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P R O C E E D I N G S

MR. DERVIŞ: Good morning, everyone, and thank you for joining us today. We've had this big scare with the weather. You know, first some snow, then some high winds, some trees on the roads for some of us. Out there, there were major trees blocking some of the little roads. So, anyway, we made it.

And it's really a great pleasure and honor for Brookings, for myself, to welcome Juan Somavía, the director-general of the International Labour Organization; and Sandra Polaski, the deputy undersecretary of international affairs at the Department of Labor; and Mr. Krueger -- Professor Krueger, who is assistant secretary for economic policy and chief economist for the U.S. Department of the Treasury.

Let me just say a few words about the ILO and about the DG, Juan Somavía, and our two other panelists. The ILO is one of the oldest international multilateral organizations. It actually predates the Second World War. But I forgot the exact year.

MR. SOMAVÍA: 1919.

MR. DERVIŞ: 1919. So it was one of the few organizations that actually was created after the disaster of the First World War and, you know, still continues.

It is also a very special organization in that it has a tripartite governing structure where governments, organized labor, the labor movement, and business, employers are all represented on the governing organs. And that makes it, I think, very, very special.

The director-general, Juan Somavía, is really one of the leaders of the international system. He just got reelected to his third term as head of the ILO, but he's not just the director-general of the ILO. He also chairs the high level policy at the -- for the United Nations system, which is a committee bringing together the heads of organizations of the whole United Nations system, 38 organizations. And Juan Somavía is chairing that committee, trying to organize the policy work, do the strategy for the whole United Nations system. And at a time like that, it is particularly important.

Before the ILO, he was permanent representative of Chile at the United Nations. He chaired the Security Council, he chaired ECOSOC. I won't take too much time to go into his distinguished career, but I want to underline also that before that he was a key figure in the restoration of democracy in Chile. He founded a trans-Latin American think tank, and was an intellectual leader on the continent and has grown to be an intellectual leader in the whole world.

So, Juan, welcome and thank you for being with us.

Sandra Polaski, before her current job, was at the Carnegie Institute next door where she directed the trade equity and development program. Her work focused on trade development, livelihood, and income distribution issues and particularly the link between trade and labor has always been very close to Sandra's work.

She's now responsible for the formulation of international economic trade and labor policies in cooperation with other U.S. Government agencies. And she is helping organize and will play a key role in hosting the Ministers of Labor Conference that will take place in the spring here in the U.S. I think, in Washington. Right, Sandra?

So, Sandra, thank you very much for taking the time also and joining us.

Professor Krueger, as I said, assistant secretary for economic policy and the chief economist for the U.S. Department of the Treasury; advises Secretary Geithner on all aspects of economic policy, including current and prospective macroeconomic developments and the various economic initiatives of the administration.

He's on leave from Princeton University where he's the Bendheim professor of economics and public affairs. And in '94, '95, he already served as chief economist at the U.S. Department of Labor, also.

Distinguished academic and policy career, many prizes, I can't, you know, name them all, awards and distinctions. He was elected a fellow of the Econometric Society in '96, a fellow of the Society of Labor Economists in 2005, and a member of the Executive Committee of the American Economic Association in 2004.

He, I think, got some prize as the youngest researcher, youngest academic in his field and many others.

So, we're very grateful, Alan, that you're with us. And I know how busy it is these days. As Sandra said to me walking in, you know, once you're in government your time horizon becomes kind of short because the issues are so pressing.

So, and Alan will have to leave us a little bit early.

I think we're addressing, you know, a really essential challenge: the whole issue of employment as part of the economic recovery -- the worldwide economic recovery. I think it's very significant that the International Labour Organization has been invited to join the G-20 leaders level meeting. This is a real first. I think it underlines the commitment of the host country, the United States, but also of the other G-20 members to the employment issue. And the next meetings, which will take place in Canada and then in Korea, will have labor and employment again at the center of their concern.

