



BANK OF CANADA

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**Bank of Canada Governor speaks to  
the Chambre de commerce régionale de Sainte-Foy**

SAINTE-FOY, QUEBEC – Governor Gordon Thiessen today talked about the steps that Canada should take to preserve the current economic expansion and improve performance over the long run, in particular by reaping some of the potential gains from the technological revolution that is now sweeping the world.

Mr. Thiessen emphasized that low and stable inflation is an essential building block of a strong economic structure. The Bank's focus on price stability aims at reducing the toll that inflation takes on the economy and minimizing economic ups and downs. In this connection, he pointed to the success of the Bank's inflation targets since their adoption. "In the nine years that the inflation targets have been in place, not only has the underlying rate of inflation been much lower than in the previous two decades, but the pace of economic activity has been less variable from one quarter to the next."

Mr. Thiessen stressed the importance of keeping public finances under tight control and cited the remarkable progress made in recent years towards reducing deficits and the national debt relative to the size of our economy. However, Canada's debt-to-GDP ratio is still high, he said. "As long as our national debt ratio is higher than that of most other large industrial countries, we are at risk of being singled out by investors the next time there are international problems." The right balance of taxes and government services is also important, he added. And "a stable, innovative financial sector can help, by ensuring that financing flows efficiently to where it is needed the most."

The Governor said that all this can provide a favourable environment in which the private sector can "take the innovative, and sometimes risky, decisions that are necessary to improve productivity and competitiveness, in order to meet the challenges and realize the gains of proliferating technologies and increasingly open world markets." In this context, he suggested that more emphasis be placed on efforts to increase our flexibility in adapting to change and to enhance human skills through education and more on-the-job training.