



Season1-Episode: Central Banks in 2023 with Ole Rummel

Hello, I'm Agnes Kunkel your host in 2023. Your window to the world beyond COVID-19 we have now over 39.7 million confirmed cases worldwide and nearly 1,000,000 and 110,000 people have been confirmed to have died. Today is 18th of October 2020. Our guest today is Doctor Ole Rummel. Doctor Ole Rummel is the Director of Macroeconomic Monetary Policy Management at The SEACEN Centre in Kuala Lumpur, Malaysia. He was working for the Bank of England, for nearly 20 years, establishing and lecturing on training courses in London and around the world. He worked for the European Investment Bank and he held a management position at Societe General, a leading French bank. After his Abitur at the Gymnasium in Bavaria, he took A levels in Eton, a move not quite so common in the 80s, of the last century. He earned academic degrees from Cornell University, Stanford University, the University of Glasgow, and the University of Strathclyde. I have seen many impressive CVs, but this one is really wow.

Doctor Ole Rummel. Welcome to our show.

Dr. Ole Rummel: Hello Agnes and thank you so much for having me. It's a real pleasure to be here with you this afternoon. I couldn't think of a better way of spending my afternoon than talking to you.

Agnes Kunkel: Thank you. It's just the same pleasure for me. I would like to start with a question to you personally. How did you come through the pandemic so far and what changes this meant for your personal and professional life?

Dr. Ole Rummel: It's been a really interesting experience for me and it's something I think about quite a lot. I mean pretty much every day, especially now as of Tuesday night, we are back in lockdown. So we've had several episodes of lockdown since the 18th of March, so that's more than sort of close to seven months of lockdown at first, very strict and very severe and then less severe and because of a second or maybe even third wave recently, we've gone back into lockdown. So, I haven't left Malaysia since February. And for me to leave Malaysia, I have to ask permission from the government to leave, which is easy, but then also to come back. This is a new experience for me. You know, having to ask someone else whether I can travel, whether I can leave the country, whether I can go to another place. I haven't seen my family since Christmas or since New Years of this year, and this is affecting me more than I thought it would.



Yes, we have video chats. Yes, we have phone calls, but not being able to see my family is, you know, that's another big change for me. And professionally, it's also changed quite a bit. I do a lot of training and this has moved online. And I know that this is the new normal, but I'm not really happy about an online world.

Agnes Kunkel: So, you have to build some severe restrictions, that make a big difference to you.

Dr. Ole Rummel: It does. I can leave my house or I can leave my apartment once a day. If and when you go out, you can only go out in pairs, so it's a maximum of two people. Shops and restaurants are open, but they close at 18:00. Normally the regular working hours in Malaysia are 10:00 in the morning to 22:00 at night. But now everything closes at 18:00.

Agnes Kunkel: It's really heavy I understand.

You are a Director at SEACEN. Could you explain to our listeners what SEACEN is?

Dr. Ole Rummel: Certainly, the full name is the Southeast Asian Central Banks, which explains SEACEN bit, Research and Training Center. So, this is an institution that belongs to 19 central banks in Asia. And as you kindly said in your introduction, I'm the Director for Macroeconomic and Monetary Policy Management.

Agnes Kunkel: So, this is a joint venture of these 19 central banks, SEACEN. And the main purpose is to train central bankers. People working in central banks and to improve the knowledge by training, is that correct?

Dr. Ole Rummel: That is correct. In my capacity, we do between 8 to 10 courses per year over five days on a particular issue in macroeconomics and monetary policy. So, this could be anything from the implementation of monetary policy. How do you do that? What is international best practice? And how do the members do it? So, there's a lot of learning from the members from each other. Because we have a very interesting membership: included in the 19 members are some very big countries, some very important countries, such as China and India and Indonesia with its 280 million people. But we also have some very small countries, such as Myanmar and Brunei. So, it's very heterogeneous. It's a very diverse membership, ranging from Korea, that's a member of the G20, as are India, China and Indonesia. And then we have some very small countries, that are not quite as advanced as the others. There is a scope for learning for the smaller members from the bigger members or the more advanced members, because many of the issues are similar across the whole region.



Agnes Kunkel: Oh, I understand. As typically the activities of central banks are not so familiar, even to people that are business people and are quite easy with these economics you have in daily business life. Could you tell us a little bit about the core activities of a central bank?

