



THE PITTSBURGH SUMMIT: STRONG, SUSTAINABLE, AND BALANCED GROWTH

President Obama has repeatedly called for the end of this “era of profound irresponsibility” and for international leaders to take steps, no matter how difficult or unpopular, to ensure when growth returns, the old imbalances do not.

Today, the G-20 launched a *Framework for Strong, Sustainable, and Balanced Growth*, a US proposal. In this *Framework*, G-20 nations pledged to pursue policies aimed at preventing credit and asset price cycles from becoming forces of destabilization and to seek a more balanced pattern of global demand growth. This requires macroeconomic policies that support demand and decisive progress on structural reforms that foster private demand and strengthen long-run growth potential. The G-20 nations also agreed to work together to assess how their policies fit together, to evaluate whether they are collectively consistent with the G-20’s common goals and, if there are signs of danger, to propose new policies.

Before the crisis, some countries relied too heavily on borrowing for growth, running large external deficits and building up their international debt. Others relied too heavy on exports for growth, running large external surpluses and often building up huge reserves. The crisis showed that this was unsustainable. The U.S. consumer is now likely to save more and spend less, a necessary change, in the years ahead. That means that U.S. spending alone won’t be able to propel the global economy forward at the needed speed. A strong, durable recovery requires shifting from public to private sources of demand to maintain our commitment to fiscal responsibility – and steps to strengthen domestic sources of growth in countries that previously drew heavily on exports for growth. Such a strong, durable recovery in turn is essential to creating jobs here and abroad and to the G-20’s shared commitment to reducing global poverty.

Each G-20 country bears primary responsibility for its own economic management. But each country’s ability to achieve its goals hinges in part on the actions of others. The *Framework* signals a shared recognition among the G-20 that they will need to work together to ensure that the sum of our national policy choices does not result in a return to old habits by:

- Agreeing that strong global growth requires more responsible borrowing and higher levels of savings in countries like the United States and policies to increase domestic sources of growth in today’s external surplus countries.
- Initiating a new process of mutual assessment to evaluate whether the G-20’s policies are consistent with a more sustainable and balanced pattern and distribution of global growth.
- Committing G-20 nations to put in place macro-prudential regulatory policies to help prevent credit and asset price cycles from becoming destabilizing forces in the future.

These efforts will supplement the robust regulatory reforms the G-20 committed to implement today.

- Asking the IMF to evaluate whether policies pursued by individual G-20 countries are collectively consistent with a more sustainable and balanced trajectory for the global economy and, if needed, recommend how policies could be adjusted to improve the global outlook.