Recent Developments in Canadian Monetary Policy

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The Bank of Canada is one of a growing number of central banks that have recently adopted the practice of setting explicit money growth targets as operating guides for the implementation of monetary policy. In 1975, more than two years ago, the bank made public for the first time the approximate upper and lower limits of a target range within which it was then endeavouring to keep the trend rate of increase of the money stock. At the same time it indicated that this range would have to be lowered gradually over time for monetary policy to be consistent with the objective of ensuring a continuing gradual decline in Canada's rate of inflation over the medium term.

I. Economic Background of Canada's Adoption of Monetary Targets

This announcement marked an important shift of emphasis both in the general orientation of Canadian monetary policy and in the customary manner of describing its objectives. The immediate economic background from which it emerged was not unlike that experienced at much the same time in many European countries. In Canada as elsewhere, virtually no one had foreseen that in 1973 the economy would suddenly be caught up in an intense inflationary boom of world-wide dimensions. For more than two years prior to this massive upsurge in world demand and prices, the most immediate concern of fiscal and monetary policy in Canada had been to hasten the process of economic recovery from a cyclical downturn in activity that had occurred in 1969 — 1970. Although the Bank of Canada had viewed with considerable misgiving the stepped-up rate of monetary expansion that was a by-product of its approach during this period, its operating posture at the time was strongly influenced by a desire to avoid any substantial upward movement of nominal interest rates or of the external value of the Canadian dollar so long as the economy still appeared to be operating well below normal capacity levels. Plausible evidence for this belief was a rate of unemployment which, in part for special reasons not adequately recognized at the time, continued throughout 1971 and 1972 to run at abnormally high levels by comparison with previous Canadian experience.

Thus the impact on Canada of the unexpected shortfall in world supplies of agricultural commodities that emerged towards the end of 1972, together with the soaring demand for industrial commodities generated by the world-wide boom of 1973, was super-imposed on a domestic demand situation that was already turning quite strong. Because Canada is such a major producer of these foodstuffs and industrial materials, the steep rise in world demand for (and world prices of) these commodities greatly stimulated Canadian levels of income and economic activity, while at the same time markedly improving Canada's international terms of trade and directly pushing up its internal price level.

The world oil price shock at the end of 1973 that subsequently had such a marked deflationary impact on levels of demand and economic activity in most of the other industrial countries did not have nearly as strong a direct impact on Canada, whose exports of petroleum products were roughly equal to its imports of these items. The result was that in 1974 the developing world-wide recession came later, and was much milder in Canada than in many other countries, notably the United States. However, the price that Canada was to pay for its relative immunity from deep recession in 1974 became plain in 1975 as economic growth resumed. By that time Canada was experiencing a wage explosion of alarming proportions — and thus the prospect of continuing double-digit inflation for some time to come — whereas in the United States, its major trading partner, price inflation was already abating rapidly and wage trends continued to be remarkably stable. The fact that demand and economic activity did not fall off nearly as sharply in Canada during 1974 - 75 as in the United States and Europe was also a major factor in the emergence at this time of a very large current account deficit in Canada's international balance of payments.

In essence, then, by mid-1975 Canada found itself unexpectedly saddled with a substantially higher continuing rate of domestic inflation than that of its major trading partner and with growing concern on the part of Canadians about the future course of the country's price level, international competitive position and exchange rate. It was in this environment that the Bank of Canada launched its current experiment with monetary growth targets.

In taking this new approach, the Bank committed itself publicly to a continuing policy of gradually lowering the recent trend rate of monetary expansion over a period of years. The stated longer run objective of this policy was to help bring about a gradual return to price stability in Canada. The near-term objective was to help bring Canada's inflation rate back down into line again with that of the United States. Hopefully, by lowering the rate of monetary expansion gradually rather than abruptly, this goal could be achieved with a minumum of economic disruption. In the circumstances, public acceptance of disinflationary monetary growth targets in Canada was greatly helped by the fact that targets of this kind had already been introduced in the United States some time earlier, and by the fact that such a policy approach held out the hope of restoring a more stable underlying balance of payments and exchange rate situation vis-à-vis Canada's principal trading partner.

II. Previous Canadian Experience With Monetary Policy

In the past, especially during the 1960's when Canada's exchange rate was pegged to the U. S. dollar, the policy approach followed by the Bank of Canada had not attached a high degree of importance to the growth rates of monetary aggregates. Even when the exchange rate was floating, as it was during the 1950's and again from 1970 onwards, the intermediate variables on which the Bank had tended to focus were not primarily monetary aggregates but measures of bank credit and bank liquidity, nominal interest rates and the foreign exchange value of the Canadian dollar.