Dr. Ole Rummel: Certainly Agnes, how much time do you have?

Agnes Kunkel: We have all the time we need.

Dr. Ole Rummel: Most modern central banks would define themselves by having two purposes, and these purposes are monetary stability and financial stability. Now the first one is quite easy to explain and for most central banks it is price stability, so having a low and stable inflation rate. Financial stability is more difficult to explain, but generally means a financial system that is working well, that is well regulated, that is functioning well, that is providing credit to whoever needs credit and that also includes the payment system. We all want to get paid at the end of the month, so we want the financial system to work well. And we want the payment system to work well as well.

Agnes Kunkel: I have listened to your podcast at SEACEN, has a very interesting podcast itself and in one of these podcasts someone described central bankers, as the cops of the financial system. Would you agree with that description?

Dr. Ole Rummel: I would to a certain extent. The reason I would disagree is that to be the cops, you need to have the power of the police and not every country has that particular system set up. So ideally, we now believe that the central bank should also be regulating and supervising the banks, so in that sense I agree with you. But in some countries, either this supervision or the regulation is outside the central bank and a big prominent example would be the Euro area, for example, where supervision is not within the ECB.

Agnes Kunkel: Yes, you are absolutely right.

Dr. Ole Rummel: So, in that case, the central bank relies on the other cop or some substitute cop to do the work. So for us, and I mean we don't really know what the best system is. As you said, I used to work at the Bank of England and we tried one system and we had a crisis, and we tried the other system and we had a crisis. So, there is no sort of, you know the best system, but in general we would like to be the cops to prevent banks doing silly things.



Agnes Kunkel: Sounds good! When we go back to March, when COVID-19 hit the world and everyone understood, that it's now a pandemic and not just small thing. What had been the first reactions to COVID-19 at your organization SEACEN and maybe in big central banks? As far as you have an overview over these.

Dr. Ole Rummel: Sadly, at least in this region, COVID is not the first episode of this type. I mean there was SARS back in 2001. I believe there was the H1N1 pandemic a few years later. So, Asia or more specifically China has seen more of these episodes. So, this is the third pandemic that I know of in this region. I have to say that I was always a bit dismissive when traveling in this region. I mean, even before COVID, you know people are much more comfortable wearing masks than they are in other places around the world. In that sense, COVID did not come as much as a surprise; it was still a shock, but at least there was some familiarity with the mechanisms that have to be put into place when it hit. I was told of Singapore, for example, one of the first things that happened was, you had to get your temperature taken in all sorts of places. I was told there was a big warehouse in Singapore, where they kept these machines to read your temperature as you walk past them and they still have them available. You know, some 10,000 of these machines were still there from the SARS crisis in 2001, so they were very quick in putting up those machines again at entrances to buildings, entrances to the underground, entrances to the airport. There was more experience with the pandemic than in other places. I still believe that the scale and the severity came as a big surprise, probably as much as in other places. Malaysia was very quick to close the borders and impose a very strict lockdown. Malaysia has 13 state and three federal territories and we couldn't travel between the States and so on. In my office we first tried, I think what a lot of offices tried, to have system involving a red and a blue team, and the red team would come in one week and then alternate with the blue team. So, we kind of split into two teams and tried that. But it became pretty obvious very quickly that the only way to beat this, was to not go to the office at all. And in fact, we're not telling people to come back to the office, at least until the end of the year.

Agnes Kunkel: That's a long time, when we think about the office and maybe the offices of central banks. Had central banks been prepared to work remote?

Dr. Ole Rummel: Not really. So, most central banks I know of operate with sort of a skeleton crew. Only about 20% of people work in the central bank at any one point, so these would be sort of mission critical people who look after the payment system, making sure that money flows to wherever it needs to flow. It's the IT people who make sure that all the systems are up and running. Everyone else pretty much is working from home, which has caused a lot of



problems I know of one or two colleagues of mine who don't have Wi-Fi at home. If they want to get some work done, they have to go to a coffee shop or they have to go to a hotel lobby. Which means it's noisy. It's not private. Some of the people, for example the HR people in my office, deal with confidential information. Can you do this in a coffee shop with the people looking over your shoulder and some of the central banks are dealing with very sensitive market moving information. Can you send that via email from your home? Within the central bank you have a secure system if you send it from one part of the central bank to the other. If you send it from someone's private house to the central bank or to a colleague, is that information still secure? And there was also a lot of experimentation with what is the best system? Is it Zoom? Is it Teams? Is it Google Hangouts? So how do you set this up? And it took about couple of weeks to a month to get that up and running.

