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JWM

ACTION

Date: May 28, 1980

MEMORANDUM FOR: Secretary Miller

From: Executive Secretariat

Subject: Your Speech Before the International Monetary Conference, New Orleans, June 4

OASIA staff is preparing a draft of your New Orleans speech. It would be useful at this stage to have your reaction to its general thrust.

In the speech, the staff intend to trace the major developments that occurred in the world economy during the 1970s and poses the key economic issues for the international community as we enter the 1980s. The speech would focus on the need for structural adjustment throughout the world economy -- importantly but not exclusively in the energy sector -- and on the need to assure the availability of adequate private and official financing to support orderly adjustment over a medium-term period. It would stress that while the private financial system will have to handle the bulk of the financing, the Bretton Woods institutions -- which steered the world through the post-war reconstruction period -- are now gearing up to play a key supportive role in the structural adjustment/recycling effort that lies ahead.

It appears that there is not much new in this. The main alternative theme would be a discussion of U.S. economic policy and performance. While this would be appropriate and of great interest to this group, we understand that Mr. Laitin's office felt the statement should be in the international financial area. Treasury speakers have, however, focused on the U.S. economy in some earlier statements to this group.

May we please have your reaction to the thrust of the speech as currently conceived.

Speech thrust is O.K. ________________

Prefer alternate theme or approach ________________

As discussed 11:00 am. 5/29/80

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Ex. Sec.
Surname	SE:KButton				JE: Evans Johnson	JE Skanks
Initials / Date	KB / 5/28	/	/	/	/	/ 5/28

Form OS-3129
Department of Treasury

Department of the TREASURY NEWS
WASHINGTON, D.C. 20220 TELEPHONE 566-2041

REMARKS
BY
THE HONORABLE G. WILLIAM MILLER
SECRETARY OF THE TREASURY
BEFORE
INTERNATIONAL MONETARY CONFERENCE
NEW ORLEANS, LOUISIANA

June 4, 1980

Since I became Secretary of the Treasury last August, I've been looking forward to the opportunity to participate in the International Monetary Conference. I consider it part of my coming of age as Secretary.

Last evening, when I left Washington, the radar system was knocked out and airplanes were delayed and cancelled. I thought that perhaps Divine Providence was interfering to see that I did not participate in this conference. Four hours later, when we made new connections to fly into New Orleans, I found myself on the same plane as Paul Volcker. I then realized it was merely Divine Providence making sure I was in good company.

Over the past ten years, my predecessors as Secretary have addressed this Conference under circumstances that have involved rapid and unprecedented changes which have indelibly altered the world economic and monetary system.

The process of change continues, and today I would like to chat with you about some of the challenges we face in the 1980s.

The problems confronting the world economy today are even more basic than those during reconstruction following World War II. As bankers, you are and will be in the thick of things. Your view of the future, your lending decisions, your reaction to changes in the world environment will all play a major role in our success or failure in meeting the tests that lie ahead.

Many of our problems have their roots in world economic developments of the 1970s. The past decade was disturbing in several respects. The Seventies represented a sharp break from

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the past, ushering out the post-war period of steady global recovery and expansion. The world economy reached a turning point in 1973. The strong world expansion from late 1969 into the early Seventies produced a highly synchronized, but unsustainable upswing in 1972-73. Surging demand led to a world-wide inventory build-up. Commodity prices rose dramatically, particularly for energy.

Improving living standards and rising industrial production brought huge increases in energy demands over the post-war years, with oil consumption far in the lead. The level of U.S. domestic oil production peaked out. OPEC nations responded to the new situation by raising prices.

At the beginning of the 1970s, a barrel of OPEC oil cost about $2.00. As we enter the 1980s, the price has increased 16-fold, playing havoc with the world economy.

The powerful inflationary and growth-depressing impact of rising energy prices was augmented by declining productivity growth over the last decade. This was accompanied by a proliferation of government regulations, and more and more general and specific interference with the private market system. As underlying inflation rates rose dramatically, so did inflationary expectations. This produced the classic effect -- a flight by consumers and businesses from money into goods.

One consequence has been a reduction in average savings rates in many countries. Inflation has also affected the level of real capital investment so that productive stock has not grown as rapidly as the labor base. In the wake of sharp energy cost increases, the existing capital stock has become increasingly outmoded. At the same time, increases in unemployment have led to larger government transfer payments, larger expenditures, and heavier pressures on budgets.

All this has taken its toll on our economies. It has produced major structural problems that need to be addressed forcefully in the years ahead.

