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A Bold Response Is Required to Secure the Economic Recovery, Says Bank of Canada Governor Mark Carney

CHARLOTTETOWN, PEI – The recent recession was not an ordinary downturn, and a bold response from the public and private sectors in Canada and globally is required to secure the economic recovery, Bank of Canada Governor Mark Carney said today.

“Do not be misled. This was the Great Recession. To claim otherwise with simplistic comparisons to prior downturns is to ignore both the rapidity and the scale of the policy response, as well as the likelihood that the aftershocks from the crisis will persist for years,” the Governor told the Greater Charlottetown Area Chamber of Commerce in a speech that reviewed Canada’s recent economic past, its present outlook, and its challenges for the future.

Describing the global economic recovery as “a policy-led, multi-speed recovery,” the Governor said the Bank expects that the pace, composition, and variability of global growth will be substantially different across economies; the level and volatility of commodity prices will be higher; the nature of the global financial system will be radically altered; and the openness of global markets for goods and capital can no longer be assured.

Changes in behaviour and policy adjustments are required to make concrete the G-20’s framework for strong, sustainable, and balanced global growth, the Governor said. The core of the G-20 financial reform includes two approaches—to protect the banks from the business cycle and to protect the cycle from the banks. The first is about making individual banks stronger and more resilient, while the second is focused on strengthening the system as a whole so that it can withstand the failure of any single financial institution. Finally, policy-makers must ensure that business can operate in an open and stable trade and regulatory environment, free from trade and financial protectionism.

“The G-20’s agenda is comprehensive and radical, but we need to implement, as well as propose,” Governor Carney said.

In Canada, all businesses, large and small, must step up productivity for the recovery to be balanced and the economy more competitive. “Waiting on the sidelines ignores both the scale of the challenge and the opportunities presented by both our historic underperformance and the transformation of the global economy,” the Governor said. “The imperatives for Canadian businesses appear clear. New suppliers need to be sourced; new markets opened; a new approach to managing for a more volatile environment developed.”

The role for Canada is significant. The Governor noted: “Canada is not a bystander in this global upheaval. We can influence policies and focus reforms. Our businesses can anticipate and take advantage of emerging trends. But the efforts required of all of us will be heroic, and hesitation will be costly.”