

Closing Remarks

Glenn Stevens

Thank you Ross.

You've all heard too much from me already today, so I am not going to try to sum up what has been a rich discussion. I do want to thank all of the people who have contributed papers, the panellists, including the Chairs, and all of our other guests.

We have been running an annual conference in the Bank since 1989, and over the twenty plus years I think this one ranks up there with among the best so far. This is testimony to the quality of all of the presentations as well as the general discussions.

I will offer just three or four reflections on the themes that have been touched on today. The first relates to the fact that everything is connected; that is true in economics, but it is often forgotten. A key theme of this morning was that monetary policy and financial stability are connected, and indeed this connection runs both ways. In particular, the efforts that we are embarking on in order to improve long-run financial stability will have macroeconomic implications in terms of additional costs for intermediation over time. Also, supply-side and macroeconomic policies are connected for reasons that we heard about in both the first and the final sessions of the day, and I think all these connections are quite important. A novel connection, at least for me, is Warwick McKibbin's idea that 30 years of learning about how to run monetary policy provides potential insights for climate policy.

This theme of interconnections is closely related to the second theme of the day that I want to mention, which is international cooperation. This came up in a lot of areas. This morning, Jaime Caruana talked about the need for a global approach to ensure financial stability. It was also raised in Andrew Crockett's remarks at lunch about the global financial architecture. One thing that Andrew said which I think is quite fundamental is that harnessing countries' desire to pursue their own interests is critical. Reforms that go against their own interests are not going to work. So the question is: how do we get countries to focus on the areas in which their interests are all aligned so that we can work together in critical areas? This is relevant to the international financial architecture, to trade issues, and to climate change. So making sure that policies are such that countries' interests are aligned as much as possible seems to be a critical challenge.

The third theme of the Symposium has been that things change. A few times this morning we heard about paradigm shifts. Mohamed El-Erian argued that things are not going to go back to the way they were even when special stimulus measures are withdrawn. Charles Goodhart made a rather prophetic sounding remark that the Bagehot world of the past 150 years has gone, and we are now in a new world in which insurance is basically provided to all. I am not sure that we fully appreciate the implications of this if it is true. The third change which has been remarked on is the emergence of China, which is ongoing and particularly important for Australia. As I

have said before, I am an optimist in the long run about China, but as China gets more and more important, the rest of us need to understand how that country works and what is happening there.

The fourth theme, if I can just go back to one thing that was in my paper, is the value of remembering all of the old lessons, which are still relevant to the new challenges we face. The supply side still matters a lot. It was quite deliberate on our part to put supply-side issues on the agenda for this Symposium. We have seen Anne Krueger give a forceful defence of the benefits of supply-side reforms – the opening-up of international trade and financial systems, liberalising markets, reducing unnecessary involvement of governments – which have contributed to the large rise in living standards across most of the world. And while we all recognise the importance of monetary and financial stability, it still needs to be defended again and again. So as much as things are changing, these old verities are, if not eternal, at least rather durable.

The only other thing that remains for me to do is to thank the many staff of the Reserve Bank who have worked very hard putting together this event and other events yesterday and last night, and to thank you all for coming and participating in our 50th Anniversary celebration.