In particular, the share of GNP devoted to investment needs to be increased. For this to happen, the hard fact is that either the government share or the consumer share must decline.

The buffeting experienced by the world economy during the past decade has been traumatic for governments, for labor, for business, and for consumers -- in developed and developing countries alike. We have all suffered from the shock; we can also learn from it. The main lesson is that progress lies in successful adaptation.

We need to adapt our ways of thinking, our policies, our institutions, our economic relationships, and the very structures of our economies. All nations have the responsibility to the international community -- and to themselves -- to contribute to the needed adjustments. The United States and other oil importing nations have the responsibility to reduce their excessive reliance on imported oil, to bring inflation under firm control, and to create an environment for renewed investment and productivity growth. The oil exporting nations have an obligation to contribute to orderly economic and financial adaptation through responsible production, pricing and investment decisions. Both the private and the international financial institutions have major roles to play in the entire process.

The U.S. Responsibility

The problems facing the U.S. economy closely parallel those of other oil importing countries.

Foremost among these is a destructive and intolerable rate of inflation. Inflation has built up over some 15 years, and its roots are now deeply imbedded. Success in the battle against inflation requires a comprehensive, integrated strategy to reduce its fundamental causes, not just to treat its symptoms. This is our first priority. Overcoming inflation represents by far the most important contribution the United States can make to assuring a stronger world economy.

The primary weapons in our war against inflation are fiscal and monetary discipline, an effective pay and price policy, a vigorous program to reduce reliance on imported oil, regulatory reform, increased investment, productivity improvement, and a sound and stable dollar.

Fiscal Policy. In order to reduce inflation and release resources to address structural problems, we are directing major efforts toward bringing Federal spending under more effective control. Prudent economic management requires that the Federal budget be balanced over the business cycle.

If approved by Congress, the budget President Carter submitted as part of his March 14 intensified anti-inflation program would be the first balanced budget in twelve years.

Together with measures to control Federal on- and off-budget credit demands, the achievement of budget balance over the business cycle will have a major impact on credit markets and on inflation and inflationary expectations.

Monetary Policy. A second weapon in the war against inflation is a disciplined monetary policy. The Federal Reserve has held a tight control over the growth of the money supply in order to starve out inflation. This has contributed to a growing confidence in financial and other markets.

While monetary policy has been effective, the growing threat from inflation prompted President Carter to undertake strong additional steps to control credit. These new, temporary measures, in conjunction with continued monetary restraint, accomplished their purpose. They were designed to arrest the unproductive use of credit that was prevalent earlier in the year, and to deflate the inflationary bubble of expectations that had contributed to the excessive credit spending and speculation.

Credit and financial markets are now operating in an orderly and efficient manner. Interest rates have come down sharply from earlier peaks. We seem to have broken the back of inflationary expectations <u>for now</u>. This has already made it possible to relax the temporary controls somewhat.

As the Federal Reserve has already indicated, it is firmly committed to its basic monetary policy and determined to maintain the growth rate of the monetary aggregate within its established target ranges. This is certainly the proper course to ensure progress in the war against inflation.

<u>Pay and Price Policy</u>. Fiscal and monetary restraint represent powerful weapons to attack the fundamental causes of inflation. But these policies work slowly. Therefore, we need a "bridging" technique to help avoid a vicious wage-price spiral until fiscal and monetary measures take hold. This is the purpose of the voluntary program to moderate pay and price increases. With the mutual cooperation of business and labor, overall price and pay increases have been smaller than otherwise would have been the case. This has been very helpful in avoiding a ratcheting-up of inflation.

<u>Government Regulation</u>. In battling inflation, we do not intend to overlook the cost-raising actions of government. Among these are the unnecessary regulations that could not pass a fair assessment of their costs and benefits. Much of the regulation of airlines, trucking, railroads, banking, and communications industries, as well as some environmental, safety and trade regulations, and a generally heavy burden of imposed paperwork, have created inefficiencies distortions, and excessive costs that feed through our economy and push up prices. The Administration is intensifying its efforts, through legislative proposals and administrative processes, to remove unneccessary regulations and to improve the quality of desirable regulations. The result will be a reduction in the overall burden of government.

<u>A Stable Dollar</u>. Policies to control inflation help to strengthen the dollar. In turn, a sound and stable dollar is essential if we are to achieve price stability. The two are mutually reenforcing. Moving forcefully to assure better control over the expansion of money and credit and to help curb excesses in commodity and other markets will dampen inflationary forces and inflationary expectations, and contribute to greater stability in foreign exchange markets.