It should be noted in this connection that capital as well as trade flows across Canada's borders are virtually free of direct restriction. The Canadian dollar floats in a market that is unusually broad and well-developed both for spot and forward exchange transactions, with official intervention typically confined to day-to-day smoothing operations conducted in a reasonably even-handed manner. Financial markets in Canada both for short-term money and for long-term capital are relatively broad and mature, with close links to similar markets in New York, London and other overseas countries. Domestic financial transactions are also unusually free from detailed regulation: by and large Canadian banks and other financial institutions are left free to determine in accordance with their own commercial judgment to whom they will extend credit, in what amounts, and on what terms.

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For many years monetary policy in Canada has relied almost exclusively on the ability of the central bank to determine the quantity of cash reserves available to the commercial banking system and on its related ability to deal in the market for Government of Canada securities. Thus such influence as central bank action has on economic behaviour in Canada is transmitted indirectly through market mechanisms — not directly through the imposition of detailed quantitative restrictions on the credit market activity of banks or other lending institutions. The Bank of Canada relies essentially on the mechanism of relative price adjustment in the markets for domestic financial assets and foreign exchange to transmit the effects of its cash reserve management and securities market transactions to private spending decisions on goods and services. Its operations are intended to affect the relative prices of, and relative rates of return on, the various classes of domestic and foreign assets that compete for a place in the wealth-holdings of the public.

In terms of its economic stabilization role, monetary policy in Canada was regarded primarily as a matter of offering resistance to prospective trends in the aggregate flow of money expenditure that were thought likely to have undesired near-term effects on levels of employment and capacity utilization, the external payments position and the underlying trend of prices and costs. Action by the central bank to free up — or rein in — the supply of cash reserves to the banking system was expected to feed back on the subsequent growth of nominal demand through its effects on interest rates and — under the floating exchange rate regime of recent years — the external value of the Canadian dollar. If action to stimulate the prospective level of demand seemed desirable, the central bank could help bring this about by maintaining easy credit conditions. If demand restraint seemed desirable, a tightening of credit conditions would be in order.

One of the main problems with this approach was that when changes in credit conditions became necessary, it was not easy to determine their appropriate timing and magnitude. Although intended to be stabilizing, at times the course of policy seemed in retrospect to have had the effect of accommodating or even reinforcing cyclical swings in demand and economic activity. The reasons for this include the inherent difficulty of making reliable short-term economic forecasts, the long and variable time lags involved in influencing private spending decisions through monetary action, and the problem of determining appropriate nominal interest rate levels in periods when expectations of future inflation may be changing significantly. It is especially difficult to make realistic judgments about the approximate levels of unemployment and capacity utilization that will in fact turn out to be compatible with reasonable stability in the trend of wages and prices, and to resist the temptation to take an over-optimistic view of what is in fact attainable in this regard. Although it may not be generally recognized, there is also the difficulty that any temporary acceleration of the rate of monetary growth designed to stimulate economic activity must be fully reversed in due course if the longer run trend of monetary expansion and inflation is not to escalate over time. Allowing the rate of monetary expansion to rise may not seem very risky in the short run, but the obvious danger, particularly in an already inflationary climate, is that if it is sizeable and prolonged it will intensify inflationary expectations and behaviour. The reversal of the acceleration will be difficult to achieve in time to avoid a quickening of the momentum of inflation, and then it will be seen to involve the risk of unduly depressing economic activity.

The experience of many countries over the post-war era has shown how difficult it is for central banks to avoid being drawn into taking too shortsighted and eclectic an approach to the exercise of the monetary control function in contemporary society. Almost everywhere in the world the pressure to react to immediate problems, whether of unemployment or inflation or external balance, has led at times to procyclical economic policies of the "stop-go" variety. The longer-run consequence of these short-run policy responses has been an intermittent but progressive escalation of inflation rates, starting with the creeping inflation of the 1950's and culminating in the great wave of double-digit inflation that swept through the industrial countries in 1973 - 74. As a result, so much uncertainty has been generated about the future course of prices, — i. e. about the future value of money — as to threaten not just the effective functioning of the economic systems of the countries involved, but indeed their continued social and political stability as well.

