



REGIONAL OFFICE FOR  
ASIA AND THE PACIFIC

# *Challenges in Monetary Policy*

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## **An Executive Seminar for Macroeconomic Policymakers**

**Organized by  
Hitotsubashi University and  
the IMF Regional Office for Asia and the Pacific**

**November 1-2, 2011  
Tokyo, Japan**

The Global Financial Crisis forced many to rethink conventional macroeconomic theories and policies. While sharing many of the characteristics of the Asian Crisis, the crisis, originating as it did in the most advanced economies of the world, could not be attributed solely to weak institutions and weak policy implementation, in the way that had been argued by some to have been the root cause of the Asian crisis. Even in an environment with relatively strong institutions, policies can go awry, implementation can be uneven, and conventional policies may simply not be enough.

Particular challenges have arisen in monetary policy, where extraordinary and unconventional measures have been taken in response to the crisis, which arguably were necessary and successful, but with possibility that they may have had, and continue to have, negative side effects. The crisis has also raised questions as to whether the focus on stabilizing inflation in goods and services as the primary objective of monetary policy has been the right one. Monetary policy is now being called on to respond to many objectives other than stable prices, including not just the traditional alternative goal of full employment but also financial stability.

The one and half day seminar covers the broad range of issues that have been raised with respect to monetary policy, with the ultimate aim of asking what Asian central banks and macroeconomic policymakers could learn from the crisis.

## AGENDA

### MONDAY, OCTOBER 31, 2011

7:00 p.m.	<p><b>Welcome Dinner</b></p> <p>Hosted by Shogo Ishii, Director, Regional Office for Asia and the Pacific, IMF (Venue: Mayfair Room, 12F. South Wing).</p>
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### TUESDAY, NOVEMBER 1, 2011

9:30 a.m.	<p><b>Registration</b> (Venue: Maple Room I, 2F. South Wing)</p>
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10:00 a.m.	<p><b>Welcoming Remarks:</b> Akira Ariyoshi, Program Director and Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University</p>
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10:15 a.m.	<p><b>SESSION I – Monetary Policy in Crisis</b></p>
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*This session reviews the monetary policy response to the crisis. Possible issues to be covered are:*

- Was the monetary response an appropriate one given the depth of the problem, or was it an undesirable but necessary stop-gap measure in an environment where appropriate fiscal and financial sector responses were missing (e.g. in bank recapitalization and countercyclical fiscal policy)?
- How should one evaluate the policies aimed at countering perceived disruptions in the credit market and in the asset market, such as purchases of mortgage backed securities in the U.S., government bonds of peripheral Euro countries by the ECB, and stock market indexed ETFs in Japan?
- How should one evaluate the spillover effects of aggressive easing in crisis hit countries, and their international spillovers. In particular, how should non-crisis countries react to such spillovers?
- What should be the best mechanism for coordination between fiscal and monetary authorities? Should central banks eschew quasi-fiscal measures, or should they be considered as a part of legitimate central banking toolkit in crisis situations?