The dollar has strengthened over the period since the President's November 1, 1978, announcement of a major U.S. exchange market program. We have and will continue to deal forcefully with unwarranted exchange market pressures in order to maintain a sound and stable dollar.

Energy Policy. The ten-fold increase in world oil prices has been a principal contributor to the acceleration of inflation since 1973. Oil price increases have had no less an effect in the first year of the 1980s. To win the war against inflation, it is absolutely essential that the United States reduce its dependence upon imported oil and upon oil itself as a source of energy. It is essential to our national security that we gain control over our own destiny and that we move to do so with all possible speed.

To achieve these objectives, President Carter has proposed a broad and comprehensive energy program, including:

- -- decontrol of oil prices,
- -- a limit on oil imports,
- -- energy conservation,
- -- increased development and use of conventional domestic sources of energy,
- -- increased use of renewable energy sources and the development of unconventional domestic energy supplies, and
- -- a windfall profits tax to allocate the increased revenues generated by decontrol of domestic oil prices.

The latest element in this program is the President's proposal for a 10-cent gasoline conversation fee.

There can be no question that our national and economic security is threatened by dependence on oil imports. The 1979 oil price explosion was the primary cause of the acceleration in inflation, the swift escalation of interest rates, and the massive drain of purchasing power, all of which have combined to help throw the U.S. economy into reverse gear.

Since 1970, we have seen our oil import bill rise from $3 billion to $90 billion. A failure to stem oil imports would have serious consequences for our efforts to achieve lasting improvement in the U.S. balance of payments and to maintain a stable dollar, and would threaten our efforts to solve our domestic inflation problem.

Low gasoline prices are a major cause of our over-consumption of imported oil. The gasoline conservation fee introduced by President Carter is a moderate but straightforward step toward reducing our dependence on foreign oil. By the end of the first year, it would reduce oil imports by 100,000 barrels a day, and by the end of the third year, it would reduce oil imports by up to 250,000 barrels a day, producing a balance of payments savings of more than $3 billion. The fee would produce additional demand restraint and demonstrate the willingness of the United States to make sacrifices to curtail gasoline use. This would be an important element in securing the international cooperation that is vital if we are to bring the oil price explosion under control. As you know the fee is under challenge in both the courts and in Congress. President Carter is making a courageous, all-out effort to retain it as an instrument of U.S. energy policy. The fight to achieve a rational U.S. energy policy has been long and hard and slow. No doubt there will be setbacks and detours ahead, as there have been in the past. But we have made considerable progress, and we intend to achieve even more.

We have already started to see results from earlier conservation efforts. During the first quarter of 1980, U.S. oil consumption was 9.4 percent below the same period last year. This sharp reduction reflected consumer reactions to higher prices and increased efficiency. It was mirrored in our demands for oil imports which in the first quarter fell 12.4 percent from a year earlier. Data on total energy use also confirm our increased efficiency. Between 1974 and 1978, the ratio of energy consumption per unit of industrial output decreased about 20 percent. Between 1972 and 1979, energy consumption per dollar of GNP fell roughly 10 percent. The direction is right, but we need to follow through by putting our program fully into place.

Investment. Finally, if we are going to control and reduce the underlying rate of domestic inflation, we will need a very substantially higher level of investment. This means we will need to devote a larger share of our output to investment and less to consumption. Investment, of course, begins with savings. But inflation until now has generally discouraged savings. It has also dampened investment by increasing uncertainty and the risk involved.

After we have displayed the willingness and fortitude to bring our Federal spending under control, we can and should provide the incentives that will encourage savings, investments, and productivity that are so essential to economic progress with price stability.

Overall Responsibility of the Oil Importing Nations

The problems of energy and intense inflationary pressures, of course, also confront other oil importing nations, and are being addressed through a variety of policies in a variety of fora. Close cooperation -- for example, in the Summit framework, in the IMF, and in the OECD -- in analyzing problems and designing domestic responses help minimize the danger of inconsistent or conflicting policies and help develop agreement on the main lines of economic strategy. Close cooperation among the major nations in the wake of the 1973-74 oil crisis helped avoid a destructive response to unprecedented balance of payments problems and movement of the world economy into recession. As we enter the 1980s, following yet another dramatic oil shock, the international community has reaffirmed the need to respond in a coordinated and cooperative way, and has reached essential agreement on the outlines of a strategy for basic structural adjustment. Recognition of the need and formulation of the strategy are essential first steps. Successful implementation will require courage and persistence throughout the oil importing world.