I think we cannot -- I mean, just a few personal words before I hand it over to Juan Somavía. I think we shouldn't underestimate the challenge that's ahead of us. It's true that the massive policy response on the part of G-20 governments, and particularly also the U.S., but also China and others, prevented a slide into a much deeper crisis, something that could have resembled a real Great Depression.

But we're far from out of this. Employment figures look very bad worldwide. And the fiscal situation is such that there is a huge challenge ahead of macroeconomic policy.

The fiscal difficulties that the advanced countries in particular face are not just the result of the crisis. There were trends before in various countries, different situations. But there were trends before making the fiscal situation unsustainable in the long term. The crisis accelerated that, and I think now we're facing a very, very serious fiscal challenge throughout the world.

So, to have both a fiscal challenge which will constrain governments in the medium term and, at the same time, have one of the worst employment challenges that we've seen in the last decades, I think makes for a terribly difficult combination.

From Greece -- and we see the Greece problems to other European countries, to Japan, and of course to the U.S. -- I think the tradeoffs are very difficult tradeoffs and have to be analyzed with great care.

That's what we want to discuss. That's what the director-general, I think, will address. So, with that, I'm giving the floor to him again, thanking him for being with us. Thanking him for all the efforts he's done, not only as director-general of the ILO, but throughout this life for a more peaceful world, a more just and equitable world. He actually -- I forgot to say that, but he also got, for example, prizes underlining his contribution to peace and to equitable development. And he was, of course, when he was in the UN system in New York and then in the UN system in Geneva, one of the driving forces of the whole concept of sustainable development and socially sustainable development.

Juan, with this, I give you the floor.

MR. SOMAVÍA: Welcome, all, thank you.

Thank you so much. You can -- I think that by the generosity of his presentation, you will also gather that is a good friend of mine. So, thanks a lot, Kemal. And I won't go into in detail all of the things that you have contributed. And I'm so happy I see you here in Brookings. And thank you for all of you for wanting to be here today. And I'm extremely happy to be invited to speak in the Brookings Institution with all that this institution represents here in Washington, in the United States, but also in the world, at the moment at which jobs are the top of the public concerns in the U.S. and worldwide.

Let me go straight into the data. Indeed, as a result of the crisis, global unemployment has jumped by 34 million since 2007 to a total of 212 million in 2009, the highest ever recorded. And it is likely that at least 100 million women and men will have fallen into absolute poverty last year, with unemployment for youth 3 times higher than for adults.

The world's labor force is now over 3 billion and growing at around 1.5 percent a year, which translates into around 45 million new jobs needed annually to simply stand still, mostly in developing countries. That is in addition to the jobs needed to get unemployed workers back to work. In advanced countries like the United States, unemployment practically doubled since the crisis. Half the world's workers find themselves in different forms of vulnerable work: working poor, discouraged to workers (inaudible) part time, the vast informal economy.

So, my -- the scale and the significance of the challenge is, of course, enormous, the crisis, but, you know, these other figures, they were there before the crisis. And I think that they're a serious risk of a prolonged jobs crisis with wide social and political repercussions unless these issues are attacked with vigor. But I believe that it can be done. You're not going to get from me, you know, a pessimistic view. The figures are not bad, but I believe that we have to have the capacity and the will and the political decision to confront something that is extraordinarily serious for all of us.

So, let me share with you some ideas to approach it from three perspectives. First, the significance of work and the risks of a job-weak recovery. Second, an international policy response based on lessons learned from experience. And third, key agenda items for the future to address some underlying structural issues.

So, first, the significance of work. Our high ocal institutions says that labor is not a commodity. But too many people feel they are treated as if they were used when needed, then discarded when not. And I think that the key point that I want to highlight here is that the crisis has again put before our eyes something that, of course, we all know: That good jobs, quality jobs, decent work are everywhere central to the lives of women and men. Decent work is a source of personal dignity for all of us here in this room, stability of family and households, peace in the community, trust in government and business, and I would say overall, credibility of the institutions that govern our societies.