The main reason why the Bank of Canada has adopted an operating approach that emphasizes keeping the pace of monetary expansion reasonably steady and within moderate limits is the hope that over the longer run monetary policy will no longer turn out to have been systematically biased in an inflationary direction through well-intentioned over-reactions to a succession of short run problems. It is also hoped, of course, that a policy orientation geared to the longer run objective of preserving the value of money will, at the same time, improve the performance record of monetary policy in helping to reduce short run cyclical instability in aggregate levels of demand and economic activity.

III. The Choice of a Monetary Aggregate for Control Purposes

In deciding to follow explicit monetary targets, the Bank of Canada did not attempt to devise some new and radically different technical approach to its operations; instead, it preferred to adapt its customary operating procedures to the objective of keeping the growth of the money stock on track. This is one among a number of reasons why the Bank of Canada's technique for controlling monetary growth differs a good deal from the mechanism described in the text-books, and why it has chosen to focus on controlling the growth rate of a narrowly defined monetary aggregate — the short-run demand for which is relatively interest sensitive — rather than some more broadly defined aggregate.

There were, of course, other important issues involved in the choice of a particular monetary aggregate from among a number of plausible alternatives as the one whose growth rate it made most sense to focus on for control purposes. The potential candidates for this role included either some concept of base money or some concept of the money stock. The list of conceivable money stock concepts ranged all the way from narrow definitions of money limited essentially to transactions balances, through various intermediate definitions, to such broad definitions as currency plus all privately-held banking liabilities subject to cash reserve requirements.

In considering these various alternatives, the Bank of Canada was mainly concerned with three questions. First, what was the evidence that the public's demand for the particular monetary aggregate had exhibited a sufficiently stable relationship to nominal national income in the past to recommend its use as an intermediate target variable? Second, to what extent was the central bank in fact able to control the short run growth rate of this particular monetary aggregate in a reasonable manner, given the technical means available to it? Third, were the interest rate implications of controlling this particular aggregate sensible from the point of view of counter-cyclical stabilization policy in a country like Canada?

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The Bank of Canada's choice in this regard was currency and demand deposits or M 1, a relatively narrow definition of the money stock. Both the monetary base and cash reserves are aggregates whose growth rate can be closely controlled by the central bank, but the income demand for these basic forms of money does not seem to be very stable in the short run, especially under a lagged system of fractional reserve requirements that differ greatly as between demand deposits and time deposits. Thus an upsurge of nominal income does not necessarily generate excess demand for cash reserves and upward pressure on interest rates in the short run. The broader monetary aggregates seem to bear a somewhat more stable relationship to national income than the cash base does. At least under the existing Canadian system of cash reserve requirements, however, their short-run growth rates seem very difficult to control through their linkage with the cash base of the banking system in a sufficiently predictable way to avoid the risk of inducing excessive and de-stabilizing fluctuations in interest rates. By comparison, not only does the income demand for transactions balances (M 1) seem to have been fairly stable in recent years, but the growth rate of this aggregate also seems to be amenable to short-run control by the central bank in a broadly predictable — though rather indirect — manner. This is because the public's demand for M 1 balances, which bear a zero rate of interest, responds in a systematic fashion (negatively) to changes in the level of short-term interest rates. At the same time controlling M 1 involves less risk of over-reacting to transient income disturbances by generating unduly sharp fluctuations in interest rates.

IV. How M 1 Growth Is Controlled

The Bank of Canada has long been accustomed to using its ability to determine the supply of cash reserves to the banking system in a way that works roughly as follows. During any given reserve-averaging period, the aggregate demand for cash reserves on the part of the banking system is largely pre-determined by a lagged differential reserve requirement based on the system's recent levels of demand deposits on the one hand and notice or time deposits on the other. The system's demand for excess reserves, though not entirely predictable, is normally quite small. Depending on how readily or otherwise the central bank satisfies the banking system's demand for excess cash reserves, it can induce short-run portfolio responses on the part of the system banks strong enough to give it a dominant influence over the short-run behaviour of Canadian short-term interest rates. Cash stringency induces the banks to liquidate money market assets and become more aggressive in bidding for term deposits, with consequent upward pressure on the whole interest rate structure radiating out from the money market. As Canadian interest rates are forced higher in relation to foreign interest rates, the spot value of the Canadian dollar normally strengthens in the foreign exchange market both in relation to its forward value and in absolute terms. Providing cash reserves more readily, on the other hand, induces responses similar in kind but in the opposite direction.

