



BANK OF CANADA

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Governor Dodge Examines How Countries Can Help Resolve Global Imbalances

MONTRÉAL, QUEBEC—In a speech to la Conférence de Montréal, Bank of Canada Governor David Dodge today discussed how large and growing economic imbalances pose a risk to the global economy over the medium and long term, and spoke of the steps that authorities can take to help resolve these imbalances in a smooth, orderly way.

Mr. Dodge cited the promotion of flexible markets, the creation and maintenance of a sound financial system, and the pursuit of sound fiscal and monetary policies as priorities for policy-makers world wide.

“Policy-makers around the world need to make sure they are part of the solution and not part of the problem,” the Governor noted. “If we all follow appropriate policies, then market mechanisms can defuse the danger posed by global imbalances.”

It is also important for countries to follow the right exchange rate policies, for both domestic and international reasons, Mr. Dodge said. He noted that some countries have been delaying the resolution of global imbalances by intervening in foreign exchange markets to maintain a fixed value for their currencies, and then by offsetting the domestic monetary consequences by “sterilizing” the intervention.

Finally, Mr. Dodge suggested four ways in which the International Monetary Fund could evolve to help resolve the imbalances. “The creation of a global institution for the twenty-first century is tremendously important, not just for Canada, but for all nations,” he said.