But a successful adjustment is not, indeed cannot be, the sole responsibility of the oil importing countries.

Responsibilities of the Oil Exporting Nations

The oil exporters, largely the members of OPEC, have responsibilities as well. They also are important members of a highly interdependent world economic and political system whose stability must clearly be in their own interest. They must begin to act more in recognition that misuse of their enormous economic power can seriously damage the global economy and their own economies. At the same time, they must also use their large financial resources to help facilitate the required adjustments by the oil importing world to the changed economic environment.

I believe that the OPEC countries' responsibilities to the global economy are several:

First, they need to follow a responsible oil pricing policy. Uncertainty over prices and abrupt changes in them clearly have an adverse effect on inflationary expectations and investment behavior.

Second, the world needs to be assured of a constancy of global oil supplies. Investment strategies and macro-economic policies aimed at reducing oil dependence and restructuring production processes can work only in an environment in which supply does not fluctuate erratically.

Third, there is a need for OPEC countries to follow responsible investment strategies. The world economy requires longer-term investment funds to facilitate and match the needed adjustment efforts, which inevitably will take time. The OPEC nations can play an important role in assuring that the recycling process works smoothly.

Fourth, OPEC has a special responsibility to the developing countries. Ten years ago, the cost of oil to the LDCs was approximately three percent of their export receipts. It now takes about 25 percent of their exports to pay their oil bill. This drain of scarce foreign exchange resources calls for a particularly painful adjustment by the LDCs and ultimately detracts from their development efforts. Future OPEC investment strategies should include a greater portion of their funds going directly to the LDCs to finance external deficits and investment projects.

Role of the Private and the International Financial Institutions: A Global Response to Recycling

A key challenge for the world economy in the 1980s will be the financing and adjustment of the large imbalances in international payments arising from the oil price increases. The institutions represented at this conference will play a critical role in determining whether we succeed in this recycling effort.

In some ways, the world payments situation today is reminiscent of the situation following the major oil price increases of 1973-74. The private financial markets, particularly the commercial banks, provided the lion's share of the financing. The private markets will again have to perform the bulk of the recycling task -- there is no realistic alternative.

But in contrast with the relatively rapid fall-off in the OPEC surplus during 1976-78, it is likely that the current large world payments imbalances will persist for some time. The softening in the real price of oil that occurred in the mid-1970s cannot be counted on. Moreover, indications are that some OPEC countries will trim back their development efforts and thus that their imports will not grow at the rapid rate of earlier years. Consequently, while the OPEC surplus will probably edge down from the $120 billion or so projected for 1980, we must expect sizable surpluses, and sizable requirements for balance of payments financing, over the next few years.

As they did in the post-war reconstruction period, the Bretton Woods institutions -- the IMF and the World Bank group -- are preparing to play a central role in addressing the financing and structural adjustment needs facing the world today.

The IMF is positioning itself to meet the potentially large demands for balance of payments financing that may arise, and to assist countries in undertaking programs to revitalize their economies. An increase in IMF quotas is in process, and legislation providing for U.S. participation in that general increase is now before the Congress. At the April meeting of the ministerial-level Interim Committee in Hamburg, the IMF Managing Director was encouraged to explore the possibility of borrowing additional funds directly from major surplus countries should the need arise. The Fund is moving to lengthen the period of adjustment associated with its financing, and to place greater emphasis on expanding and rationalizing the productive base in borrower countries, in recognition of the structural nature of some of the changes that must be made. The IMF is also exploring ways to strengthen its surveillance over exchange arrangements and balance of payments adjustment policies, to encourage more timely and effective action by all countries, including those countries which do not use Fund resources.

These efforts by the IMF closely parallel major initiatives being undertaken by the multilateral development banks (MDBs). MDB loan commitments represent by far the largest official source of external capital for the developing world, equivalent to $14 billion in 1979. These loans contribute in a major way to economic growth and stability in the recipient countries.

In recognition of the basic change in the world economy, the World Bank is adapting its lending programs to facilitate needed adjustment. For example, the Bank, with strong U.S. support, is initiating a new program of nonproject lending for structural adjustment. Moreover, the World Bank plans to finance oil and gas projects which, combined with other official and private financing, will total more than $33 billion over the next five years. Consideration is also being given to measures to expand the Bank's co-financing arrangments with private lenders.