The way in which the Bank of Canada attempts to keep the growth trajectory of M 1 within the limits of the current target range requires little change in its normal operating techniques. If M 1 begins to grow more rapidly than is desired — presumably because of a correspondingly rapid expansion of money incomes in the economy — the Bank can rein in the supply of cash reserves to the banking system and let short-term interest rates rise. Higher short-term interest rates raise the opportunity cost to the public of holding non-interest-bearing transactions balances, and this will soon induce the public to adjust downwards the quantity of such balances it will readily hold per dollar of income. Supplying cash reserves more readily and letting short-term interest rates fall works in the opposite direction: it raises the public's demand for M 1 balances per dollar of income and can thus be used to correct an undesired slackening of the growth rate of the money stock. Econometric estimation techniques can be of help to the central bank in judging the approximate timing and magnitude of the changes in short-term interest rates required to put M 1 growth back on track, provided that the near-term growth rate of nominal national income can be predicted with a fair degree of reliability.

In broad economic terms, the rationale for a policy approach of this kind runs along the following lines. Given a reasonably stable income demand for money, for any particular trend rate of increase of the money stock that the Bank of Canada chooses as its target there will be a corresponding trend rate of increase of nominal national income at which the growth in money demand and money supply should remain in approximate balance. So long as — for whatever reason — nominal income growth exceeds this rate, rising interest rates will be required to prevent the rapid growth in the demand for money from out-running the rate of growth in the money supply at which the central bank is aiming. In an open economy, rising domestic interest rates will also put upward pressure on the exchange rate, and through these related market channels the influence of central bank resistance to an acceleration of monetary growth will feed back on spending decisions with a weight that increases over time. In due course, therefore, the growth rate of nominal demand can be expected to slacken off again in response to rising interest rate and exchange rate pressures. If nominal income growth should slow down excessively, this chain of events would be reversed: the interest rate and exchange rate pressures called into play would be of the opposite sign, and would work in the opposite direction.

V. Canadian Experience To Date With Monetary Targets

What can be said by way of conclusion about how the Canadian attempt to control the trend rate of growth of the money stock has worked out to date in practice — both as a technical matter and in relation to the broader objectives of Canadian economic policy?

Technically, the Bank of Canada has managed to achieve a significant slowing of the trend rate of increase of the money stock. The initial target range for monetary growth that was set in 1975 has since been lowered gradually in two successive steps, in August of 1976 and then again in October of 1977.

For some months following the Bank's initial announcement of monetary targets, M 1 growth continued to run at or above the upper limit of the target range. In retrospect it can be seen that this was primarily a reflection of the rapid expansion of nominal demand during this period, but at the time, pending the eventual publication of the relevant national income estimates, this could only be surmised. The Bank did, however, use its control over the supply of cash reserves to the banking system to bring about a substantial upward adjustment of Canadian short-term interest rates. For close to a year these rates were kept at levels very much higher than comparable interest rate levels in the United States, and this was associated with a temporary appreciation of the Canadian dollar to a premium of about 3 per cent above the U. S. dollar in spite of Canada's substantially higher rate of cost and price inflation.

Shortly after this new and higher level of interest rates had been established, the rate of monetary growth slowed down markedly, and before long it began to run somewhat below the lower limit of the then current target range, which had just been adjusted downwards. It was far from clear at the time to what extent this was due to a pronounced slackening of the growth of money income in the economy or to extraneous influences, either of a temporary or of a more lasting character, affecting the money-holding habits of the public. Nevertheless, after some hesitation on this score, the Bank acted to bring about a progressive decline in short-term interest rates that cut their margin over comparable U.S. rates quite substantially. The margin was subsequently narrowed further by rising U.S. money market rates during the course of 1977, and this was one of the factors contributing to a substantial downward adjustment of Canada's exchange rate during the period. By mid-1977 M 1 growth was back within the target range, and in retrospect it could be seen that for some time the economy had been experiencing a much weaker expansion of demand and activity than it had a few quarters earlier.

On the basis of the Bank of Canada's limited experience to date, therefore, it appears that the broad swings that have occurred in the trend rate of increase of the money stock have indeed conveyed useful information about the changing trend of nominal demand in the economy, and that the interest rate adjustments called for as a means of resisting these deviations in the trend of money growth have at the same time been helpful from the point of view of demand stabilization.

