



Remarks by M. Camdessus,  
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before the Club of Rome  
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Like most people, I am grateful to the Club of Rome for having provoked, in the early 1970s, one of the first major worldwide debates on growth as it was perceived at that time. To express this gratitude, I would have liked to have been able to provide you today with a mass of figures and with scenarios which would have helped you mark out an itinerary to take you beyond the year 2000. We do have some figures and scenarios, of course. But nothing is more deceptive than figures of this kind and nothing more dangerous than such false certainties. It is better to acknowledge that we know nothing about our future. And we do indeed know nothing, apart from three or four things. The first, which is indicated by the second hand on the clock, as Alfred Sauvy put it, is the world population. The second is what we have been taught by the sometimes difficult experience of the recent past. And the third is what we know about the world of tomorrow, based on our efforts today. I will very quickly run through these three points of reference for the future, focusing mainly, of course, on the third.

What the second hand on the clock shows us is that there will be 6 billion people on this earth in 10 years, compared with 5 billion today, and, if I may cite the Amman statement which came to my attention a few days ago, 60 percent of these 6 billion people will be under the age of thirty. This means that 600 million jobs will have to be created--more than all the jobs existing in the industrial world today--if all these new job seekers are to be provided with employment. These then are the basic demographic indicators.

The second thing we know is what we have learned from our positive and negative experiences over the past 15 years. Let me mention five such lessons for the future.

The first is the high degree of interdependence of the world economy. A cooperative and coordinated approach offers the only possible solution to the problems we face today.

Second, financial stability is the ally--not the enemy--of growth. Attempts to force the pace of expansion through excessive deficits, excessive monetary growth, or excessive foreign borrowings, simply mortgage growth.

Third, we are mistaken if we settle for an exclusively macro-economic approach to economic problems. It is increasingly apparent that if we do not pay equal attention to the microeconomic side, to structural adjustment at the microeconomic level, then economic performance will fall short of what it could be--no matter how sound macroeconomic policy may be.

Fourth, it is urgent that the problems of the international monetary system be seen for what they are.

Finally, while we are still, after six years, grappling with the debt problem, we are increasingly aware of the fact that the debt crisis is as much about growth as it is about financing, about the debt itself. There can be no solution to the debt problem without a renewal of growth.

These then are five lessons which, for me at least, are certainties which must guide our action in preparing for the future.

Our third source of certainty for the future is what we are doing today, every day, to make the future brighter. We have the conviction--which may to some extent be an illusion--that we are building the future, and therefore this future is in some way dependent on the continued efforts of the international community. In this regard, the central focus--the key word--will be "growth." No matter how we look at the problem, growth is an essential concern. You will understand, therefore, that in these thoughts on a better economic and financial order, I shall focus on cooperation for growth.

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Growth. Maintaining and if possible improving growth in the industrial countries is essential, for only if growth is maintained in the industrial countries will there be a chance for the Third World. Success here will depend crucially on the pursuit and effectiveness of policy coordination. If growth in the industrial countries is to be sustained and financial stability is to prevail, two conditions in fact will need to be satisfied: an appropriate mix of policies at the national level, and greater international coordination of such policies.

As concerns the former, there is a need at present to ensure that monetary policy is not overburdened--a need, that is, for budgetary and structural policies to assume a more important role in the process of adjustment and support to the economic upswing. Fiscal restraint is currently warranted in a number of countries. Still more need to come to grips with structural impediments to output and employment growth.

As to the latter, deliberate coordination is needed if the pitfalls associated with incompatible policies are to be avoided and if the potential for mutually consistent policies to achieve shared objectives

is to be realized. The specific responsibilities of deficit and surplus countries in the present situation need no rehearsal here. What I would emphasize--and what I believe has been amply demonstrated in recent years--is that in an increasingly interdependent world cooperative action is a positive-sum game.

Significant progress has, of course, been made in the direction of effective policy coordination over the past three years. Encouraging--and fruitful--as this has been, it is, though, no more than a beginning. The challenge is to continue to move the process forward--in the face, let us be candid, of not insignificant obstacles, both technical and political.