The ability of the IMF and the MDBs to play a strong, constructive role in dealing with present problems requires that they have adequate resources. Vitally important authorization legislation is now pending in the Congress for an increase in the U.S. quota in the IMF and for the U.S. contribution to the Sixth Replenishment of the International Development Association. Timely Congressional approval of this legislation, for the full amounts negotiated, is central to U.S. interests -- political, economic and humanitarian -- and to assuring a cooperative global response to the challenge of the 1980s.

Conclusion

The problems of inflation, of energy, of international finance that we face are all too apparent.

Meeting the challenges they pose will not be easy. It will require recognition and acceptance of shared responsibilities by nations in diverse positions. Major structural change in our economies -- and that is clearly what is required -- is difficult and painful. It is always resisted by powerful interests, impeded by natural attachments to familiar ways and slowed by simple inertia.

So the task is great. But so too is the prize we seek -- growing economies with inflation under control, with rising real incomes, with energy and financial equilibria appropriate to the new energy era in which we now live.

It is a prize that eluded us in the 1970s. Now we must summon the economic wisdom and, even more, the political will to grasp it in this new decade.

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In particular, the share of GNP devoted to investment needs to be increased. For this to happen, the hard fact is that either the government share or the consumer share must decline.

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We need to adapt our ways of thinking, our policies, our institutions, our economic relationships, and the very structures of our economies. All nations have the responsibility to the international community -- and to themselves -- to contribute to the needed adjustments. The United States and other oil importing nations have the responsibility to reduce their excessive reliance on imported oil, to bring inflation under firm control, and to create an environment for renewed investment and productivity growth. The oil exporting nations have an obligation to contribute to orderly economic and financial adaptation through responsible production, pricing and investment decisions. Both the private and the international financial institutions have major roles to play in the entire process.

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-- energy conservation,

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We have already started to see results from earlier conservation efforts. During the first quarter of 1980, U.S. oil consumption was 9.4 percent below the same period last year. This sharp reduction reflected consumer reactions to higher prices and increased efficiency. It was mirrored in our demands for oil imports which in the first quarter fell 12.4 percent from a year earlier. Data on total energy use also confirm our increased efficiency. Between 1974 and 1978, the ratio of energy consumption per unit of industrial output decreased about 20 percent. Between 1972 and 1979, energy consumption per dollar of GNP fell roughly 10 percent. The direction is right, but we need to follow through by putting our program fully into place.

Investment. Finally, if we are going to control and reduce the underlying rate of domestic inflation, we will need a very substantially higher level of investment. This means we will need to devote a larger share of our output to investment and less to consumption. Investment, of course, begins with savings. But inflation until now has generally discouraged savings. It has also dampened investment by increasing uncertainty and the risk involved.

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Overall Responsibility of the Oil Importing Nations

The problems of energy and intense inflationary pressures, of course, also confront other oil importing nations, and are being addressed through a variety of policies in a variety of fora. Close cooperation -- for example, in the Summit framework, in the IMF, and in the OECD -- in analyzing problems and designing domestic responses help minimize the danger of inconsistent or conflicting policies and help develop agreement on the main lines of economic strategy. Close cooperation among the major nations in the wake of the 1973-74 oil crisis helped avoid a destructive response to unprecedented balance of payments problems and movement of the world economy into recession. As we enter the 1980s, following yet another dramatic oil shock, the international community has reaffirmed the need to respond in a coordinated and cooperative way, and has reached essential agreement on the outlines of a strategy for basic structural adjustment. Recognition of the need and formulation of the strategy are essential first steps. Successful implementation will require courage and persistence throughout the oil importing world.

But a successful adjustment is not, indeed cannot be, the sole responsibility of the oil importing countries.

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The oil exporters, largely the members of OPEC, have responsibilities as well. They also are important members of a highly interdependent world economic and political system whose stability must clearly be in their own interest. They must begin to act more in recognition that misuse of their enormous economic power can seriously damage the global economy and their own economies. At the same time, they must also use their large financial resources to help facilitate the required adjustments by the oil importing world to the changed economic environment.

I believe that the OPEC countries' responsibilities to the global economy are several:

First, they need to follow a responsible oil pricing policy. Uncertainty over prices and abrupt changes in them clearly have an adverse effect on inflationary expectations and investment behavior.

Second, the world needs to be assured of a constancy of global oil supplies. Investment strategies and macro-economic policies aimed at reducing oil dependence and restructuring production processes can work only in an environment in which supply does not fluctuate erratically.

