

Miroslav Singer: Central Bank Governor of the Year for Emerging Europe 2013

Acceptance speech by Mr Miroslav Singer, Governor of the Czech National Bank, at the Central Bank Governor of the Year for Emerging Europe 2013 awards, Washington DC, 12 October 2013.

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Let me start by thanking you for this award. I see it not so much as personal recognition, but more as recognition of the team of people that make up and define the Czech National Bank that I have the pleasure to represent here. Special thanks go to those I work with directly, among others to my colleagues on the board for their unlimited patience with my generally awful manners and attempts to claim leadership. Whenever I meet a group of investors or analysts, I always start by noting that any issues and questions requiring knowledge and wisdom would be better addressed by our experts, those requiring only wisdom would be better be fielded by my colleagues on the board, and those requiring neither knowledge nor wisdom can be safely left to me. So, let me share some of my knowledge- and wisdom-free observations with you.

Ten years ago, when I was working in restructuring, I could never have imagined that I would join the central bank in less than two years and later rise to the top job there. But the offer came, and it was one I truly could not refuse. I owe a big debt of thanks to my predecessor Zdeněk Tůma, who steered the bank to a position where its reputation, which had been severely tarnished before his arrival, was growing steadily. He achieved this by, among other things, imposing his own highly developed sense of self-control and restraint on the bank. As the Czech National Bank started communicating less on general topics and more on its areas of expertise, it became recognized as an institution of true independence and authority – to such an extent that the Czech political system allocated all supervisory competences to it and continues to broaden its responsibilities.

I believe that the crises from which a significant part of the developed world is still emerging have – at least for smaller economies – justified a scheme in which some or all supervisory roles are allocated to the central bank, which holds responsibility for stability issues anyway. But I also have to warn against the trend where the public sees central banks gaining more and more competences and mandates and starts to overestimate their ability to deal with crises. Central banks are far from omnipotent, and this trend may harm them. After all, their independence is only a product of the political system in which they operate. And such independence depends chiefly on their reputation. A central bank's reputation is based on qualities such as accountability, transparency, and proper management of its own operations, as well as on its ability to make good choices and good decisions. As its mandate broadens, the likelihood that its actions will be seen as the right ones lessens. We are hardly able to cure all the ills of modern economies, let alone whole societies. So, we should keep on practicing restraint, both in the scope of the mandate we wish for, and in our communication on more general issues lying outside our direct responsibilities and outside the time frame over which we can influence the position of the economy in the business or financial cycle.

Such restraint also enables us to communicate convincingly and effectively without needing to resort to strong words. At a time when even the central bank's core mandate – monetary policy – has become quite a challenge to implement, such quality of communication is of utmost importance. As we head toward the ZLB, as we ponder or carry out unconventional monetary policy measures, and as we address the consequences of similar moves made by our colleagues, we must be sure that our words are read carefully and taken seriously. In such a world, we must also carefully scrutinize whether we are overestimating our ability to forecast the fundamentally uncertain economic system and identify its crucial elements, and

consequently whether we are overcommitting ourselves in our efforts to reduce the uncertainty felt by economic agents. Because if we are, the instant effectiveness of some forward-looking commitments and guidance that should never have been issued at all, will give way to a much longer-lasting decrease in our ability to guide the markets in the future, and thus to an increase in the risks faced by each and every economic agent.

Our mandates and institutional frameworks may develop, but our primary objective of assisting economic development and growth by preventing abrupt changes in economic indicators – be it the price level or broad measures of the stability of financial systems – will very likely stay unchanged for quite some time to come. Generally speaking, the goal of central banks is to provide some certainty in fundamentally uncertain economies, the uncertainty being based largely on the workings of their monetary systems. In pursuing this goal, we will need three things. First, we will need external recognition of the importance and usefulness of our independence. Second, we will need to nurture good relations with our colleagues; we have made great strides in this area, but much remains to be done. And finally, in our inner circles we will need the support of our nearest and dearest. So, let me end by thanking my wife for being such a rock of support in my life, my parents for teaching me that things should be done properly or not at all, and my kids for being such a joy every time I am with them.

Thank you.