Introductory remarks

Colloquium in honour of Claudio Borio

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Good afternoon, ladies and gentlemen.

Welcome to today's colloquium honouring Claudio Borio. I know that Claudio will be delighted that so many of his colleagues, counterparts, collaborators and – in an intellectual sense – combatants have joined us today. The fact that so many of you have travelled so far is proof of the enormous respect and affection with which Claudio is held within the economics profession and central banking community, even if he has never been a central banker.

Today's event features three high-powered panels, touching on issues that have been central to the public face of Claudio's career as a researcher and policy adviser. Let me therefore use my time to say a few words about Claudio's contributions to the BIS itself.

Claudio joined us in 1987, a few years after he completed his studies at Oxford and after a short stint at the OECD. He rapidly rose through the ranks of our Monetary and Economics Department (MED), including stints as Deputy Head of MED, and as head of the secretariats of the Committee on the Global Financial System and the Gold and Foreign Exchange Committee, now known as the Markets Committee. In 2013, he was appointed Head of MED, the position he still holds.

During his four decades in MED, Claudio greatly influenced the thinking, work style and culture of economics at the BIS.

To many in this audience, that statement might seem uncontroversial – just part of the conventional wisdom. For Claudio, I imagine it is deeply frustrating. Because one of Claudio's defining traits is that he is never prepared to let conventional wisdom go unchallenged. Indeed, if this were a less formal event, I am sure that he would be on his feet asking "yes, but what is the *evidence*?".

So let me justify my statement.

Claudio's prolific contributions as a researcher are a natural starting point. Since joining the BIS, Claudio has authored more than 100 BIS publications, including 67 Working Papers and 18 Quarterly Review special features, among many, many others. Such a track record would be impressive for a pure researcher. It is even more so when one recalls that throughout his BIS career Claudio has been deeply involved with the Bank's policy and committee work, typically as a manager in frontline policy departments.

Claudio's research has had an impact. His various papers have received over 25,000 citations in academic journals.

But Claudio's contributions go far beyond mere numbers. He has profoundly influenced thinking about the appropriate role, conduct and objectives of monetary policy, not only within the BIS but among the economics profession more generally.

Let me give a short – and very incomplete – list of these insights.

A first is the critical link between finance and the real economy. One of Claudio's first big intellectual "hits" was his work with Phillip Lowe – who is with us today – showing how sustained run-ups in credit and asset prices commonly precede periods of financial instability.[1] In other words, the financial system is not just a "veil" linking savers and borrowers – it is a powerful driver of the business cycle in its own right.

A second insight is that times of low inflation and steady growth – that is, of *macroeconomic stability* – can encourage the build-up of credit and rising asset prices – that is, of *financial instability*.[2] In other words, the link between finance and the real economy is complex and multidimensional.

A corollary of these two insights is that central banks may need to do more than hit narrow short-term inflation targets if they are to deliver sustainable macroeconomic stability over the medium term. They may also need to keep an eye on financial developments and, perhaps, lean against them.[3]

A further corollary is that because financial cycles are long and monetary policy influences finance, monetary policy can influence economic outcomes over horizons beyond traditional business cycle frequencies. Taking this argument further, it could even cast doubt on the existence of a unique real interest rate – r* – that will stabilise inflation and the output gap over the medium term.[4] Now, I will admit that this is a controversial statement, and one that many in this room would disagree with. But the fact that Claudio broached the possibility, and provided considerable evidence to support his contention prompted important debate and productive thinking within the profession and the central banking community.

As well as these "big issues" of framework and mandate, Claudio's research also addressed operational and statistical questions. Examples include his work examining alternative monetary policy operating procedures[5] and combing through the BIS's international banking statistics to identify previously unrecorded sources of off-balance-sheet debt.[6]

If the scope of Claudio's reach was broad, so was his choice of co-authors. By my count, Claudio has written research papers with more than 50 other BIS economists during his time at the institution. In doing so, he made sure that his experience, insights and determination to get to the heart of the matter spread throughout the

1 C Borio and P Lowe, "Assessing the risk of banking crises", *BIS Quarterly Review*, December 2002, pp 43–54.

2 C Borio and P Lowe, "Asset prices, financial and monetary stability: exploring the nexus", *BIS Working Papers*, no 114, 2002.

3 C Borio (2016), "Towards financial stability-oriented monetary policy? Some evidence", presentation on the BIS Annual Report, Basel, 26 June 2016.

4 C Borio, "In the eye of the beholder", *SUERF Policy Brief*, no 962, 2024.

5 C Borio, "Monetary policy operating procedures in industrial countries", *BIS Working Papers* no 40, 1997.

6 C Borio, R McCauley and P McGuire, "Dollar debt in FX swaps and forwards: huge, missing and growing", *BIS Quarterly Review*, December 2022, pp 67–73.

department. And, when he was not co-authoring, Claudio was always willing to read others' work and provide detailed and extensive feedback. He is the embodiment of a true public good.

Above all, Claudio shaped how BIS economists thought and how they worked. Meeting his exacting standards for clarity in thought and writing has long been a rite of passage for our economists, even the senior ones. And while always insistent on technical rigour and proficiency, Claudio was quick to remind our staff that at the end of the day their work is to be read by people and so should be understandable by them.

Claudio's influence at the BIS went far beyond economics. As Head of MED, he served on our Executive Committee and was an active and trusted adviser to me and previous General Managers on all aspects of the Bank's operations.

In sum, Claudio has had one of the classic BIS careers. He has helped to shape the institution internally and bolstered its intellectual credentials in the public sphere. Thanks to his team of co-authors and dedicated commitment to ensuring quality work across the department, he has left us in a good place to begin a new chapter for BIS economics.

Let me conclude with a final message.

The rest of today's conference will deal with topics that have featured prominently in Claudio's intellectual career at the BIS. These events can sometimes tend towards nostalgia. Panellists may be tempted to replay the "greatest hits" from Claudio's career.

This would make for an enlightening and entertaining day. But it would be a disservice to Claudio. Because Claudio's research has another dimension that I neglected to mention before. He is also a historian. Of statistics, of central banks, of monetary policy and of the BIS itself.

His historical work featured the same editorial flair and careful analysis that I described earlier. But it was not history for its own sake. Rather, it looked into the lessons of the past to draw lessons for the future.

So, by all means, let's take time today to look back and celebrate Claudio. But let's also look forward and think hard about what his work and our discussions mean for central banks and monetary policy in the future. That's what Claudio would want.