energy imports. Finally, we are also not much used to the idea that we have to be ready to fight to protect what we have and to be ready to fight alongside our allies to protect what they have. And I don't just mean material things.

Personally, I think the change of course signaled by the government's decisions on February 27, summarized in the Chancellor's speech, represents a lasting change, and an understanding of the need for a new commitment. I did not expect it, but I was very pleased when it happened. Yet, of course, we have to live up to it.

Obtaining a position of strength not only refers to the build-up of military capability and readiness. It importantly includes economic strength. Many of us have to produce forecasts to advise decision makers, and we are debating moderate, negative and extreme scenarios for the outlook. Clearly, a negative or extreme scenario with close to double-digit inflation and economic stagnation would not indicate a position of strength. Price stability is strength. Financial stability is strength. Sustainable growth is strength. Debt sustainability is strength. So there is a lot to do for economic policy. Monetary policy can only do a part, of course. We'll find out more from President Lagarde.

President Lagarde, everyone here, of course, knows you, and the steps of your illustrious career. So rather than listing your many accomplishments, please allow to make an exception and instead to provide a list of thanks and of good wishes:

1. Thank you for coming here in person to speak to the ECB watchers conference this year. That in itself, is a strong signal of your commitment to confer directly with the ECB's watchers.
2. Thank you for your leadership with regard to the ECB strategy review and, in particular, for letting us, that is, this community and forum, contribute as a listening event in the fall of 2020 to that review.
3. Thank you for your leadership throughout the corona crisis. This has been a rough ride unlike anything we have seen before in terms of economic

recession. And monetary policy as well as fiscal policy has played an important part in helping us through it.

Now the wishes,

1. Looking forward, I wish you lots of success in leading the ECB through this new crisis.
2. I wish you continued and great success in contributing to the “economic war effort” in terms of financial sanctions.
3. I wish you great success in navigating a good course in monetary policy that will help the euro area economy avoid stagflation, and help it sustain the strength needed in this conflict.

Without further ado, may I ask you to the podium.