

## **Florin Georgescu: Challenging the status quo in management and economics**

Opening remarks by Mr Florin Georgescu, First Deputy Governor of the National Bank of Romania, at the Strategica International Academic Conference "Challenging the Status Quo in Management and Economics", Bucharest, 11 October 2018.

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*Distinguished guests,*

*Ladies and Gentlemen,*

I am glad to welcome you at the National Bank of Romania, as we host today the 6th edition of this prestigious international conference, together with the National University of Political Studies and Public Administration, and the Romanian Academic Society of Management.

The debates today will be held under a generous and timely topic: "Challenging the Status Quo in Management and Economics".

We couldn't have a better moment to discuss challenges to the status quo than today, as we witness a whole range of economic, social and political forces pushing for change all over the world. If this change is in the sense of progress or not, that remains to be seen. I trust that your presentations and insights will shed more light on these trends.

I confess that I had a look at the titles of the presentations in both days of the conference, and the word that appears most frequently in these titles is knowledge. And I realize that not less than 50 years ago, Peter Drucker, the philosopher and management guru, launched the concept of knowledge economy. Since then, economists and management specialists of all doctrines, put knowledge at the forefront of their views of the world.

The surprise is that after 50 years, we still feel that there are missing elements in our economic and institutional constructions, which should be knowledge-based. Instead of having more and more educated and informed people in society, we see a widening knowledge and information gap. Partially this comes from economic inequalities, another increasing challenge, but partially from ignorance.

The Nobel Prize this year was recently awarded to professors William Nordhaus and Paul Romer for achievements in the economics of climate change, but also for the role of technology in economic progress. For both distinctions, the Nobel Committee mentioned that research informed government policies and international cooperation are decisive for sustainable economic growth.

What we see in this year's Nobel Prize award, is the supreme recognition of the fact that knowledge and research are essential inputs for policies. On the other hand, we notice that in many cases, in everyday practice, policies ignore the findings of research and academia, not to mention that sometimes they even ignore the basic laws of economics.

At the other end of the transmission mechanism, the citizens grow increasingly dissatisfied with policy-making and become detached from their leaders' actions. The gap is then filled by extremism and populism, two evolving diseases of societies today.

Moreover, despite an immense stock of knowledge that is accessible to an unprecedented number of people, we notice a lack of appetite for this knowledge, most surprisingly among younger generations. Therefore, it appears that our real problem is not the lack of knowledge, but the lack of interest for knowledge.

I have to tell you that the National Bank of Romania has established 9 years ago its activity of financial education and last year we created a specialized department for this purpose. This conference is organized under the umbrella of our broader project Academica, meant to stimulate the contacts between the academic world, our central bank experts and the public.

With this triangle of knowledge, we hope to become more and more successful in reaching the hearts and minds of citizens, but also of policymakers and company managers. We have a long way to go in both directions.

We still see large groups of population that have insufficient or zero knowledge about the economy and the risks to their economic life. The last survey on financial literacy in Romania revealed that only 22% of the adult population could be considered financially literate. This means that the rest of respondents have problems in understanding the perils of inflation or the risks associated with a bank credit.

Therefore, it goes without saying that in order to have successful policies, we have not only to integrate more knowledge in our policy design, but also to convince people to integrate more knowledge in their financial decisions. And this is twice as hard to achieve.

These facts oblige us to realize that challenging the status quo means in the end challenging mentalities, both those of policymakers and of citizens.

It is a very complex process, but we see it as an opportunity as well. We can transform education and awareness in very effective policy tools, to everybody's benefit. We can surpass the objective limits of our policy actions, by making people more aware of these very objective limits.

Bridging the knowledge gap can lead to more financial inclusion, to more access to finance, which is good news for banks, companies, citizens and public authorities alike.

Ladies and gentlemen,

My conclusion and my message for you, distinguished participants to this conference, and I do not want to sound old fashioned, is that we need research and economic analysis that is practical and can fill the real deficits of our society.

And if you really want to challenge the status quo, my advice is to have in mind also the way your research will be disseminated and materialized in real life.

On the other hand, let's not forget to preserve what is valuable in the current establishment. As an old word of wisdom is saying, we need courage to change the things which should be changed, serenity to accept the things that cannot be changed, and the wisdom to distinguish the one from the other.

I wish you success with the debates!