



BANK OF CANADA

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CONTACT: Laurette Bergeron
(613) 782-8782

**Bank of Canada Governor
speaks to The Fraser Institute**

VANCOUVER, B.C. – There is increasing international consensus that monetary policy can contribute to productivity growth and rising standards of living by establishing a stable, low-inflation environment, Bank of Canada Governor Gordon Thiessen told The Fraser Institute in a speech today. Mr. Thiessen discussed some of the basic ideas and measures that feed into the current debate on productivity and the relationship between productivity and standard of living. He also explained how monetary policy fits into this debate.

“Low and stable inflation reduces uncertainty about future price movements, lowers the incidence of boom-and-bust cycles in the economy, and helps keep interest rates down. All of this encourages investments in equipment and new technology that should lead to productivity gains,” said Mr. Thiessen.

He stressed, however, that increases in productivity do not just happen. “These days, good productivity performance seems to be related to changing technology—an openness to adopting it and a flexibility in adapting to it. That is what we must strive for in Canada.”

Mr. Thiessen pointed out that while gains in productivity are the basis for growing incomes and rising standards of living, other factors can come into play. These include the proportion of the population employed and the world prices we receive for what we sell abroad.

The Governor highlighted that “recent developments in Canada...offer some promise of improvement. Productivity growth has picked up...and investment in machinery, equipment and technology has increased sharply in the past three years.”