The particular range of money growth rates that the Bank establishes from time to time as its interim target is designed to accommodate a growth path of nominal demand capable of supporting a reasonably satisfactory rate of real economic growth provided that this is associated with some continuing decline in the rate of inflation. The actual performance of the Canadian economy, of course, is dependent on a great many influences besides monetary policy, especially over periods as short as a year or so. The course of economic events in the outside world is bound to be very important, and the same can be said of fiscal and other government policies such as incomes policy, which has been used vigorously in Canada since 1975. The pace of real economic growth in Canada has been slower than had been hoped, particularly since mid-1976; on the other hand there has been a remarkable and continuing decline in the average size of pay increases and in the upward trend of consumer prices other than food. Canada's underlying rate of inflation, based on either of these measures, has now come down to the point where it is currently running not much higher than that of the United States.

One conclusion suggested by Canadian experience is that the usefulness for policy purposes of the historical relationship between money demand and national income is subject to essentially the same limitations as that of most other economic relationships. In drawing inferences for policy from the behaviour of money supply series, a central bank is bound to be acutely aware of the possibility of being misled for various reasons — perhaps because of unrecognized problems of statistical measurement, perhaps because the short-run behaviour of the series is being affected by temporary or random influences, perhaps even because the nature of the underlying relationship itself is changing over time as a result of innovations in institutional practices.

A rather striking example of what can happen in this regard occurred in Canada towards the end of 1975, when for close to three months the money supply figures were severely inflated by the effects of a nation-wide postal strike. Needless to say, the Bank of Canada did not attempt to react to this particular bulge in the money supply, and in due course the source of the distortion in the figures disappeared.

There are, of course, other reasons why a central bank cannot regard the pursuit of monetary growth targets as a purely mechanical exercise which obviates the need for analyzing a much broader range of economic and financial information and making judgments about the action it should take within a much wider frame of reference. Broad economic judgments obviously have to be made, for example, in deciding what upper and lower limits should define the target range for monetary growth during any particular period, when they should be adjusted and by how much. If a central bank is to make a serious effort to adhere to monetary targets, it will want to feel reasonably sure that pursuing them will prove a sensible way of attempting to realize its ultimate economic objectives.

Seen in this perspective, the pursuit of publicly-announced monetary growth targets is certainly no substitute for the difficult judgments central banks are inevitably called upon to make. The practice can, however, serve as a useful and important adjunct to the technical approach customarily followed by central banks in the exercise of their monetary control responsibilities, by providing a disciplined framework within which to appraise the longer-run risks of the policy being followed in the short run. In addition, it offers the possibility of exerting a constructive influence on the public's expectations with respect to future inflation by expressing the intermediate goals of monetary policy in a direct and simple manner.

Zusammenfassung

Die jüngsten Entwicklungen in der kanadischen Geldpolitik

1973 sah sich Kanada, wie viele andere Länder, unerwartet einem Inflationsboom von weltweitem Ausmaß gegenüber. Im Jahr 1975 folgte dem kanadischen Boom eine leichte Rezession, doch von da an erfuhr die Volkswirtschaft eine Lohn- und Preisexplosion von alarmierenden Ausmaßen. Somit bestand für Kanada die Aussicht, daß für die Zukunft hohe Inflationsraten anhalten würden, die wesentlich höher waren, als bei seinem Haupthandelspartner, den Vereinigten Staaten. Unter diesen Umständen ging die Bank von Kanada (Bank of Canada) dazu über, bestimmte Geldmengenziele zu veröffentlichen, um sie als Richtschnur für die praktische Geldpolitik zu benutzen. Die Bank of Canada machte darüber hinaus klar, daß diese Zielgrößen nach und nach geringer angesetzt werden müßten, um die inländische Preisstabilität wieder zu erreichen. In Kanada, wo sowohl heimische als auch internationale Kredit- und Kapitalströme relativ frei von direkten Restriktionen sind und wo ein floatendes Wechselkurssystem seit 1970 in Kraft ist, stützte sich die Geldpolitik gewöhnlich auf die Wirkung der Mindestreservepolitik auf die kurzfristigen Zinssätze. Im wesentlichen wurden dieselben Techniken angewandt, um auch jetzt unerwünschte Abweichungen des Geldmengenwachstums (M_1) zu vermeiden und somit indirekt auch Abweichungen vom Trend der nominalen Nachfrage. Seit 1975 wurden die Geldmengenziele der Bank of Canada in zwei aufeinander folgenden Schritten herabgesetzt. Das Wachstum der Staatsausgaben wurde beträchtlich verringert und obgleich das reale Wirtschaftswachstum schwächer als erhofft ausfiel, gab es einen wesentlichen Rückgang bei der kanadischen Inflationsrate. Obgleich die geldpolitische Relevanz des Zusammenhangs zwischen Geldnachfrage und Einkommen Grenzen verschiedener Art unterliegt und keinen Ersatz für weitreichende volkswirtschaftliche Beurteilungen bei der Entscheidungsfindung der Zentralbank bietet, läßt die kanadische Erfahrung darauf schließen, daß die Verfolgung von Geldmengenzielen eine nützliche Rolle bei den Bemühungen spielen kann, die Geldpolitik zu verbessern.

