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Statement by Timothy F. Geithner
Secretary of the Treasury, United States

On behalf of the United States

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Although the world economy is expanding and progress has been made since the peak of the crisis, we still face a complicated mix of challenges to achieving stronger global economic growth. The nature of the challenges differs across countries and regions, but what is common to us all is the challenge of creating the conditions for stronger demand growth.

The U.S. economy has been expanding at a moderate pace since 2009. We have made significant progress in addressing the causes of the financial crisis – private savings have increased; private debt has decreased; and the financial system is now much stronger.

We are continuing to recover from the most severe financial crisis in several generations. Real economic activity has expanded consistently for 12 straight quarters. Banks are much better capitalized, more conservatively funded, and less leveraged. Credit in the nonfinancial business sector has expanded for the last eight quarters. The private sector has created jobs for 31 straight months. The housing sector – while still fragile – is showing encouraging signs.

We see renewed strengths across a broad spectrum of the U.S. economy - in energy, autos, high tech, manufacturing, and agriculture, while recognizing the damaging impact of the recent drought. Productivity has been strong, U.S. energy costs are falling, and companies are once again investing in the U.S. Exports have been strong. We are building a sounder foundation for long-term growth by undertaking significant structural reforms in our financial, and health sectors. While our unemployment rate came down to 7.8 percent in the most recent employment report, economic and job growth are not yet strong enough. We of course still have more to do. Not just in strengthening the pace of job creation, but also in dealing with our long-term fiscal challenges.

It is important that we in the U.S. enact a balanced framework to bring down our fiscal deficit and debt over several years, while continuing to provide support for jobs and growth in the short term. President Obama has advocated a plan that reduces our fiscal deficits gradually over the medium-term and puts our debt-to-GDP ratio on a declining path through a balanced approach that reduces spending and asks for a modestly increased contribution by the most well-off taxpayers. It also preserves our ability to invest in infrastructure, education, research and development.

Of course, our recovery, and the global recovery more broadly, face headwinds from Europe. Europe has moved forward on a stronger firewall with key tools that provide breathing space to ensure sovereigns retain access to sustainable market financing as they undertake challenging reforms. The central bank and governments of Europe are working together in support of a strategy to give more time to the governments that are undertaking difficult reforms, while moving together toward greater financial and fiscal integration - the necessary complements to monetary union. Europe is also making progress on outlining a road map toward banking union, which is a critical step to ensuring a sustainable long-term framework. This broad framework offers a more promising strategy for addressing the crisis. However, what is important is how it will be applied in practice.

Economic growth has slowed in many emerging economies over the last year. This is partly due to the crisis in Europe, but also partly to factors unique to each of the economies. Many of these economies are in the process of adjusting policy to boost domestic demand which will help strengthen global growth. This requires structural changes supported by greater exchange rate flexibility, especially in emerging Asian markets.

The U.S. has seen some progress toward a more balanced economic relationship with China, though more progress is needed. U.S. exports to China have doubled as China's exchange rate has appreciated by about 11 percent in real terms against the dollar, while China's current account surplus has fallen from 9 percent of GDP in 2008 to less than 3 percent last year. But as China's slowdown in response to weak export demand highlights, domestic consumption still does not play a sufficient role in driving China's economy. Progress toward strengthening domestic demand will be good for China, and good for the global economy.

In a rapidly changing world, it is crucial that we continue to modernize our international institutions. The United States has played a leading role in the last four years in supporting a stronger International Monetary Fund (IMF) – with a stronger financial base, better tools, and a governance structure that better reflects the global economy.

The IMF is in the process of reforming its quota formula. Our objective is a formula that is simple and transparent, better reflects countries' weight in the global economy and would organically increase the voice of dynamic economies over time.

We continue to strongly support rigorous surveillance by the IMF over members' exchange rate policies, which remain at the core of the Fund's mandate. We welcome publication of the pilot External Sector Report and encourage the Fund to further enhance its monitoring of exchange rates and reserve accumulation. We also acknowledge the potential risk, particularly to emerging markets, of volatile capital flows, and recognize a role for macroprudential policies, while reaffirming that market-determined exchange rates and appropriate monetary and fiscal policies remain the essential foundation. Finally, we strongly support the Fund's role in promoting macroeconomic stability in low-income countries. We were pleased by the recent decision to use the remaining windfall gold sales profits to support low-income countries and would support extending zero-interest rates on such loans.

We will continue to support the IMF as it adapts to the evolving global economic and financial system.