

Joseph Yam: Fourth Hong Kong Monetary Authority Distinguished Lecture: opening remarks

Opening remarks by Mr Joseph Yam, Chief Executive of the Hong Kong Monetary Authority, at the Fourth Hong Kong Monetary Authority Distinguished Lecture on the theme of Monetary Policy and Financial Stability, Hong Kong, 13 February 2001.

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It is an honour for me to welcome Mr Andrew Crockett to deliver this Fourth Hong Kong Monetary Authority Distinguished Lecture. I am also delighted to welcome Dato' Dr Zeti Akhtar Aziz as the Discussant. Both are good friends of the HKMA, and it is a special pleasure to see them here today before this large and diverse audience. I extend to all of you, on behalf of the HKMA, a very warm welcome.

The subject matter of this Lecture – monetary policy and financial stability – is at the heart of central banking. Much attention has been given to resolving the apparent conflicts between the two desirable objectives of monetary stability and financial stability, at the policy as well as the operation levels. The recent experience of a number of jurisdictions has indicated problems in achieving both simultaneously. Some have gone as far as to introduce institutional changes to alleviate the tension, or the embarrassment, or the risk of policy credibility being undermined as a result of such conflicts. While the jury is still out on what institutional arrangements for delivering simultaneously monetary and financial stability are appropriate, there is doubt as to whether institutional changes, politically attractive as they may be, are the right answer. Today Andrew will give us his insights on the subject. He is particularly qualified to do so, being responsible for the running of the central bank of central banks.

Some of you may feel that this subject matter is a little arid. I am aware of the fact that those in the private sector have, particularly at this time of the year, more practical and "profitable" issues occupying their minds. But the achievement of monetary and financial stability is central to any successful economy and therefore important to the general conduct of business. It is also a burning issue in this region, where the experiences over the last few years have underlined its importance, and the consequences of failure. Knowing Andrew, who has an admirable ability to present technically complex issues of money and finance in the simplest of terms, I am sure you will find the subject refreshingly interesting.

Andrew Crockett has been General Manager of the Bank for International Settlements since 1994. To pursue the classroom metaphor that I used at the last lecture to describe how central bankers get on with each other when they come together at meetings, Andrew's job is to be the "class prefect" or "captain", who maintains order and prevents us from banging our heads too hardly at each other. He does this difficult job with immense grace and diplomatic skill. He is also the "sports captain", among central bankers, and organises the annual Governor's Cup at a very fine golf course close to the Franco-Swiss border. In addition, Andrew doubles up as our gastronomic and oenological consultant at the informal social events that are an important part of any international gathering.

Andrew has been a staunch supporter of Hong Kong and the HKMA for a very long time – indeed, formerly as an Executive Director of the Bank of England, he played an instrumental role in the conception of the HKMA. Since he became General Manager of the BIS in 1994, the HKMA's ties with the BIS have gone from strength to strength. We joined the BIS as a shareholder in 1996. In 1998, Hong Kong became the location of the BIS's first overseas office – an office which has become extremely active in this region, with its most recent event being the organisation in Hong Kong of a major BIS Governors' meeting, held just this last weekend. In 1999, Hong Kong was invited, as one of the four non-G10 economies, to join the Financial Stability Forum, which Andrew chairs: this forum has the job of proposing reforms to the international financial architecture, and it is making good progress in this herculean task.

As discussant for today's lecture, we are privileged to have Dato Dr Zeti Akhtar Aziz, who has been Governor of Bank Negara Malaysia since May last year, and who is another one of the 'classmates' at BIS. I have known Dr Zeti for some years now and benefited from her wise counsel, particularly during the time when she was Assistant Governor in charge of economic research. Dr Zeti is a career central

banker who joined Bank Negara in 1985 and who has taken up various important positions within Bank Negara. She played a pivotal role in steering, very successfully, Malaysia through the Asian Financial Crisis and in introducing the very important financial sector reforms. Dr Zeti is therefore able to offer a particularly practical perspective on today's theme, and I look forward to her comments with much interest.

Ladies and Gentlemen, I now have great pleasure in calling upon our speaker, Mr Andrew Crockett, to deliver the fourth HKMA Distinguished Lecture. Mr Crockett, please.