Third, there is a need for OPEC countries to follow responsible investment strategies. The world economy requires longer-term investment funds to facilitate and match the needed adjustment efforts, which inevitably will take time. The OPEC nations can play an important role in assuring that the recycling process works smoothly.

Fourth, OPEC has a special responsibility to the developing countries. Ten years ago, the cost of oil to the LDCs was approximately three percent of their export receipts. It now takes about 25 percent of their exports to pay their oil bill. This drain of scarce foreign exchange resources calls for a particularly painful adjustment by the LDCs and ultimately detracts from their development efforts. Future OPEC investment strategies should include a greater portion of their funds going directly to the LDCs to finance external deficits and investment projects.

Role of the Private and the International Financial Institutions: A Global Response to Recycling

A key challenge for the world economy in the 1980s will be the financing and adjustment of the large imbalances in international payments arising from the oil price increases. The institutions represented at this conference will play a critical role in determining whether we succeed in this recycling effort.

In some ways, the world payments situation today is reminiscent of the situation following the major oil price increases of 1973-74. The private financial markets, particularly the commercial banks, provided the lion's share of the financing. The private markets will again have to perform the bulk of the recycling task -- there is no realistic alternative.

But in contrast with the relatively rapid fall-off in the OPEC surplus during 1976-78, it is likely that the current large world payments imbalances will persist for some time. The softening in the real price of oil that occurred in the mid-1970s cannot be counted on. Moreover, indications are that some OPEC countries will trim back their development efforts and thus that their imports will not grow at the rapid rate of earlier years. Consequently, while the OPEC surplus will probably edge down from the $120 billion or so projected for 1980, we must expect sizable surpluses, and sizable requirements for balance of payments financing, over the next few years.

As they did in the post-war reconstruction period, the Bretton Woods institutions -- the IMF and the World Bank group -- are preparing to play a central role in addressing the financing and structural adjustment needs facing the world today.

The IMF is positioning itself to meet the potentially large demands for balance of payments financing that may arise, and to assist countries in undertaking programs to revitalize their economies. An increase in IMF quotas is in process, and legislation providing for U.S. participation in that general increase is now before the Congress. At the April meeting of the ministerial-level Interim Committee in Hamburg, the IMF Managing Director was encouraged to explore the possibility of borrowing additional funds directly from major surplus countries should the need arise. The Fund is moving to lengthen the period of adjustment associated with its financing, and to place greater emphasis on expanding and rationalizing the productive base in borrower countries, in recognition of the structural nature of some of the changes that must be made. The IMF is also exploring ways to strengthen its surveillance over exchange arrangements and balance of payments adjustment policies, to encourage more timely and effective action by all countries, including those countries which do not use Fund resources.

These efforts by the IMF closely parallel major initiatives being undertaken by the multilateral development banks (MDBs). MDB loan commitments represent by far the largest official source of external capital for the developing world, equivalent to $14 billion in 1979. These loans contribute in a major way to economic growth and stability in the recipient countries.

In recognition of the basic change in the world economy, the World Bank is adapting its lending programs to facilitate needed adjustment. For example, the Bank, with strong U.S. support, is initiating a new program of nonproject lending for structural adjustment. Moreover, the World Bank plans to finance oil and gas projects which, combined with other official and private financing, will total more than $33 billion over the next five years. Consideration is also being given to measures to expand the Bank's co-financing arrangments with private lenders.

The ability of the IMF and the MDBs to play a strong, constructive role in dealing with present problems requires that they have adequate resources. Vitally important authorization legislation is now pending in the Congress for an increase in the U.S. quota in the IMF and for the U.S. contribution to the Sixth Replenishment of the International Development Association. Timely Congressional approval of this legislation, for the full amounts negotiated, is central to U.S. interests -- political, economic and humanitarian -- and to assuring a cooperative global response to the challenge of the 1980s.

Conclusion

The problems of inflation, of energy, of international finance that we face are all too apparent.

Meeting the challenges they pose will not be easy. It will require recognition and acceptance of shared responsibilities by nations in diverse positions. Major structural change in our economies -- and that is clearly what is required -- is difficult and painful. It is always resisted by powerful interests, impeded by natural attachments to familiar ways and slowed by simple inertia.

So the task is great. But so too is the prize we seek -- growing economies with inflation under control, with rising real incomes, with energy and financial equilibria appropriate to the new energy era in which we now live.

It is a prize that eluded us in the 1970s. Now we must summon the economic wisdom and, even more, the political will to grasp it in this new decade.