What can be done to this end? I would suggest two things. First, press on with efforts to develop an analytical framework of how economies interact--a framework that commands a broad basis of acceptance at the technical level and yet is straightforward and compelling enough to carry conviction at the political level. This is an area in which the Fund has a key role to play. Second, continue to refine the instruments and procedures of coordination. The more, for instance, that understandings can be reached on key performance indicators, the more leverage can be created for prodding men of goodwill into remedial policy action when events deviate from a desired course.

It may never, of course, be possible to achieve total agreement among governments as to what policies are best pursued at any particular time. But it should be possible to increase the mutual compatibility of national policies; to ensure that the major countries take the spillover effects of their policies on the rest of the world more systematically into account; and, thereby, to enhance the contribution of such policies to growth and stability generally.

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Governments everywhere also need to seize the opportunity afforded by the Uruguay Round of multilateral trade negotiations to move in concert to open up their economies.

Among the important achievements of international cooperation in the postwar period has been the establishment of a more liberal trading order, from which all nations have benefited. In recent years, though, we have gone backwards. Particularly in the industrial countries, trade restrictions in their various guises have increased perceptibly--pressures for protection even more so. The world is poorer for this, and more vulnerable.

We all know that protectionism is rooted in national policy deficiencies--in the failure, in particular, to address adequately the structural problems I have just referred to. We all know that protectionism is costly to society and short-sighted in terms of its

consequences for economic efficiency. And we all know that the liberalization of trade and the removal of protective subsidies--especially in the agricultural sector--would improve the growth potential of economies, enhance the prospects of sustaining the current upswing, and facilitate the efforts of indebted countries to grow out of their debt difficulties.

The strengthened outlook for world trade in the immediate future provides a golden opportunity to put this knowledge to constructive effect. I urge all governments to observe the standstill and rollback commitments of the Punta del Este declaration, and to approach the Montreal review of the Uruguay Round in December with a view to making it the watershed that it needs to be.

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With sustained growth in the industrial world and freer trade--that is, with expanding markets and more open markets--the indebted countries would find themselves in a less daunting position. But clearly this will not suffice to come to terms with the problem of debt and development.

What needs to be done here? There was very broad agreement at the Fund's recent Annual Meeting in Berlin that the answer does not lie in indiscriminate approaches to dealing with debt. Nor in shifting risk from private to public creditors. Still less in undermining the difficult but essential reform efforts that debtor countries are making and must continue to make.

The way forward, rather, was widely perceived to lie in incorporating into our market-based, case-by-case approach practical measures that will enhance growth in the debtor countries and strengthen their debt servicing capacity. Practical measures that not only provide new money, but also respond to the need to reduce the burden of debt service. Practical measures that fit within a medium-term framework for growth-oriented adjustment. Practical measures from all parties, consistent with the principle of shared responsibility.

Impatient though we all are to put the debt problem behind us, I do not believe that a lasting solution can come from any other approach than our current one, strengthened as much as possible. With action along the lines I have mentioned--recognizing fully the role that debt reduction operations can play within the menu approach; strengthening the means for promoting adjustment that is genuinely oriented toward growth; and having all players contribute moderately more to our strategy--I believe that we can make a very real difference in the period ahead in reinvigorating growth and reducing debt ratios to more sustainable levels in the developing world.

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No one will be so naive as to believe that a healthy dose of good will and optimism will suffice for us to move painlessly toward a world of better growth because that world is managed in a more unified fashion. There will be crises, periods of doubt and setbacks. The demons of protectionism, demagoguery and facile solutions will not readily put down their arms. The acceleration of technological change, the partial redistribution of economic power among the continents, population pressures, threats to the environment, and ideological conflicts from another era will be there as so many seeds of instability and occasional sources of regressive tendencies. The fact remains, however, that the action already initiated by the international community to meet the challenges of the end of the century through better cooperation can succeed. I see no better approach.

We must resolve to ensure that the 1990s produce a more stable world economic environment, in which the elusive goal of sustained noninflationary growth becomes a reality. We must allow the fruits of progress to be shared more evenly, both among countries and among the various segments of society. We must work to enable the spirit of international cooperation to flourish. These are lofty ambitions, but they are attainable. If we have fleeting doubts, we must constantly keep in mind the tremendous costs we would incur if we were not to achieve these ambitions. Let us therefore join forces. The spirit of dialogue and of cooperation can do much to achieve universal development and peace.