**Mark Carney Webinar Primer**

Appointed as the 8th Governor of the Bank of Canada on February 1, 2008, Mark Carney was only the second outsider to be appointed head of the Canadian central bank since it was formed in 1934, bringing his experience as an investment banker to the role at a time when the fallout from the subprime mortgage crisis was just about to bring an end to Canada’s longest economic expansion since World War II. As the American subprime mortgage market cascaded into an economic crisis of global proportions in 2008, epitomized by the financial failure of several banks and corporations, the impact of the financial crisis on Canada’s economy stood markedly different than that of its southern counterpart. Carney helped organize the global response to the financial crisis as part of the G8 and G20, and his actions as Governor of the Bank of Canada played a major role in helping Canada avoid the worst impacts of the 2008/09 financial crisis, as the country’s 21 banks weathered seizures in credit markets without direct government aid. This was accomplished partly because Canada’s higher capital requirements and loan limits helped lenders avoid most of the write-downs and losses that crippled global competitors, even as the nation’s economy slipped into a recession. By April 2009, Canadian interbank markets had largely calmed, around the time Carney slashed the prime interest rate by 3.75% to a record 0.25% and pledged to maintain that level for one year, an action never seen before. Throughout 2009, Canadian funding markets improved as term PRA operations shrank in size, term, and issue frequency until they were phased out starting in April 2010. Moreover, instead of following in the footsteps of the United States, Carney chose not to follow Chairman Bernanke in acquiring poorly performing assets from banks or printing money to stimulate the economy. Instead, Carney and the Bank of Canada injected liquidity into Canada’s financial system through the Insured Mortgage Purchase Program (IMPP), a scheme to loan CMHC the money to finance up to $125 billion in NHA-MBS from Canadian banks. This allowed banks to increase the proportion of liquid assets on their balance sheets by offloading hard-to-sell mortgage-backed securities. However, unlike the bank bailouts under TARP in the United States, the assets purchased by CMHC were already insured and thus guaranteed by the government. As a matter of comparison, the American policy response was to first inject capital into insolvent institutions, then to buy those institutions highest-risk, and therefore least valuable, assets. On the other hand, with Carney providing Canadian banks with greater liquidity through purchases of short-term, liquid assets, it made it substantially easier to unwind these assets from the central bank’s balance sheet as the economy moved towards recovery. As a result of Carney’s expansive monetary policy actions, Canada was the first G7 nation to have both its GDP and employment recover to pre-crisis levels.

Carney continued to serve as the Governor of the Bank of Canada until June 2013 before transitioning to his new role as the 121st Governor of the Bank of England, in July 2013. Upon appointment, he became the first non-Briton to hold the position since the Bank was established in 1694. At the time when Carney entered, the UK economy had still not fully recovered from the effects of the 2008 financial crisis, differing greatly from the Canadian economy that he came from. Despite being five years removed from the GFC, UK GDP remained 2.6% below its 2007 pre-crisis level, a loss of output that the Bank of England compared to a World War. In fact, of the G20 countries only Italy had fared worse than the UK in the five years post-crisis. Immediately, Carney was instrumental in introducing the concept of forward guidance to the BoE to provide consumers, businesses, and financial markets a clear view of the bank’s interest rate policy. Under his leadership, the BoE continued to combat the aftermath of the financial crisis with a successful quantitative easing program and greatly expanded the central bank’s regulatory and supervisory activities. Moreover, during his tenure at the BoE, Carney displayed vast outward criticism of Brexit, believing that it would have substantial and sharp negative economic effects in the long run by hindering economic growth, igniting inflation, and raising unemployment. Moreover, following the Brexit vote, he also warned of the staggering wealth inequalities that would be precipitated by the referendum. In June 2016, when early economic indicators showed business confidence falling drastically, highlighted by a depreciating pound and negative economic growth, Carney and the BoE intervened by utilizing forward guidance to announce the intent to cut interest rates. In reaction, financial markets began to rally and stabilize, with the BoE’s monetary policy committee cutting rates shortly thereafter. However, with rates near zero at 0.25%, the BoE was forced to expand its toolkit and subsequently increased its quantitative easing programme, buying corporate debt in the wake of the Brexit vote. This was supplemented by the creation of the Term Funding Scheme (TFS) which supported bank lending in the aftermath of the referendum. This effectively protected bank profit margins and allowed lending efforts to increase, by offering cheap money conditional on commercial banks lending the cash to consumers.

On the issue of climate risk, Carney began speaking about its risks to the global economy and financial markets in 2015, marking an interesting development for the BoE as central banks typically withdraw from commenting on environmental issues. In 2019, Carney further placed environmental issues to the forefront of global central banks as he warned that the financial system faced an expediting existential risk from extreme weather events. Central banks have responsibility over a wide array of financial regulation and their powers enable them to influence the allocation of private-sector credit and financial flows. Carney’s fundamental argument was that the role of central banks and the banking sector more generally in supporting the transition to a low-carbon economy has been largely neglected and that given the significant influence central banks have over our economies, they should play a greater role in supporting environmental sustainability. Despite his departure from the BoE in March 2020, Carney continues to advise on climate-related financial risks through his role as UN special envoy for climate action and finance. Moreover, in August 2020, Brookfield announced the appointment of Mark Carney as the new Vice Chair and head of ESG and impact fund investing at Brookfield Asset Management, in which he will continue focusing his efforts on environmental sustainability, albeit through a different lens.