

Juyeol Lee: Inaugural address

Inaugural address by Mr Juyeol Lee, Governor of the Bank of Korea, Seoul, 1 April 2014.

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Dear fellow members of the Bank of Korea!

It has been two years since I left the Bank, and I am overwhelmed to be seeing you all again. While taking it as a great honor to be appointed Governor of the Bank of Korea, where I have worked for all but the last two years of my entire career, I at the same time feel an enormous sense of responsibility to devote myself to bringing our economy up onto a strong foundation. But although I feel weighted down with important duties, I must also say that I feel reassured to be with our seasoned MPC members equipped with their very valuable experience, and with colleagues who always do their best at every responsibility given them.

Taking this opportunity, I would like to express my gratitude to my predecessor Governor Choongsoo Kim, for his leadership at the Bank of Korea over the past four years. I would like to ask Governor Kim for his unstinting guidance and support, for the development of our national economy and the Bank.

Dear Bank of Korea colleagues!

I think you are all well aware that, on the occasion of my appointment as Bank of Korea Governor, discussions on the role of the Bank of Korea have been active in every corner of society. Watching these discussions, I have been able to reaffirm that the people's expectations of the Bank have become higher and more varied than ever before. Since the 2008 global financial crisis a consensus has been reached that the central bank must promote financial as well as price stability, and in reflection of this financial stability has been added to the Bank of Korea's mandate. Recently, as concerns about a secular decline in the potential growth rate have arisen, the opinion has gained interest that monetary policy's focus should be placed on economic growth and employment as well.

And I think that the reason these multilayered demands, which sometimes even conflict with each other, are being raised so strongly, is that the environment surrounding us has changed so greatly compared to the past.

Although the advanced economies are gradually recovering, they have not yet fully emerged from the shocks from the crisis. It is also uncertain whether China, which has risen as one of the G2 along with the U.S., will be able to continue its stable growth. The QE policies conducted by the U.S., Japan and other advanced economy central banks to overcome the crisis were so unprecedented that it is difficult to predict the channels, the extents and the intensities of their impacts. There is a view that the expanded liquidity supplied will create new bubbles, while the U.S. Federal Reserve's QE tapering beginning from last year has also caused financial instability in some EMEs.

Our Korean economy is also confronting many difficulties. Our growth potential is weakening due to the slowing rate of increase in our economically active population, to sluggish corporate investment stemming largely from the uncertainties about the business outlook, and to regulatory hurdles. Income and wealth gaps across industries, corporations and individuals have widened, as the fruits of growth have not been evenly divided. Excessive household debt, which constrains private consumption, is not only weighing on growth, but also narrowing the scope for our macroeconomic policy operations.

My dear friends and colleagues,

I would like now to share with you some of the things that I will keep in mind during my governorship.

First, I believe that the role and responsibilities of the Bank of Korea must be redefined, in line with the changes in the economic structure and the external environment. We need to consider deeply how to meet the people's demand that the current monetary policy framework pursue not only price stability but also financial stability and economic growth, in harmony. There is a need for us to review and discuss in earnest how our policy objectives and instruments should be changed to accommodate this new demand for an evolution of the Bank of Korea's role. If social consensus on this is reached, even if it takes time, the Bank of Korea will develop into a more advanced central bank.

Next, we need to devote our utmost efforts to achieving a rebirth of the Bank of Korea as a central bank trusted by the Korean people. The essence of monetary policy lies in effectively managing the expectations of economic agents, and this is only achievable with the people's belief in their central bank. I will devote myself to enhancing our Bank's policy effectiveness, through efficient communication and consistent and predictable policy operations.

Third, I will devote close attention to preparing against potential risks and ensuring that our economy maintains a stable recovery while sustaining price stability. In particular, I will thoroughly monitor external risk factors, such as changes in the monetary policy stances of major economies and the possibilities of resulting unrest in the global financial markets and emerging market economies, and endeavor to come up with the necessary countermeasures. In this process, I will work to ensure that we can achieve more effective financial cooperation with major central banks and international financial organizations. We also need to pool our wisdom for the stable management of household debt.

Dear members of the BOK family!

The last two years have afforded me a good opportunity to look at the Bank of Korea from a more objective perspective. The outside evaluations of the Bank differ from what we ourselves believe we are, and I think contain many points that we can refer to in conducting our tasks. Here today, I would like to request the following:

We need to look back once again, and consider the appropriateness of our ways of thinking and handling the work that we have taken as natural until now. All organizations tend to have their own thoughts and patterns of behavior distinct from those of other organizations. From the outsider's view, however, this can be seen as a kind of institutional self-centeredness that tries to disregard changes in the environment. As I mentioned earlier, people's expectations for the central bank are at this time higher than ever before. We should bear in mind that, if we do not think outside the box, it can be difficult for us to play the role and carry out the mission befitting the needs of our time.

Particularly, since the Bank of Korea is a national policy organization, we should always look squarely at the problems which the Korean economy faces and maintain a positive attitude while seeking the appropriate policy options. Only then will the Bank of Korea be able to be recognized as working together with the people, and contributing to the development of the national economy. To this end, I hope that all of you will devote yourselves to self-improvement, and to being top-class specialists in your areas of work.

I will devote myself to creating an environment in which all employees can trust and communicate candidly with one another. We should never forget that a workplace culture where seniors, juniors and coworkers trust, respect and care about one another is a very valuable asset which our predecessors have cultivated for a long time.

Dear fellow members of the Bank of Korea!

I would like to briefly tell you my thoughts related to this organization and to its human resource management.

I will completely reexamine the efficiency of our current management administration system and operating procedures. I will work to further enhance the positive aspects of the various reforms taken in the internal management area in the past years. If, however, there are

measures that have had adverse side-effects contrary to their original purposes, such as the lowering of work efficiency, they will need to be improved on as soon as possible. And so I will begin to work on this immediately. I will also examine carefully whether the current organization of our bank allows us to commit ourselves to our natural duties including the conduct of monetary policy, and devote myself to ensuring improvements in any areas needing it.

Related to human resource management, as I have mentioned before the most important criteria should be performance and reputation built up over a long period of time. I believe that only these criteria will encourage us to further ourselves from a long-term perspective and dedicate ourselves to the development of our bank. And while seeking the stability of our organization based upon this principle, I will also pursue diversity and openness.

Dear fellow BOK staff,

The Bank of Korea is a public asset, which the people have entrusted to our care, and we are therefore responsible for contributing to the development of our national economy. Let us reconfirm our responsibility for committing ourselves only to our national economy and to the people of Korea. I am confident that, by combining our outstanding 64-year tradition with the flexibility of thought that the new environment requires, we can feel a strong motivation to work with dignity and pride.

Thank you.