So, what is my point here? Labor is so much more than just a cost of production. And I think that when we think policy, when we look at the manner in which you combine different dimensions of policy, remember that work is something so much more important than simply its participation in the cost of production of a particular production process. So, the simple aspiration to have a fair chance at a decent job is, understandably so, at the top of the political agenda, on top of opinion surveys, yet many people feel that policies are not delivering.

Years before the financial crisis, we already had a jobs crisis. The sort of growth we had was not delivering enough quality jobs, as the figures that I've quoted show. The present crisis came on top of a long period in most countries, including the U.S., of widening income disparities and an erosion of middle classes, the bedrock of politicos ability, as we all know.

We know that we cannot go back to business as usual. This is sort of a basic, logical reaction to what has happened with this crisis. And then this means not only reversing soaring levels of open unemployment, it is also about valuing the dignity of work, about ending the divergence between productivity gains and real wages, about strengthening -- not weakening -- labor institutions like unions, safeguards, safe-well regulations, and minimum wages.

Global employment forecasts, if correct, tell us that the situation should stop getting worse in 2010, but previous crises have shown that for employment to return to the pre-crisis levels can take four to five years. I don't think we have the political space to take that long. And social tensions are brewing in different ways, in different circumstances, but there they are present throughout the world. And I see it when I have to take cognizance of what is happening in different countries.

So, we need a global drive to create quality work. And that is not only a U.S. challenge, it is a global challenge. And I must say that we can look with hope that the U.S. grew, what, 5.9 percent the last -- the quarter of last year. Let's hope that that is something that is beginning to produce the type of responses that we need to put quality work at the heart of the recovery.

And I think that there are many people in the world who believe that they will not be -- that we cannot call a recovery a recovery that doesn't -- that is not a job-rich recovery. And that that is sort of on a fundamental feeling of people that have been affected by this crisis.

But this notion of quality jobs is the -- I would say, one of the axis is the message of the Pittsburgh Summit and the leadership of President Obama. There's a chapter called Putting Quality Jobs at the Heart of the Recovery. And leaders said that we cannot rest until the global economy is restored to full health and hardworking families the world over can find decent jobs. To assure that global growth is broadly beneficial, I continue quoting Pittsburgh. We should implement policies consistent with ILO fundamental principles and rights at work, and the leaders also gave strong support to the ILO Global Jobs Pact. Consequently, the significance of work much beyond its function as a factor of production, and yet it is part of the policies, part of the elements that make up the productive process.

So, let me go then to my second point. You know, an international policy response based on lessons from experience.

In June last year, our international labor conference with the participation of governments, employers, and worker delegates from the ILO's member states unanimously adopted a Global Jobs Pact. It is the only policy framework agreed to globally by the whole international community to address the social unemployment impact of the international financial and economic crisis. Its aim is to reduce the time lag between economic recovery and the recovery of decent work opportunities. It promotes a combination of policies to produce a productive recovery centered on investments, employment, social protection, rights at work, and social dialogue.

Many of the policies that countries have adopted in response to the crisis reflect the approach of the pact. And many countries are moving and have moved to devise an even national jobs pact.

Let me highlight some aspects drawn from the countries' experience. I think at first and foremost -- and Kemal referred to this -- the situation today would be much worse absent the impact of automatic stabilizers and stimulus packages. The ILO has calculated that in 2009, between 12- and 14 million jobs were created or saved in the G-20 countries.

Extending unemployment benefits, income transfers to poor households, and preparing for basic universal protection has been a strong feature. Brazil, China, and India among others have ambitious plans for building their social protection systems beyond the crisis.

India's public employment guarantee scheme has attracted great interest. It offers 100 days of employment or a minimum cash benefit to poor rural households.

Another dimension, retaining people in jobs by subsidizing a period of reduced working time through values mechanisms has been rather widespread. The short working hour scheme in Germany has held back the rise in open unemployment and has kept skilled work forces together for the upturn. Canada, France, Japan, Mexico, the Netherlands, Turkey, and 17 states in the United States have similar mechanisms.

