

Table 2: Estimated long-run costs and benefits for Canada from stronger regulatory requirements (expressed as annual percentage impact on the level of GDP)

Increase in capital ratio (percentage points)	Long-run benefits					Long-run costs			Net long-run benefits (%)
	Benefit of reduced probability of crisis		Benefit of reduced economic volatility ^a	Benefit of reduced misallocation of resources	Total long-run benefits (%)	Cost of capital standards (%)	Cost of liquidity standards (%)	Total long-run costs (%)	
	Domestic (%)	Foreign (%)							
2	0.3	0.8	Positive but not quantified	Positive but not quantified	1.1	-0.2	-0.1	-0.3	0.8
4	0.4	1.0	Positive but not quantified	Positive but not quantified	1.4	-0.4	-0.1	-0.5	0.9
6	0.5	1.1	Positive but not quantified	Positive but not quantified	1.6	-0.6	-0.1	-0.7	0.9

a. Evidence was found that increased capital reduced economic volatility for both the international and Canadian economies, but this was not quantified in terms of GDP.
Source: Bank of Canada calculations