

Panel I: Crisis Management and Contingency Planning

Larry Greenwood, VP, Asian Development Bank

Hiroshi Nakaso, Director General, Bank of Japan

Jong Nam Oh, Professor, Waseda University

Gerard Dages, SVP, Federal Reserve Bank of New York (moderator)

The first panel of the conference focused on crisis management and contingency planning. The moderator set the stage for the discussion by asking panelists to relate their experience with the Asian financial crisis to real world conditions. He asked, “How do the lessons drawn from real world events help define both planning for contingencies and the management of crises when they occur?”

Panelists agreed on a number of lessons learned. One is that political leadership is a key factor to resolving financial crises. In crisis countries where the political leadership was behind international financial institution (IFI) conditionality, policy reforms were more likely to succeed.

Another lesson was that “constructive ambiguity,” whether by central banks toward the business community, or IFIs toward governments or their colleagues in other institutions, was counterproductive at a time when coordinated and flexible responses were needed at several levels. The panelists agreed that effective communication and transparency are both paramount for crises to be resolved quickly and efficiently.

In addition to the above two points, panelists noted that crisis situations can present central banks with the challenge of providing liquidity to an institution that, under normal conditions might be said to be insolvent. During a bank crisis, normal definitions of bank solvency may make little sense, and central banks must be flexible under such circumstances. Similarly, distinctions between bank and non-bank financial institutions have less meaning at times of crisis—the role of the Bank of Japan in the bailout of Yamaichi Securities was cited as an example.

Audience discussion also noted the expanded role, since the Asian financial crisis, of crisis simulation exercises played among regulatory agencies in various countries, and within regions. It was suggested that such coordinated simulation and planning efforts could be helpful in Asia.