Increased pubic investment in needed infrastructure, particularly in road construction, transport, housing, and other public works have expanded job opportunities. This also covers social infrastructures such as child and elder care, which is also social valuated employment.

Experiences in Indonesia, South Africa, and many other countries show that the employment impact depends on a number of factors. Such as the rapidity of implementation, choice of technology, and community involvement. Just simply putting aside money for infrastructure doesn’t mean that the job process is going to be quick. You need to have a number of other conditions.

Large projects tend to be capital-intensive. To make worthwhile infrastructure improvements also payoff in jobs requires a special effort to connect them into the local economy. Parallel measures such as support to small businesses and skills development can significantly improve the direct and indirect employment dividends.

And the effort that we have been doing is to look at these good policies, but be able to zero in on the conditions under which they can best perform and in which manner they can perform differently, different countries. Because one of the conclusions is that you do not have one-size-fit-all solutions. You do have an approach that will have to be put in place and developed according to the local realities.

Another dimension: support to enterprises for new hiring is widespread. China, India, the UK, and Canada are also acting along the lines of the proposal adopted this week by the United States Senate. Small enterprises are a target for such support, which also include measures to boost the supply of credit often squeezed in the credit crunch, and the development of clean energy and green jobs.

Investment in training and skills development programs is a common feature or crisis response measures in nearly all countries. Different routes have been taken to the same end. Preparing working women and men for the skills likely to be needed for the recovery and targeting vulnerable groups whose lack of skills could trap them into long-term employment.

Furthermore, in the design of emergence responses -- and this is particularly important from an ILO perspective because of what Kemal said, we are a tripartite institution of employers, workers, and governments. Governments have often consulted widely, particularly with business and labor. This has resulted in diverse tripartite agreements on crisis responses in Argentina, Australia, Japan, the Netherlands, South Africa.

And let me make a final important observation on this looking at experiences. The notion of a package approach of converging policies, which is very much included in the ILO Global Jobs Pact, is absolutely critical to success. The danger of 10 parallel policies defined by different authorities and all trying to do something about it against overall vision in which they converge is certainly a central element in the manner to plan these types of policy measures.

In some there is a new activism by governments, compared to previous crisis, which have cushioned the impact. But stimulus measures on an appropriate scale will be needed until jobs and the real economy pickup. And I think this is very clearly as we pass from year to year how you see the differences. Last year was very much a governmental year, and a year in which everybody expected governments to do the spending that they did. If not, the consequences would have been very serious, as Kemal said.

We are borrowing -- moving into a year in which we still need, you know, the type of government intervention, but we have to begin concentrating on the key thing, which is that you get the real economy going. How is it that you get banks to lend? How is it that you get a certain risk aversion that there may be in terms of the investors to move forward? And that may need a combination of public and private policies that will have to be, you know, a different sort of setup that's simply saying, well, what is -- what does government need to do? Because we need the private economy to pick up and we need the capacity for people to consume.

So, this takes me to my third point. So, what are some of the key agenda items for the future? You know, we also have to address some underlying structural issues that have hampered the generation of enough decent work opportunities.

I think that the starting point is to make employment creation a priority macroeconomic policy goal in the same way as low inflation and sustainable public finances.

And let's remember that the charters of the Fed, the IMF, and WTO all refer to full employment. And the question is, why can't we make the goal of job creation have the same level of significance when you put macroeconomic policies together, then low inflation and good fiscal policies and all the rest that we already know and which are essential?

Given the huge fiscal challenge that many countries face, we must formulate an employment strategy that is also a fiscal strategy. There is nothing worse for government budgets and deficits than recession and unemployment. So, leading to lower tax revenues and higher unemployment compensation. So, the whole notion of creating decent work lays the groundwork for better long-term fiscal performance. But -- and the fiscal recovery strategy will have to be carefully crafted so that it doesn't face political obstacles in which it could be not perceived as fair, easy to explain, or based on at least some degree of international cooperation. But the main point is, whatever we do now we have to begin thinking already that this has to be part of a much more systemic way of addressing a generation of jobs in the context of the macro policies that we put in place.

