



BANCA D'ITALIA
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Honouring Ignazio Visco: A Life in Economics

Opening remarks by Fabio Panetta
Governor of the Bank of Italy

*'Hard Times': Economic Shocks and Policy Responses since the
Global Financial Crisis* – Symposium in honour of Ignazio Visco

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It is my pleasure to welcome you today to honour Ignazio Visco, whose term as Governor of Banca d'Italia ended in October last year.

It is challenging to sum up Ignazio's career in just a few words. It is even more challenging to do justice to his contributions and his tireless professional dedication. I will avoid the challenge and simply recall – as a friend and as a colleague – some of the episodes that have marked his experience in central banking.

As a sign of things to come, Ignazio started thinking about inflation when he was in his early twenties. He studied the topic at the University of Rome, under the supervision of Federico Caffè, and went on to do a doctorate at the University of Pennsylvania, under the supervision of Nobel laureate Lawrence Klein. Ignazio's early research focused on the role of wage indexation in driving inflation in the 1970s. As you all know, the link between wages and inflation is at the heart of the current debate among central bankers in the euro area and beyond. Even as a young man, Ignazio had an instinct for picking critical, policy-relevant issues that lie at the core of central banking.

Ignazio joined Banca d'Italia in 1972, just before the oil shock caused by the Yom Kippur War. And when he left Banca d'Italia last year, Europe was dealing with the aftermath of another energy shock caused by the Russian aggression against Ukraine. To an all-round intellectual like him, this must have looked like a vindication of the Italian philosopher Giambattista Vico's idea that history consists of 'recurring cycles' (*corsi e ricorsi storici*).

In fact, between 1972 and 2023, there were many other occasions when Ignazio had to navigate choppy waters, at Banca d'Italia and elsewhere. Hence the title of this conference.

In 1992, as Head of the Bank's Research Department, he faced Black Wednesday and the subsequent suspension of the Italian lira from the European Exchange Rate Mechanism. A few years later, while he was Chief Economist at the OECD, the Asian crisis of 1997-98 unfolded, spreading to Russia, Brazil, Argentina and other countries.

The Great Moderation of the 1990s and early 2000s provided some respite. But Italy's performance was poor, hampered by low productivity. Ignazio was aware of the scale of the problem, and he initiated and led a major collective effort to identify the reasons for Italy's malaise. The results of this research are well documented and widely accepted today.

Ignazio joined the Governing Board of Banca d'Italia in 2007, on the eve of the global financial crisis. And he became Governor in 2011, during the eurozone sovereign debt crisis.

Ignazio and I worked together closely during this period. The crisis forced us to talk more about spreads, deficits, and non-performing loans than about productivity. And events moved so quickly that we did not have time to delve into these issues as much as we would have liked. In essence, it was time to act, not speculate.

In spite of the pressure, or perhaps because of it, our interactions were always calm, stimulating and productive. Of course I am not in a position to give an impartial view of what we have done together, but I do believe that the work carried out by Banca d'Italia has been extremely valuable in many areas, both domestically and at European level.

At the end of 2014, the risk of deflation appeared on the horizon. A broad, persistent price decline put the ECB in a situation it had never faced in its short existence. Nevertheless, the response was swift, creative and effective. I do not want to praise the central bankers in this room too much, but I believe that, on balance, 'unconventional monetary policies' have been a success. As famously stated by Ben Bernanke, these measures do not work in theory, but do work in practice. I am sure that this is a lesson that will remain useful in the future.

In 2018, with the risk of deflation and Italy's banking problems largely under control, Ignazio dared to publish '*Difficult Years*': a retrospective book wrapped in a thin veil of optimism. Some of his readers were quick to point out that the following years could be even worse. Well, they were not wrong.

The last part of Ignazio's mandate saw a truly exotic mix of shocks: the COVID-19 pandemic, the war in Ukraine, the ominous resurgence of long-forgotten geopolitical tensions. Figuring out the inflationary implications of all this required another dose of intellectual heavy lifting, and Ignazio did not shy away from it.

Clearly, Ignazio did not get bored during these years. I hope that my mandate will be *much* more boring.

In his 50 years of service, Ignazio was also part of powerful historical processes. Technology and globalization brought tangible improvements in living conditions around the world. The launch of the Economic and Monetary Union and the creation of the euro heralded a new era for Europe. In addition, the Italian economy, despite its structural problems, proved its potential by emerging from the COVID pandemic with an exceptionally strong recovery.

These are success stories. They are also stories that none of us should take for granted. Globalization is now in reverse; EMU is still incomplete; and Italy could easily fall back into its low-growth trap. I know how much Ignazio cares about these issues, and I can assure him that Banca d'Italia will continue to work on them with the same passion and rigour that characterized his tenure as Governor.

Over his career, between one crisis and the next, Ignazio wrote extensively on a wide range of economic topics, from inflation expectations to education and human capital. He gave thorough, *long* public speeches on many of these topics. He also spearheaded the development of Banca d'Italia's econometric model.

Yet Ignazio left his mark on Banca d'Italia not only as an economist. His knowledge goes far beyond economics, and it includes as many poets, historians and philosophers as economists or statisticians. This combination often proved problematic for our colleagues: they knew that a briefing with the Governor could include any combination of economic arguments, quotes from Dante Alighieri or Søren Kierkegaard, and citations from exoteric econometric papers from the 1970s onward.

To make matters worse, Ignazio is notoriously capable of digesting thick background documents without ever losing his concentration, or overlooking a footnote. He also has a sharp eye for spotting typos, and a true dislike for them. And he always double-checks the double-checks – just in case. In short, he was not an easy client to please.

But he was also welcoming and open to debate, especially with junior staff. The fond memories he has left behind among colleagues show that, in the long run, it is this attitude that defines a leader's legacy.

I would like to thank the organizers for putting together today's impressive programme. I would also like to thank the keynote speakers, the panellists, the moderator, and all of you for participating in this gathering of friends.

Professor Maurice Obstfeld and Professor H el ene Rey will talk about two issues that central banks have to deal with on a regular basis: the elusive neutral interest rate and monetary policy spillovers.

Andrew Bailey, Governor of the Bank of England, Agust n Carstens, General Manager of the Bank for International Settlements, and V tor Const ncio, former vice President of the ECB, know a lot about 'hard times' and financial crises. Professor Beatrice Weder di Mauro has the challenging task of moderating their discussion. I look forward to hearing them all.

At the risk of sounding provoking, I would like to conclude by re-quoting Kierkegaard: 'Life can only be understood backwards, but it must be lived forwards.'

My wish for Ignazio today is that he will not only continue to look forward, but also to reflect on his experiences, and share his reflections with us and the cohorts of young economists – and potential central bankers – who will follow us.

Thank you.

