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Bank of Japan

**Opening Remarks at the 3rd Bank of Canada and
Bank of Japan Joint Workshop**

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I am pleased to welcome all our distinguished guests to the 3rd Bank of Canada and Bank of Japan Joint Workshop. In particular, it is our great honor to have the presence of Professor Gianluca Benigno, Professor Marvin Goodfriend, and Professor Lawrence H. Summers as speakers. Last but not least, representing the Bank of Japan, I would also like to thank the Bank of Canada team headed by Mr. Gregory Bauer and Mr. Rhys Mendes for their participation and cooperation right from the organizing phase of the workshop.

At the Monetary Policy Meeting held last week, the Bank of Japan decided to introduce "Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control" by strengthening the previous policy framework with a view to achieving the price stability target of 2 percent at the earliest possible time. The new policy framework consists of two major components: the first is "yield curve control" in which the Bank will control short-term and long-term interest rates; and the second is an "inflation-overshooting commitment" in which the Bank commits itself to expanding the monetary base until the year-on-year rate of increase in the observed consumer price index exceeds the price stability target of 2 percent and stays above the target in a stable manner.

In the run-up to the new decision, the Bank conducted a comprehensive assessment of the developments in economic activity and prices under "QQE" and "QQE with a Negative Interest Rate." The assessment includes a number of solid econometric analyses, showing the importance of interaction between policy analysis and policy action, as a basis for better policy making.

If you look at the Bank of Canada web site, it is saying, "The Governor of a country's central bank must have a thorough understanding of financial markets and the economy and possess wide experience in international finance." While I greatly respect the high standard set by Canadian people, we recognize that even today central banks are being faced with a number of challenges in fulfilling their given mandates and central bankers are, admittedly, not omnipotent. It is why we hold and cherish opportunities like today's workshop to meet for discussion and to exchange views and wisdom with each other. Today, we will discuss "Challenges to Central Bank Policies for Price Stability and Financial Stability" in this

workshop. I am expecting to learn a lot from the four cutting-edge research papers and three insightful lectures to be presented.

In the face of many challenges for central bankers, let me quote from *Anne of Green Gables* by the Canadian writer Lucy Maud Montgomery. I would like to emphasize that it is a well-known masterpiece not only in Canada but here in Japan. Anne says to her stepfather, old Matthew, "Isn't it splendid to think of all the things there are to find out about? . . . It wouldn't be half so interesting if we knew all about everything." Anne's words sound very encouraging to all economists and central bankers who are making numerous efforts to find out new ideas, solutions, and policy tools.

With Anne's encouragement in mind, I am hoping that all the participants in today's workshop will be able to find out something -- or many things -- that are interesting, inspiring, and helpful in tackling the challenges ahead.

Thank you.