So against this background, we need to upgrade the role of employment policies in overall economic and social decision making. Some comments on how to proceed here.

First, the financial sector must service the real economy by challenging savings to productive investment and sustainable enterprises. Stronger prudential regulation of the finance sector to reduce speculation is obviously important. However, productive economies that provide employment and incomes to people are the only source of a sustainable return to capital. And I think that we have to address the fact that this crisis has shown that you had, in fact, two different business models working at the same time: the financial economy geared towards, you know, not the real economy, but to other types of activities; and then a part of the financial economy, what we would call boring banking, really thinking about, you know, the real economy issues. And we now have to think in terms of how you produce policies to the future that it is not the same business model. And that one business model, a financial one, began to act on the real economy in ways that it began to deform the long-term function that the real economy has to perform, influenced by the short-term objectives and profit levels that the financial economy reached. And that is a very fundamental part of what the whole issue in terms of thinking the right policies are about towards the future.

Second, we need an income-led growth pattern. Aggregate demand should be firmly anchored on earned income and broad access to employment, not increasing debts, as we have seen. By the way, not only individuals, but individuals and governments and enterprise and everybody. The notion that you develop through debt became a sort of a logic, the logical way of developing. And obviously, we have to go back to something that is based on real income, thus progressively raising the real purchasing power of middle- and low-income households.

To do so, the link between productivity gains and wages needs to be strengthened. Skills development is also crucial investment in the workers of the future. Strength and labor institutions, such as regularly reviewed minimum wages and an effective labor inspection system and more widespread collective bargaining can play a key role in reaching this objective.

Third, I observe there is a growing acceptance to the need for every country to establish a basic floor of social protection for the most vulnerable. This is different from safety nets. Safety nets you put -- your crisis and you put a safety net. The crisis goes away and you take it away. The crisis comes back and you put it in again. And, you know, it's extremely ineffective. You know, what is emerging out of this crisis. Look, why don't we have a system that is a regular system and, you know, we just put it in place?

Many are learning in their crisis responses that social protection brings a triple benefit. It protects people from becoming trapped in debilitating poverty, it empowers them to seize market opportunities, and -- this is the dimension of the crisis has brought to bear for us to see -- it contributes to aggregate demand. The cash transfers and different types of transfers, in fact, maintain a certain level -- low level, but a certain level -- of contribution to aggregate demand, which has become very important. For example, Brazil decided to increase the minimum wages, not to decrease it, which would have been the answer of the Asian crisis, let's say. So, you've had a lot of innovative decision-making in this sense.

And fourth, trade implies adjustments in both importing and exporting countries, which have labor market consequences. ILO and WTO joint research concluded that this is necessary to link more directly trade, employment, and social protection policies.

In this same field, many countries are turning to exports as a way to faster growth. But export-led growth can not be a global strategy. You can't have the 193 countries of the UN dedicated to export growth because it doesn't add up. So, these are the sort of things that you have to take a look at. It must have a counterpart, which is an input-led growth strategy. And those sort of things need to be discussed globally because it doesn't happen because each country decides his whole policy and then we see how it works out. So, this is it from the mental element of how multilateralism and the need to discuss between different countries how you move is so important and some of the decisions in Pittsburgh, I think, are going that direction.

A truly global strategy would also include increased flows of private and public investment finance to developing countries. As Kemal DERVIŞ put it, such a -- and I quote him -- a more gentle rebalancing of the world economy would be good for job creation and growth worldwide.

And fifth, we must prepare for the global transition to clean energy. It will affect a large number of enterprises, jobs, and workplaces. New skills will be needed, new green jobs will emerge, a proper system of incentives should be put in place to help this whole transition process. And certainly public/private partnerships are ideally suited for this task, and we are extremely involved at the ILO in ensuring that we look at the complexities of the transition processes in changings of technologies and the sort of things that will happen in enterprises and others.

