

## U.S. DEPARTMENT OF THE TREASURY

## Press Center



## Remarks of Under Secretary Brainard at the 30th Anniversary Annual Meeting of the Bretton Woods Committee

5/15/2013

**WASHINGTON** - Thank you to Randy (Rodgers) for inviting me here today, and thank you to Representative Kolbe for your introduction. I want to express special appreciation to the Bretton Woods Committee for the important work you do.

The global economy remains sluggish and fragile. Too many people, especially young people, are still in search of jobs. Reinvigorating growth in domestic demand remains the central imperative across both advanced and emerging economies.

Global recovery has been held back by a lack of demand growth in many of the major advanced economies, and by resistance in many emerging economies to moving more quickly toward the currency flexibility needed for a durable rebalancing. As a result, it runs the risk of being overly dependent on the recovery in the United States.

The key to a resilient global recovery, where growth in each country advances growth across countries, is action directed at supporting the expansion of demand at home. This has been a core focus of Secretary Lew's discussions in Europe, at the Spring Meetings, and most recently at the G7 in the UK.

In real terms, domestic demand in the euro area is now lower than at the low point of the global crisis in 2009, and unemployment in some countries is at historic highs. Euro area leaders deserve enormous credit for the difficult steps they have taken to restore financial stability and address tail risk. Now the focus needs to shift to boosting demand and employment to avoid lasting damage to the economic potential of a critical engine of the world economy and avoid the risk of protracted stagnation, with heavy social costs.

Global growth must be broadly shared, otherwise our vision of shared prosperity is put at risk. The culmination of the Millennium Development Goals in 2015 provides an important opportunity to reflect on our collective progress and renew our commitment to lift the lives of the poor. Today's poor increasingly live in Middle Income Countries, where the key to poverty alleviation is growth that is more inclusive.

As we have witnessed in the Middle East and North Africa, no country's growth model is sustainable when it generates exclusion, lack of opportunity, and corruption. From our own experience in the U.S., we know that expanding the incomes of the middle class provides a critical foundation for democracy. Providing youth with pathways of opportunity to live productive lives is critical for successful democratic transitions.

Increasingly policymakers are coming to realize that inclusive growth is simply smart economics. Inclusive growth means putting the focus on smallholder farmers whose incomes and crop yields are seeing increases through the innovative Global Food Security and Agriculture Program.

The research could not be clearer that ensuring women's full participation in the economy is critical for countries to raise productivity, generate demand, and pull people out of poverty. No country can afford to leave half of its creative minds and productive citizens out of the economic mainstream.

At every key inflection point—from reconstruction following the second world war to the historic transitions in Central and Eastern Europe to the Arab Spring—the multilateral development banks and the IMF have been vital partners in helping achieve inclusive growth. In recognition of the vital role they have played in supporting the global recovery at a fragile time, with your help and strong bipartisan support in Congress, this past year the U.S. committed to recapitalization across all the MDBs – a historic first. Indeed, this is the first General Capital Increase at the World Bank since the fall of the Berlin Wall. Last year, the Treasury Department hosted a competition across the development banks and celebrated the most innovative and impactful projects by awarding the first ever Development Impact Honors.

The World Bank and regional development banks underwrite not only the hard infrastructure – the roads and bridges, ports and power plants, but also the soft infrastructure that make economies interoperable, connect communities to markets, and unleash the private sector. Indeed, one of the World Bank's greatest successes has been the simple benchmarking exercise, the *Doing Business Report*, which has helped countless economies from Colombia to Sierra Leone slash red tape and unleash the power of small businesses.

The IMF plays a central role in setting norms and standards for the smooth functioning of the market-based system of international trade and finance. When countries join the IMF, they sign up for important obligations that help maintain open markets and avoid beggar-thy-neighbor policies. The IMF sets strong standards and releases public assessments in areas such as fiscal, monetary, and financial policy in an effort to strengthen market discipline.

A world economy newly focused on inclusive growth will provide new opportunities for U.S. businesses as they expand and sell products to new markets overseas, providing jobs here at home. As the global economy undergoes a profound reconfiguration, with new economic powers increasingly exercising their influence it is more important than ever for us to renew our leadership of the international financial system.

That is why we have asked Congress, in the President's budget, to safeguard U.S. leadership in the IMF by approving the 2010 quota agreement. The budget proposal will expand the core quota resources of the IMF—with no net new U.S. financial commitment to the IMF—while preserving the U.S. veto and enhancing the legitimacy of the institution. Today, only U.S. approval is necessary for these important reforms to go into effect.

The IMF is one of the great triumphs of international cooperation—forged in the ashes of war in order to strengthen the foundations of peace. At its founding, the United States had more influence on the IMF's design and operations than any another country. Today, it is vital we safeguard that historical legacy in the face of rapid shifts in the global economy.

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