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INTRODUCTORY REMARKS OF MR. LOUIS RASMINSKY
BEFORE THE SPECIAL COMMITTEE OF THE SENATE
ON SCIENCE POLICY

Mr. Chairman, Honourable Senators:

We are here today to try to answer your questions regarding the activities of the Bank of Canada in the field of economic and financial research. I take it that you have had an opportunity to look over the brief and the supplementary material which we submitted to the Committee, and that you do not wish me to cover the same ground again in my introductory remarks.

I shall be very brief in the few additional comments I have to make at this time.

We have tried to give you a reasonably clear picture of the present character and scale of research activities at the Bank of Canada. I think it will be evident from this description what sort of approach we at the central bank have evolved over time to the fundamental questions about the nature and scope of our research activities.

To an important extent, our research effort is directly geared to the needs of day-to-day decision-making in the various areas of policy responsibility in which we operate as a central bank. The transactions for which we are responsible in financial markets amount to many hundreds of millions of dollars a year, and in order to help us do this part of our job

properly we know that we have to have immediately available within our organization adequate resources of specialized information, knowledge and judgement.

Beyond this, the Bank has important operational and advisory duties in the field of national economic and financial policy, and these policies in turn have an influence on the performance of the Canadian economy. A difference of one per cent in national income in a year amounts to something like two-thirds of a billion dollars. A difference of one per cent in the cost of living in Canada in a year amounts to something like \$400 million in terms of family budgets across the nation. A difference of one per cent in the unemployment rate amounts to something like 80,000 jobs. The central bank is, of course, only one of many influences at work in determining how the economy operates, but the stakes are very large, and that is why we feel it is important for the central bank to have access to first-rate economic information and analysis in arriving at the policy decisions it has to take.

There are broader considerations than its own immediate decision-making problems that make it important for a central bank to invest resources on an adequate scale in research activities. If sensible economic and financial policies are to be identified and win broad support in modern democratic societies, they must commend themselves not only to economists within the public service but also to informed opinion outside government.

That is why the Bank of Canada encourages a steadily rising flow of intercommunication between its own research staff and outside experts, and why it has taken the initiative in making available to research groups outside the Bank its computer files of data and programmes, its experimental model of the economy, and its research studies. The initial response to this offer has been far beyond our expectations. We have already received something like 2,000 requests for our staff studies, and about 100 requests from various groups of academic and business economists in various countries for our data file, programmes, and model of the Canadian economy.

In this connection I should like to make special mention of the invaluable assistance and co-operation we are receiving from the Dominion Bureau of Statistics, whose publications were the original source for much of the economic data recorded in the Bank's computer file. For some time now the Bureau has been building up on computer tape its own file of the more important economic series it publishes. Steps are now being taken to amalgamate this file with the file we use for our own research purposes, and to make the combined file available to outside users. The Bureau of Statistics is thus performing a major share of the work involved in making this service available, with the Bank contributing certain financial and other data not produced by the Bureau as well as the computer programmes and documentation required to make the service a fully operational economic information system.

We are very much aware, of course, that this joint initiative we have taken with the Bureau of Statistics does not represent more than a stop-gap response to the challenge and opportunity posed by the computer revolution in the field of economic information and research in Canada. We foresee a rapidly growing demand both inside and outside of government for access via computer networks to central pools of economic data of various kinds, to computer programmes for analyzing such data, and to economic models of different types for use in research. Your committee may wish to consider what role public policy should play in the development of such facilities, how services of this kind should be organized and financed, where the responsibility should lie for supporting and guiding their future growth for the benefit of economic decision-making in the community as a whole. There are obvious limits to what we in the central bank can do in this regard.

The scale of our research effort at the Bank is still small enough that we can operate on a relatively informal and unstructured basis. If the Bank's management doesn't feel that its research needs for operational and policy purposes are being served well enough, our research staff soon hears about it. And if our published output of the results of our basic research doesn't appeal to the academic community, we will soon hear about it.

It is difficult to predict the scale on which research activities at the Bank of Canada will grow over the next few years. We do not envisage a substantial growth in the input of resources into research directly related to our immediate operating needs, although this will depend to an important extent on how rapidly it seems sensible to proceed with computerization of internal data files, preparation of routine reports, etc. We do plan a substantial expansion in the material we publish, and this will require some additional staff and resources. We do not envisage any great expansion of the present scale of our activities in basic research. In this area our continuing efforts will be directed mainly toward improving the initial version of our model of the economy to make it more realistic and useful for policy analysis, and toward more intensive investigation of monetary and financial behaviour in this country including the links with external financial markets. I think we have already made a good start in developing at the Bank a center of excellence in this area of research which is outward-looking and which will help to stimulate and encourage work along similar lines by other research groups in Canada.

I would like to conclude by commenting on what we are hoping to achieve as the end-product of the resources we are putting into research at the central bank. We certainly hope to promote a better understanding both inside and outside the central bank of what is involved in questions of public economic and financial policy, and we hope that this will lead to

better decision-making in this area. But our aim is less to produce immediate answers to today's problems than to produce well-trained and experienced people who have an interest in, and something to contribute to, the quality of financial and economic policy-making in this country.

January 30, 1969.