

Ladies and gentlemen,

A very warm welcome to all of you.

Thank you all for accepting our invitation and joining us for this event.

It is my pleasure to open this Annual Research Conference, on "Distributional implications of the crisis and policy responses".

We got flooded with requests to participate in this conference. Clearly, this massive interest not only reflects the exceptionally high level of the speakers, but also shows the importance – even more, the urgency – of the theme of this conference.

The inequality of income and wealth has been rising, even though its geographic distribution appears to have declined.

Recently, attention in the policy debate, in academic research and among the public at large has turned to the distributional consequences of monetary and regulatory policy.

So why do we as central bankers organize a conference on this topic? Put in plain terms, because we do not have the luxury to look away.

We are central bankers, but we are also part of society and as such share its ethical principles.

So in addressing this issue we need to distinguish analytical and ethical arguments.

It would be intellectually lazy to mark this debate as purely ethical. Neither can we ignore ethical or ideological principles underlying our analysis.

When I think about this topic, three questions keep bugging me. The first one is -- Apart from ethical considerations about fairness, is inequality also an economic problem? In other words, does it matter for economic growth and welfare? Can it help explain the Great Recession and predict where we are heading now?

My second question is -- How can we explain the observed increase in inequality?

What is the role of long-term trends and cyclical factors?

And what is the role of different types of policies?

In particular, what are the distributional implications of (both conventional and unconventional) monetary policy?

And finally, my third question -- How should we central banks deal with these implications?

These are difficult questions.

There has been much research on the underlying forces of the distribution of income and wealth.

The results point to structural, conjunctural, financial and policy-related drivers.

We also know that crises are associated with greater inequality.

However, disentangling causality and correlation in the data is notoriously elusive.

So we need economic theory to guide us. However, existing models are often not well-equipped to deal with crises – definitely not with the current crisis.

What we need is to keep an open-mind about different theories.

To tackle the theme of this conference we need to think out of the box.

No Nobel Prize was ever won with strictly conventional thinking.

And we do need Nobel Prize research on this topic.

The same can be said for the role of monetary policy.

There is research that suggests that it does have distributional effects.

But the – conventional and unconventional – response of monetary policy to the crisis has been unprecedented, and we still lack the analytical tools to fully grasp its effects.

To me, perhaps the most difficult question is how central banks should look at the distributional questions of monetary or regulatory policy.

Standard economic theory tells me they should not.

But if inequality does have macroeconomic consequences, should we not factor these in when we forming our decisions?

Moreover, in my daily life as a central banker I have learned that our independence from democratic control has to be earned day by day. We therefore cannot ignore the distributional consequences of our policies for those that have entrusted us with our mandate and independence.

And this entails that we need to think very carefully about this topic.

And it is with this mindset that I look at this conference and its importance.

When Winston Churchill spoke at the University of Leiden, here in The Netherlands, just after the Second World War, he said looking his audience in the eye: "I see tremendous forces in this room".

What was true then and there, certainly holds true here and now: there are tremendous forces in this room. I truly hope that you will inspire each other to rise to the occasion. That this be not just another interesting central bank seminar.

I deeply hope, and looking around I fully trust, that together you will render these two days into one of those rare occasions that truly memorable insights emerged from the interaction between the sharpest minds on earth.

Thank you.