Agnes Kunkel: So, that was quite a change and it did a big acceleration to a more advanced technical structure.

Dr. Ole Rummel: Absolutely. And central bankers do a lot of talking with other central banks as well. So, this raises the question, how do you do that? How do you communicate securely, safely with other central banks, not only in the region, but also globally? In addition, there are meetings every two months in Basel, there's an organization there which is sort of the central bank of central banks. How do you organize that? On many occasions you get to see people every two months, but you are now trying to combine central bankers from the Americas with central bankers from Asia and the time differences and all that. I think it raised some issues we never really thought about before. In that sense, it was quite interesting and challenging in trying to get this up and running, but I think we sort of established a pretty good equilibrium by now.

Agnes Kunkel: You say now, the technical infrastructure is running, and at the moment it is sufficient to keep everything in the monetary system running, but it has a downside, in not seeing people, not being able to have informal talks etc.

Dr. Ole Rummel: Yeah, I mean, I think the technology is working relatively well. That doesn't mean that you know there's not the occasional power failure. There is not the occasional Wi-Fi playing up. In Malaysia we have a little monsoon season twice a year. . So, there's a thunderstorm every afternoon. Thunderstorms are not good for Wi-Fi, internet and all that, but you know you always find a work around for this.

Agnes Kunkel: When we just jump through the little narrative at the beginning of the episode, there the people or the family talked about the seizing use of cash, that ATM machines are



reduced, but people refrained from using bank cash, as they were afraid for germs and infectious viruses on the cash notes. Do you have any evidence, that the use of cash was reduced during pandemic times?

Dr. Ole Rummel: It was indeed, generally I have to say in my experience in this region, it's very much a generational issue, so that's part of it, and the younger generation is very comfortable with mobile phones, with apps with the required technology and also very comfortable about giving up a lot of their privacy. I think in this sort of tradeoff between ease of use and privacy, a lot of the younger people not only in Malaysia, but in many other countries are quite happy to give up privacy in return for doing things very easily on their phones. In my experience, the same is not necessarily true for the older generation. Another point worth mentioning is that in many of the countries in which we are active or in many of our member countries, there's a sizable informal economy that is not covered by, obviously the rules and regulations, or by taxation or by Social Security. There I think the use of cash has not gone down, but overall; I have seen less use of cash. Probably not for the reasons you mentioned. We now know that the virus does not survive very long on a banknote, so it's highly unlikely that you get COVID from a banknote, and the same is being said about an ATM machine, but there is an issue about how do you get the money to an ATM machine? And here there were some real problems, so ATM machines were not working 24 hours a day. There were only certain time slots during the day when you were sure that you could get money out of an ATM machine and the banks of course were closed. So out of necessity, shops were closed, restaurants were closed, in the sense that you can only go and pick up food. This led to a big boom in food delivery services. Most of these food delivery services do not accept cash. So, you could only pay via the app. The same is true for people not wanting to use public transportation. Rideshare companies here in Malaysia or in many areas in Asia, the most dominant of which is called Grab, wouldn't accept cash so you had to get the Grab wallet to pay your ride fare. I think there's been a big increase in people using less cash.

Agnes Kunkel: So that's very interesting. And here, we see these many affects of the pandemic you won't think of the first point, the little girl in our story, she's very fond of ice cream, and in the end of this story, she thinks if she now has to get the credit card to buy ice cream. What would be the solutions when you go for these small amounts of money? You talked about the wallets. What does this mean? Or how does this system work?

