

The Rt Hon Sir Edward George: Shafts of light amidst the general gloom of the global economy

Speech by The Rt Hon Sir Edward George, Governor of the Bank of England, at the Bankers Club/Guild Banquet, London, 4 February 2002.

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President, My Lord Mayor - locum tenens, Excellencies, My Lords, Aldermen, Sheriff, Ladies and Gentlemen

I'm sure you've noticed that time passes more quickly as you get older. I explain it with my own pet theory of relativity based on the fact that each year that passes is a smaller proportion of what's gone before. But I must confess I'm beginning to have my doubts. It seems much more than 12 months ago that we last came together for this great annual gathering.

The fact is, it's been a very long, hard, year, not just for policy-makers around the world but also for many of you in the financial services industry - particularly the international financial services industry. We've had to cope with the synchronised global economic slowdown; the extension of the fall in equity prices - with dotcoms spreading to telecoms and beyond - even now to Enron; with increasing credit risks; and then with the vicious terrorist attacks of 11th September and their aftermath, and, finally around the turn of the year with the very sad climax to Argentina's long drawn out crisis. I could easily go on. It really has been a long, hard, year.

But there have been shafts of light amidst the general gloom - and I prefer to focus on those this evening.

In terms of the global economy there are now tentative signs that the worst may soon be over, with the prospect of gradual recovery as we move through this year. That should provide some support for global equity markets. With inflationary pressures subdued, monetary policy generally can, for the time being at least, afford to remain reasonably supportive - though I make no predictions as to what that may mean for interest rates. And crucially, for all of us, the international financial system has so far - and I recognise that problems are often slow to surface but it has so far - stood up well to the successive shocks.

Much more broadly, I am encouraged that - as with the Asia crisis a few years ago - the recent pressures have not generally called into question the real benefits of the market economy, in terms of growth, and employment, and rising living standards, but have rather contributed to a growing recognition that those benefits can by-pass poor countries, and poor communities within countries, and that it is in our collective interest that those who are excluded, one way or another, should be helped to help themselves to participate in those benefits.

In the context of globalisation, that was reflected in the Doha agreement on a new round of world trade negotiations; and development financing will be the theme of the Monterrey Summit next month.

But there has been increasing recognition, too, that the private sector has its role to play, alongside governments, and it was to encourage and promote the engagement of private sector firms with disadvantaged, excluded, sectors of our society, through charitable and community involvement, that the Heart of the City campaign was launched, very successfully under Andrew Buxton's leadership, last year.

I'm encouraged, too, by the evidence of clear community of interest between the financial authorities and the private sector in its commercial activity. Their co-operation enabled the system to cope remarkably well with the potential dislocation following the 11th September attacks - and I congratulate the Federal Reserve in particular and all of you who played a part in that achievement. The same co-operation is contributing now to the international financial war against terrorism, and to the strengthening of our disaster contingency plans. It contributed, too, to the flawless introduction of Euro notes and coin into the Eurozone - so well managed by the ECB and in which many of you, again, played your part. Another example is the intensive consultation and co-operation on the development of the Basel 2 regime for banking supervision.

I'm encouraged finally by the continuing sense of community among financial professionals here in London. This was movingly evident in their spontaneous demonstration of solidarity with their counterparts in New York following 11th September. But it was evident too in the formation earlier last

year of the Guild of International Bankers, our co-hosts this evening, and of which you, Lord Mayor - locum tenens, are the Founding Master. It takes on the mantle - or, perhaps more appropriately, takes over the ledger - from the Bankers Club which has contributed so much to the City's professional esprit de corps over so many years.

So it has, as I said, been a long, hard year, President, but it has certainly had its positive moments.

And I should like to conclude by paying tribute this evening to the role of the City Corporation and of the Mayoralty, and their contribution to many of the positive developments we have seen - through their own example in promoting community involvement, including their support for the Heart of the City campaign; through their own role in maintaining security and co-ordinating the "public" infrastructure - both vital to all our contingency plans; and through their support for the fundamentally international character of the City, not least in opening the way to the Guild. I am profoundly grateful to them for all the help and support they give to us all.

It is in that context that I ask you now to rise and join me in a toast to "the Rt Hon The Lord Mayor, the Corporation of the City of London and the Sheriffs."