# Opening Remarks

## *Tiff Macklem*

It is my great pleasure to welcome you to the Bank of Canada and to introduce our conference, *Price Adjustment and Monetary Policy.* Many of you have participated in previous Bank conferences, and we have greatly appreciated the creative ideas, careful research, and thoughtful insights you have brought over the years. We are very pleased to have you back. I want to particularly welcome those of you who are here for the first time. I hope your visit is a good one and that this is the beginning of a long and fruitful relationship.

I thought that I would first say a few words about what we had in mind when we drew up the agenda, and what we hope to derive from the conference.

The Bank of Canada has held an economic conference every year since 1990. These conferences are very important for us. They serve to present the results of our research to experts at the cutting edge of their fields, and to make known new ideas, new techniques, and new findings. A number of the previous conferences were concerned with specific policy issues, such as the comparative merits of fixed and floating exchange rate regimes and the design of the inflation-control framework.

This conference is a little different. The agenda is not focused on a specific theme. Its objective, rather, is to improve our understanding of the economy as a whole, particularly from the standpoint of price adjustment and monetary policy. We were led to take this approach for three reasons.

First, the profession is once again returning to sluggish adjustment of wages and prices as an important source of macrodynamics. But following on rational expectations and real-business-cycle theory, this return has devoted much more attention to optimizing theory, and this has the potential to yield important new insights.

Second, richer theory is accompanied by new econometric techniques designed to exploit the restrictions imposed by theory and to improve estimation and inference in models with unobserved expectational variables. This combination has the potential to improve our empirical understanding of the macroeconomy.

Third, when we look out the window, we see a number of developments that may be important from a monetary policy perspective. Canada has long been a very open economy, and with the Free Trade Agreement and subsequently NAFTA, our economy has opened further to trade. In the 1990s and 2000s, we have seen a decline in the volatility of most macro variables, exchange rate pass-through appears to have slowed, the average duration of labour and debt contracts has increased, and trend productivity growth appears to have risen. What do these developments mean for price adjustment and monetary policy? What can we learn from theory? And what does careful empirical work tell us?

We are very pleased to have with us today such a distinguished group of authors and discussants who will be examining these questions from various perspectives. I strongly encourage you to put our speakers to the test and provide us with material for reflection during the discussion periods. The authors' papers, the discussants' comments, and the general discussions will all be published in the conference proceedings.

So I thank you for being here. We have before us a very stimulating agenda that I am sure will leave its mark on our ideas, our understanding of the economy, our models, and our future research.

Before I turn over the floor, my final responsibility is to introduce our first speaker, Bill Scarth. As pleased as I am to do so, this lecture marks a very sad occasion. In January 2002, our colleague, John Kuszczak, passed away after a courageous two-year battle with cancer. Many of us were lucky enough to work with John over his 20-year career at the Bank. I know I speak for all of us when I say we miss him. I particularly miss dropping by John's office to get his thoughts on whatever was puzzling me. John always had time for you if you wanted to bounce something off him, economics or otherwise. He did not always know the answer, but he always knew what was not the answer. He was very careful about the details, but when he did give you a response it was usually remarkably simple. John had a great sense of what's important and what isn't—that's a valuable skill in an economist. It is also valuable in a friend.

This is the first in what will be an annual Memorial Lecture in memory of John Kuszczak's many contributions to the Bank and to his colleagues. I am very pleased that Bill Scarth accepted our invitation to deliver the first John Kuszczak Memorial Lecture.

Bill is well known to most of us. After doing a Ph.D. in economics at the University of Toronto, he began teaching at McMaster University where he is a full professor. Bill has contributed numerous scholarly papers to academic journals, books, and conference volumes on a wide range of macro topics, including fiscal and monetary policies, labour market issues, and inequality and growth. Bill is also recognized as a masterful teacher. Winner of the lifetime achievement award in teaching at McMaster, he has also written the Canadian versions of principles textbooks with Allan Blinder and William Baumol and with Gregory Mankiw. We at the Bank have particularly appreciated Bill's long-time interest in and prolific contributions to policy issues as an Adjunct Scholar to the C.D. Howe Institute and as a frequent contributor to conferences here at the Bank and at many other policy institutions and organizations.

Bill is uniquely qualified to deliver the first John Kuszczak Memorial Lecture. As a young professor at McMaster, Bill recognized John's talent and was a mentor and eventually thesis adviser for John in graduate school. John and Bill kept in touch until John died. Bill, I know you had a big influence on John.