

DRAFT FOR G 20 MEETING

A Framework for Sustainable and Balanced Growth

1. The growth of the global economy and the success of our coordinated effort to respond to the recent crisis have increased the case for more sustained and systematic international cooperation. In the short-run, we must continue to support economic activity until recovery clearly has taken hold. We task our Finance Ministers, working with the IMF and FSB, to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, recognizing that the scale, timing and sequencing of this process will vary across countries and across the type of policy measures. Over a longer horizon, we need to work together as we manage the transition to more balanced pattern of global growth, implement reforms to increase our growth potential and capacity to generate jobs and adopt policies designed to avoid both the recreation of asset bubbles and the reemergence of unsustainable global financial flows.
2. The crisis and our initial policy responses have already produced significant shifts in the pattern and level of demand growth across countries. Many countries have already taken important steps to expand domestic demand, bolstering global activity and reducing imbalances. In some countries, the rise in private saving now underway will, in time, need to be augmented by a rise in public saving. Going forward, the world will face anemic growth if adjustments in one part of the global economy are not matched by offsetting adjustments in other parts of the global economy, that is, if the necessary further increases in saving by some are not counter-balanced by policies that support increased domestic demand growth elsewhere. This requires macroeconomic policies that promote adequate and balanced global demand as well as structural reforms that increase the weight of private domestic demand, accelerate the process of convergence, support sustainable development and strengthen long-run growth potential. Absent further adjustment and realignment in the sources of global demand, the IMF estimates that global growth will be unacceptably low. While governments have started moving in the right direction, a shared understanding and deepened dialogue will help build a more stable, lasting and sustainable pattern of growth.
3. Today we are adopting a Framework on Sustainable and Balanced Growth, outlined in the annex, in which the IMF will play a significant role. In this framework, we will work together to ensure that the fiscal, monetary and structural policies pursued by our individual countries are collectively consistent with more sustainable and balanced trajectories of demand, reserves, debt, credit and balance of payments and undertake macro prudential and regulatory policies to help prevent credit and asset price cycles from becoming forces of destabilization.
4. We call on our Finance Ministers to launch the new Framework by November by initiating a process of mutual assessment for national policy frameworks and the implications of those frameworks on the pattern and sustainability of global growth. We believe that regular

consultations, strengthened cooperation on macroeconomic policies, the exchange of best practices on structural policies, and ongoing monitoring will promote the adoption of sound policies and secure a healthy global economy.

5. This process will only be successful if it is supported by candid, even-handed and balanced analysis of our policies. We ask the IMF to assist our Finance Ministers in this process of mutual assessment by developing a forward-looking forecast to assess whether policies pursued by individual G20 countries are collectively consistent with more sustainable and balanced trajectories for the global economy, and to report to the G20 semiannually on global economic developments, patterns of demand growth and suggested policy adjustments.