

An Address given by Professor Robert Cox Merton

Doc (Hon), DSc (Hon), PhD (Hon), Doc Management Science (Hon),
Doc Economic Science (Hon), LLD (Hon), MA (Hon), BS, MS, PhD, Nobel Laureate in Economic Sciences

I am deeply honored to be awarded the honorary doctorate by The Chinese University of Hong Kong and to speak, along with Mr Mo Yan, on behalf of our fellow honorands, Professor Lawrence Lau, Professor Zhou Ji, Ms Chen Wai Wai Vivien, Dr Joseph Koo, and Professor Wang Shu. As evident from their citations which we have just heard, I am especially honored to be a member of this diverse and richly accomplished class of the 77th Congregation.

Hong Kong is a special place. Though small, with an area of 1,100 square kilometers and a population of 7 million, its influence on the future economic growth and development of the Asian region is disproportionately significant. Hong Kong is one of the world's leading international financial centers. Indeed, one could make a case that it is currently the most important international financial center in Asia.

Nobel laureate Robert Solow showed 60 years ago that economic growth in the 20th century was not a consequence of either population growth or high saving rates. It was instead technological progress, which made us more productive, that drove growth. Nobel laureate Douglas North demonstrated that it was countries and regions with well-functioning financial systems that were capable of having sustainable growth and development. In effect, having all the wonderful technologies in the laboratory will not convert into growth without those technologies being widely and effectively implemented into the economy in scale. The financial system is essential to that process.

A year ago, The Chinese University of Hong Kong held an economic forum to celebrate its 50th anniversary and the subject was *The Rise of the Asian Century*. China, the largest economy in the region...and soon, the world...is of course central to that realization. Hong Kong as the international financial center has played a critical role in China's economic development to date, and it is likely that the future evolution of China's economy – and therefore Asia's – will have Hong Kong continuing in that important role. This is both a significant challenge and a tremendous opportunity for Hong Kong. Finance is a high tech and growingly complex area, particularly with the fast-paced globalization of the financial system. Producers, consumers and overseers in that system require better and better educated employees in order to keep the system working.

Universities serve three main missions: creation of knowledge, communication of knowledge and compilation of knowledge. As a major public higher education institution, The Chinese University of Hong Kong has been serving that collective mission for over fifty years, with its members persistently striving for improving teaching, research, and services to the community. Its mission, of course extends across all disciplines. It, however, occupies a special position with respect to finance because it is located in Hong Kong. It has the responsibility to Hong Kong of supplying the educated people in finance and as well as undertaking research to improve the knowledge base necessary to keep pace with the needs for a well-functioning financial system. By virtue of its location, it also has a comparative advantage to do this knowledge creation and communication better than other universities not so well situated. The future holds exciting times for the Chinese University and for Hong Kong. I harbor the strong hope that the next 50 years will bring great success for them both.

Today, we are witnessing a snapshot of the Chinese University's current sphere of influence on the impending future through joining its graduates here. Congratulations to all of you!

We are all waiting to witness your future success and contribution to your *alma mater* and society. Let us hope for an ever more distinctive future for the Chinese University and its continuous and strengthened role in cultivating talents for Hong Kong's continuing development; and from a more vibrant Hong Kong, a brighter future for Asia.