BANK OF CANADA

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The Board of Directors of the Bank of Canada announced today that, pursuant to Section 6 of the Bank of Canada Act, it has appointed Gordon G. Thiessen as Governor of the Bank of Canada for a seven year term, effective February 1st, 1994. He succeeds John W. Crow, who will have completed his term as Governor. Mr. Crow has indicated that he was not a candidate for a second term.

Mr. Thiessen has been Senior Deputy Governor and a member of the Board of Directors and Executive Committee since 27 October 1987.

Mr. Thiessen was born in 1938 and grew up in a number of small towns in Saskatchewan. After graduating from high school in Moosomin, Saskatchewan, he worked in a chartered bank in that province. He studied economics at the University of Saskatchewan, graduating with an Honours B.A. in 1960 and an M.A. in 1961, and then attended the London School of Economics during 1965-67 and received a Ph.D. in Economics in 1972.

Mr. Thiessen joined the Research Department of the Bank of Canada in 1963. He has spent most of his career at the Bank, except for a period in 1965-67 when he was in London to complete his Ph.D. and a period in 1973-75 which he spent as a visiting economist at the Reserve Bank of Australia.

Mr. Thiessen worked in the Research and Monetary and Financial Analysis Departments of the Bank until he was appointed Adviser to the Governor in 1979. In 1984 he was made a Deputy Governor with overall responsibility for the economic research and financial analysis carried out at the Bank and for relating the results of that work to the formulation of monetary policy. Since being appointed Senior Deputy Governor, he has carried responsibilities for administration and operations in the Bank in addition to his responsibilities relating to monetary policy.

At a suitable opportunity, the Board of Directors will wish to express publicly and more fully their deep appreciation to Mr. Crow for his exemplary leadership and substantial contribution to the work of the Bank.

STATEMENT OF THE GOVERNMENT OF CANADA AND THE BANK OF CANADA ON MONETARY POLICY OBJECTIVES

High levels of economic growth and employment on a sustained basis are the primary objectives of monetary and fiscal policies. The best contribution that monetary policy can make to these objectives is to preserve confidence in the value of money by achieving and maintaining price stability. In February 1991, the government and the Bank of Canada jointly announced a series of targets for reducing inflation and reaching price stability in Canada. By the end of 1995, the goal was to reduce inflation to the mid-point of a range of 1 to 3 per cent.

It is now time to specify the objective that will steer monetary policy beyond 1995 and to provide a medium-term guide for Canadians in making their economic decisions. There is general agreement that economies function better when the rate of increase in prices is so low as to not distort the key decisions of businesses and households. There is less agreement on the precise rate at which this occurs. It is a long time since Canada has had inflation as low as it is now, and more experience in operating under these conditions would be helpful before an appropriate longer-term objective is determined. Moreover, some time is needed to enable Canadians to adjust to the improved inflation outlook.

Accordingly, the government and the Bank of Canada have agreed to extend the inflation reduction targets from 1995 to 1998 and to maintain the objective of holding inflation inside the range of 1 to 3 per cent (mid-point 2 per cent) during that time. In addition, the present approach under the targets for dealing with major price shocks, stemming from unexpected developments, and with indirect tax changes that result in sharp changes to the consumer price index will continue. It is important to ensure that these influences remain clearly temporary and that they do not lead to a sustained change in the outlook for inflation.

On the basis of the experience with low inflation over the period, a decision will be made by 1998 on the target range for the consumer price index that would be consistent with price stability and, therefore, with the long-run monetary policy goal of preserving confidence in the value of money in Canada.