Summary

Recent Developments in Canadian Monetary Policy

In 1973 Canada, like many other countries, found itself unexpectedly caught up in an inflationary boom of worldwide dimensions. By 1975 the boom in Canada had given way to mild recession, but by then the economy was experiencing a wage and price explosion of alarming proportions. Thus Canada faced the prospect of continuing high inflation for some time to come, substantially higher inflation than that of its major trading partner, the United States. It was in this environment that the Bank of Canada adopted the practice of setting explicit money growth targets as operating guides for the implementation of monetary policy, and indicated that these targets would have to be lowered gradually over time if there was to be an eventual return to domestic price stability. In Canada, where credit and capital flows both domestically and internationally are relatively free of direct restriction and where a floating exchange rate regime has been in effect since 1970, monetary policy has customarily been implemented through the impact of cash reserve management on short-term interest rates. Essentially the same techniques are now used to resist undesired deviations in the growth rate of the money stock (M1) and thus implicitly in the trend of nominal demand. Since 1975 the Bank's monetary growth targets have been lowered in two successive steps. The growth of national expenditure has also slackened considerably, and although real economic growth has been weaker than had been hoped, there has been a substantial continuing decline in Canada's underlying rate of inflation. Although the usefulness for policy purposes of the relationship between money demand and income is subject to limitations of various kinds and is no substitute for the exercise of broad economic judgment in central bank decision-making, Canadian experience suggests that the pursuit of monetary targets can play a useful role in efforts to improve the performance record of monetary policy.

Résumé

Evolution récente de la politique monétaire canadienne

En 1973 le Canada fut, à l'instar de beaucoup d'autres pays, confronté de façon inattendue à un boom inflationniste de portée mondiale. Ce boom canadien fut suivi en 1975 d'une légère récession, mais à partir de cette époque l'économie connut une explosion alarmante des salaires et des prix. Ainsi s'ouvrit pour le Canada la perspective de devoir compter à l'avenir avec des taux d'inflation élevés, bien plus élevés que pour son principal partenaire commercial, les Etats-Unis. Dans ces circonstances, la Banque du Canada procéda à la divulgation d'objectifs monétaires quantitatifs définis, afin de les utiliser comme ligne directrice pour la politique monétaire pratique. La Banque du Canada précisa en outre que ces objectifs devaient être appliqués de façon progressivement décroissante afin de retrouver la stabilité des prix. Au Canada, où les flux tant nationaux qu'internationaux de crédit et de capitaux restent relativement préservés de restrictions directes et où un système de change flottant est en vigueur depuis 1970, la politique monétaire s'appuyait habituellement sur l'action résultant de la politique des réserves minimales sur les taux d'intérêt à court terme. Les mêmes techniques furent appliquées pour l'essentiel, afin d'éviter à ce moment également des écarts non souhaités de la croissance de la masse monétaire (M_1) et ainsi aussi indirectement des écarts de la tendance de la demande nominale. Depuis 1975

les objectifs monétaires quantitatifs de la Banque du Canada ont été réduits à deux reprises successives. La croissance des dépenses publiques fut considérablement restreinte et, quoique la croissance économique réelle diminua moins que prévu, le taux d'inflation canadien recula substantiellement. Quoique l'incidence de politique monétaire de la relation entre demande monétaire et revenu soit soumise à des limites de différents ordres et n'offre pas de succédané aux appréciations économiques étendues dans la recherche de la solution de la banque centrale, l'expérience canadienne permet de conclure que la poursuite d'objectifs monétaires quantitatifs peut jouer un rôle utile dans les tentatives visant à améliorer la politique monétaire.

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