**Moderator:** Akira Ariyoshi, Program Director and Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University

**Lecturer:** Stijn Claessens, Assistant Director, Research Department, IMF

**Discussant:** Byung-Wha Jang, Deputy Governor, The Bank of Korea

**Discussant:** Chanthana Neav, Deputy Governor, National Bank of Cambodia

12:00 p.m.	<p><b>Photo Session</b></p>
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12:15 p.m.	<p><b>Lunch</b> (Venue: Maple Room II, 2F. South Wing)</p>
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1:30 p.m.	<b>SESSION II – Monetary Policy and Inflation</b>
	<p><i>This session reviews what changes if any are needed with respect to the traditional role of price stability. Possible issues to be covered are:</i></p> <ul style="list-style-type: none"> <li>▪ Is inflation targeting still a useful framework?</li> <li>▪ Given the potential usefulness of maintaining policy space to lower real interest rates during a severe recession, should inflation targets aim for moderate inflation in normal times?</li> <li>▪ To what extent should central banks accommodate supply shocks?</li> <li>▪ To what extent should an inflation targeting framework take account of asset prices and exchange rate movements?</li> </ul> <p><b>Moderator:</b> Steven Barnett, Assistant Director, Regional Office for Asia and the Pacific, IMF</p> <p><b>Lecturer:</b> Yasuhiro Maehara, Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University</p> <p><b>Discussant:</b> Dharma Dheerasinghe, Deputy Governor, Central Bank of Sri Lanka</p> <p><b>Discussant:</b> Filianingsih Hendarta, Head of Monetary Management Development and Regulation Bureau, Directorate of Monetary Management, Bank Indonesia</p>
3:15 p.m.	<i>Coffee Break (Venue: Maple Room II, 2F. South Wing)</i>
3:45 p.m.	<b>SESSION III – Monetary Policy and Financial Stability</b>
	<p><i>This session looks at the role of monetary policy in ensuring financial stability. Possible issues to be covered are:</i></p> <ul style="list-style-type: none"> <li>▪ To what extent should central banks consider financial stability in monetary policy? Are there potential conflicts between pursuing traditional monetary policy goals and macro-prudential policies?</li> <li>▪ Should macro-prudential tools be the preferred instruments in policies aimed at financial stability, or do traditional monetary policy instruments such as the overnight interest rate have a role to play? For example, should central banks attempt to counter a bubble through interest rate policy?</li> <li>▪ Could preemptive loosening to avoid debt deflation and financial instability lead to potential further instability in the future?</li> </ul> <p><b>Moderator:</b> Tarisa Watanagase, Former Governor, Bank of Thailand</p> <p><b>Lecturer:</b> Kenzo Yamamoto, Executive Director, Bank of Japan</p> <p><b>Discussant:</b> Valentin A. Araneta, President, Philippine Deposit Insurance Corporation</p> <p><b>Discussant:</b> Dong Tien Nguyen, Deputy Governor, State Bank of Vietnam</p>
5:30 p.m.	<i>End of first day</i>
6:15 p.m.	<b>Cocktails</b> (Venue: Mayfair Room, 12F. South Wing)
6:50 p.m.	<p>Move to Dining Room, Kensington Terrace (12F. South Wing)</p> <p>Briefing on Session with Governor Masaaki Shirakawa, Bank of Japan</p>

7:00 p.m.	<p><b>Question and Answer Session with Governor Shirakawa</b> (Venue: Kensington Terrace, 12F. South Wing)</p> <p><b>Discussant:</b> Sukjoon Lee, Commissioner, Financial Services Commission, Korea <b>Discussant:</b> Tarisa Watanagase, Former Governor, Bank of Thailand</p>
7:40 p.m.	<b>Dinner Reception</b> (Venue: Kensington Terrace, 12F. South Wing)
<b>WEDNESDAY, NOVEMBER 2, 2011</b>	
9:45 a.m.	<b>Registration</b> (Venue: Maple Room I, 2F. South Wing)
10:00 a.m.	<p><b>Panel Discussion</b></p> <p><i>The round-up panel discussion session reviews the discussions from the three sessions to draw some conclusions and to ask what policy lessons Asian central banks can draw from the experience during and after the Global Financial Crisis. The evolving situation in Europe and its spillovers, as well as the policy responses being taken would provide a real-time example for discussing these issues. Possible discussion points include:</i></p> <ul style="list-style-type: none"> <li>▪ What should be the role of central banks in financial crisis? Central banks have been sometimes the only institution that could respond effectively to the crisis. Yet, is such a role compatible with the modern central banking framework, where they are provided with operational independence with clearly defined goals (price stability) and accountability?</li> <li>▪ Is inflation targeting still useful? If so, in what form?</li> <li>▪ Should financial stability be pursued through macro- and micro-prudential policies, or do traditional monetary policy measures have a role to play?</li> <li>▪ How should one balance the potentially conflicting demands on monetary policy, e.g. between price stability and financial stability?</li> </ul> <p><b>Moderator:</b> Akira Ariyoshi, Program Director and Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University</p> <p><b>Panelist:</b> Stijn Claessens, Assistant Director, Research Department, IMF <b>Panelist:</b> Yasuhiro Maehara, Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University <b>Panelist:</b> Tarisa Watanagase, Former Governor, Bank of Thailand <b>Panelist:</b> Hiromi Yamaoka, Associate Director-General, Financial System and Bank Examination Department, Bank of Japan</p>
12:00 p.m.	<b>Concluding Remarks:</b> Shogo Ishii, Director, Regional Office for Asia and the Pacific, IMF
12:15 p.m.	<b>Lunch</b> (Venue: Maple Room II, 2F. South Wing)

***This seminar is funded by the Government of Japan through its JSA trust fund at the IMF.***