Dr. Ole Rummel: OK, the system basically works as follows. So, most of these things start with an app, so I have an app to call this private driver, who then drives me from A to B. Now it starts off as simply as some sort of Technology. You connect me with the closest driver, who will then



pick me up and drop me off again. Now an obvious next step is, why not also arrange the payment with that app so there is a possibility I can link this app with my bank account. I want to move some money from my bank account onto this app. And then I can pay the driver electronically, deposited from the app, but there are other systems as well. You can have a prepaid cash card for example, the ice cream shop could have its own card. If the girl goes to the ice cream shop a lot, the shop could give the little girl something that looks like a credit card, but with the facility to put money on it. Not much. I mean she only needs a certain amount, so most of these cards have a limit, you can't put 2000 Euros on it, but you may be able to put 20 Euros on it and then the money is deposited from this card.

Agnes Kunkel: So, that it's like wallet card or so, I could call that. As I understand the pandemic was driving change, in the way people paid, and maybe there are now different ways established, where you can do it via app, you could do it via cash card and different substitutes for bank notes.

Dr. Ole Rummel: In fact, it's quite confusing, because there are about 50 open cards existing in Malaysia at the same time. For example, I have one card that is good for public transportation, so I can use it. Again, I put money on it, a certain amount, and then every time I take the underground, I swipe it., I swipe it when I enter and when I leave, and that money gets taken away from the amount I have. Now, a lot of these cards have branched out, so I can also use this card, which was only for public transportation, in small shops. Many of the underground stations have small convenience stores, where I can buy a chocolate, a sandwich, something to drink, a newspaper, and they would also accept that card. At work, we have a canteen and the canteen would accept that card as well, so I can pay for my lunch, where I am allowed to go to work, I could pay for my lunch in the canteen as well, so I think there's been much bigger awareness of these means of payments. But there are 50 of them. Which is probably 45 too many. There are too many of these cards and I think competition over the next year or maybe two years is going to reduce that number or will have to reduce that number, because I don't think 50 cards can co-exist for a long time. So, the question is, how does the central bank arrange this? You know you don't want to stop financial innovation, but at the same time, how do you ensure a competitive process that gets you to whatever is the optimal number of these E-wallets?

Agnes Kunkel: When you typically think of a central bank, you see it as something stable, long-term oriented with a very deliberate behavior, and now we see this need for flexibility, changing IT systems, changing means of communication between central banks and inside of central banks. Could you imagine that COVID-19 will have an impact on the culture and the



values of central banks? I don't mean the financial stability values, I mean of this leadership and working values.

Dr. Ole Rummel: To be honest, I don't think so. I mean I'm not a central banker anymore, but even though I have central bank envy. Sometimes I wish I were still a central banker. I did that for 17 years. I think what central bankers value above all is stability. And you would be surprised how quickly they can respond to a crisis that threatens stability. And I think it's been much ridiculed; it's been much maligned; it's been much laughed about, but I think the best example of this is, for my ECB President Draghi's famous sentence that "we will do whatever it takes". This is what a lot of central banks have done recently, pretty much in a very radical way, too. Many ideas that we have had for a long time and were regarded as sacred cows or holy principles that could never be changed were thrown overboard, and have disappeared overnight in response to the crisis. So, when things are threatened like the way COVID has fundamentally threatened the stability of the domestic or even the global economy, central bankers can be very quick, in terms of putting through the required changes.

Agnes Kunkel: It's wonderful as the outside view on Central Banker, is not the inside view and that flexibility and taking what it needs to take. It's much more a central value and the central habit, as it seemed from outside. Thank you so far, for your time order. And as central banks and the financial systems are a very complex but at the same time very important aspect for business and private life. And as we have found with Doctor Rummel, not only an expert on all these topics, but also someone who is able to talk about these difficult issues with great clarity and wonderful examples, we decided to take the chance and to produce two more episodes.

With Doctor Rummel, going into more in depth, two very closely related topics.

In Part 2, I will have the chance to discuss with Doctor Rummel, the possibly of growing influence of big tech like Apple, Facebook, Google, Alibaba, Amazon on the financial systems and the future of currencies and maybe aspects of money laundering and these darker sides of the financial systems.

And in part 3, we will go on the other end of the universe of companies, from big companies to small FinTech's and in what way these small innovation driven startups might, although change our financial systems, we will talk about the importance of technology and the necessity for central banks to regulate and to supervise these new companies, which might have a tendency to fly below the radar of financial regulations. Thank you Doctor Rummel and we will meet for Part 2.



Dr. Ole Rummel: Thank you, Mrs. Agnes. Thank you for having me and thanks to everyone for listening and stay tuned for the other two parts.