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Statement by the Hon. **TIMOTHY F. GEITHNER**,
Governor of the Bank and the Fund for **THE UNITED STATES**

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On behalf of President Obama, welcome to Washington. Decisive action is needed in the face of renewed challenges. Economic growth has slowed, especially in the advanced economies, and financial stress has intensified. Slow growth threatens to cause a negative spiral, undermining our ability to create good jobs that contribute to demand and exacerbating fiscal strains.

In order to spur economic growth in the short term, President Obama recently proposed a \$447 billion package of public investments, tax incentives, and targeted jobs measures. The President's proposal includes: payroll tax cuts for both workers and small businesses; targeted hiring incentives; immediate investments in infrastructure and schools and the creation of a National Infrastructure Bank; and extension and reform of unemployment insurance to help facilitate workforce re-entry for the unemployed. Private economists estimate that these proposed measures could increase real economic growth next year by around one and a half percentage points and create more than one million jobs at a critical moment in the recovery.

Alongside near term support for the economic recovery, we remain committed to credible steps to restore fiscal sustainability in the medium term. This week the President put forward a plan to reduce deficits by more than \$3 trillion over the next 10 years, more than offsetting the cost of any additional near-term accommodation. This deficit reduction would be on top of the \$1 trillion in spending cuts enacted this summer. The President's proposal for \$4 trillion in deficit reduction would bring the U.S. into primary surplus by the middle of the decade, resulting in a decrease in the debt-to-GDP ratio from 2015 to 2021. In order to meet these fiscal targets, the President proposed specific reforms to spending programs and called for comprehensive reform of the tax code, including reducing spending through the tax code.

For its part, Europe's most important contribution is to take action to resolve its sovereign debt and financial crisis. European governments and the European Central Bank must work together to demonstrate an unequivocal commitment to support Europe's financial system and ensure that European banks have recourse to adequate capital and funding. Further action to create effective firewalls against contagion is still necessary.

Restarting strong global growth will also require more effective action to rebalance global demand. Broader and faster appreciation of the renminbi and other policies necessary to boost domestic consumption in China and other emerging economies with large external surpluses will help to achieve much-needed rebalancing of global demand.

The imperative remains to strengthen economic growth through continued global coordination. Now we must all deliver on the G-20 commitments made in Seoul to address key imbalances that threaten strong, sustainable, and balanced growth. Fiscal policy everywhere has to be guided by the imperatives of growth. As for monetary policy, inflation risks are on average, though not everywhere, less acute. This means some central banks will continue to ease policy, while some will keep rates lower longer and slow the pace of expected tightening.

In addition to individual countries' actions, the International Monetary Fund (IMF) has a vital role to play in the international monetary system. We have made significant progress in strengthening the functioning of the IMF, including through agreements to reform the Fund's governance structure and to increase its resources. The IMF's increased lending in the wake of the crisis and since then has been crucial to the global recovery. The Fund is closely collaborating with the G-20 in its Mutual Assessment Process and analyzing necessary adjustments to tackle large and persistent external imbalances.

In addition to the growth challenges facing the global economy, there are new and unique development challenges. The Middle East and North Africa is undergoing one of the most important transitions of our time. We are committed to working with our partners to support transitions in Egypt and Tunisia. The success of these emerging democracies will hinge on building strong and inclusive economies that improve people's lives, especially the lives of young people. International financial institutions will be central to this effort. We welcome the efforts of the multilateral institutions to support near-term financial needs of transition countries, along with supporting home grown reforms that improve governance, enhance growth, and expand opportunities for citizens. As endorsed in the latest U.N. Security Council Resolution, we welcome the role of the International Monetary Fund (IMF) and the World Bank in helping Libyan authorities to develop transparent and accountable mechanisms for managing the country's public finances.

In Africa, several countries face one of the worst famines in decades. At this very time, we welcome the vital response of the World Bank and other multilateral agencies to this acute crisis. This crisis, coupled with two food price spikes in the past three years, calls for concerted global action to strengthen food security and agriculture. To this end, we continue to support the Global Agriculture and Food Security Program (GAFSP), which has proven to be a key source of transparent and competitive financing for country-led, evidence-based agricultural development strategies in the world's poorest countries, encouraging countries to take a comprehensive and inclusive approach to agricultural investment and reform. The fund has allocated nearly half a billion in grants to 12 countries. These investments are expected to increase the incomes and improve food security for 7.5 million people. It is clear that, while much has been achieved, there remains an acute need for the Bank's continued efforts to combat poverty and promote broad-based, sustainable economic growth, including by strengthening the private sector and developing infrastructure and through climate change adaptation and prevention.

From global poverty to historic transitions to climate change, the World Bank and the regional development banks are on the front lines of the globe's most pressing economic and national security challenges. In an environment of tight national budgets in advanced economies, no other institutions can so effectively leverage our limited resources or more strongly reflect our shared priorities of reducing poverty and hunger. We will work closely with our Congress to meet our capital increase commitments and replenishment of the International Development Association.