So, a framework for a new -- and I am coming to my end -- a framework for a new, fairer, and more inclusive globalization requires a better balance between social and economic polices, and a greater convergence between public and private actors around national and international priorities. And how we tackle the immediate job crisis is going to be central to being able to set up the types of processes that I've mentioned now towards the future.

So, let me conclude. U.S. leadership is critical. In all of these issues, U.S. leadership is going to be extremely important. And the Pittsburgh Summit marked a breakthrough in moving towards establishing a framework for strong, sustainable, and balanced growth and putting quality jobs at the heart of the recovery. In the middle of this crisis, for the 20 leaders to say these sort of things is, I think, a very important indication. Now, we have to make sure that these things go forward and happen. But it is a major step towards the comprehensive, coherent policy approach that we so badly need.

And in six weeks' time, the U.S. will be hosting a meeting of the G-20 employment and labor ministers, which is a follow-up to all of this and was decided in Pittsburgh. It is a great opportunity to take the Pittsburgh agenda forward. The ILO is providing its full support under the guidance of the U.S. Department of Labor and, more particularly, Sandra here present.

So, let me finish by saying that my bottom line message today is the following: Strong, sustainable, and balanced growth in an open global economy requires an urgent and sharper policy focus on jobs, and the real economy here and worldwide. And we must grasp the opportunity to shape a fair, inclusive, and less volatile globalization, the possibilities there.

But the challenges that I'm laying out are all enormous. But I believe that the world has the political capacity to confront them and that we should take the direction that the Pittsburgh Summit gave us in terms of a leadership that was expressed there by President Obama to address these things collectively at the global level.

Thank you very much for being here.

MR. DERVIŞ: Thank you very much, Juan. And you really gave us the overall view. You touched on so many dimensions and I hope we will have a very good discussion now.

And maybe starting with Sandra. Two points. You are in, I think, very close to hosting the Ministers of Labor and Employment Summit here of the G-20. So maybe you can share with us a little bit how that process is going and what you expect from that.

And maybe another thing -- but any point that you want to make is, of course, welcome in reaction to Juan's remarks -- but one thing Juan said that, you know, the counterpart of exports are imports, that if we want to have a vigorous demand recovery worldwide, it also has to be to some degree, at least, based on an adjustment of the existing global imbalances. It is very interesting fact that if you look at the projections of the IMF's world economic outlook -- and I know there is an errors and omissions term in there, but, you know -- and that's normal because statistics don't totally add up. But the fact is that the IMF projection -- and I don't mean it at all as a criticism because built up from the country level. And what they're doing is drawing attention to a problem.

But if you look at that in 2014, the world has a current account surplus of $800 billion with outer space. And of course, that's not possible. But it does reflect what Juan and the line that we need a balancing of demand and an income-driven growth worldwide. And just as in every country we need it, we also need it worldwide. And that links up, of course, to trade and to the whole issue of keeping trade open. But in a context where this balancing takes place.

Sandra?

MS. POLASKI: Thank you, Kemal. And I think your questions really take the next steps from the director-general's remarks.

First, on the G-20, as Director-General Somavía said, at Pittsburgh, President Obama proposed to his counterparts in the rest of the G-20 that as a way to keep their continued focus on job creation, on the labor market aspects of the global crisis that he offered to have Secretary Hilda Solis of the Department of Labor host a conference of G-20 labor and employment ministers. This would be the first time ever.

I'm sure all of you know that the G-20 originated as a conference of finance ministers meeting, what, twice a year, I guess, Alan, over the last 10 years. And then as the crisis came upon us in 2008, it was decided that that was a better, more inclusive body to talk about economic coordination at the international level than the narrower G-8. And so the G-20 then became a forum for heads of state.

However, there have not been other tracks for other ministers. And so the idea that President Obama proposed that Secretary Solis should host the labor and employment ministers was a departure from the norm that was a recognition of the critical impact on labor markets, on households, on workers around the world that the crisis was having and the need to really keep a focus.

I'm happy to say that the other members of the G-20 enthusiastically accepted his proposal, they endorsed it. We are now planning that meeting for April 20th and 21st here in Washington at the Department of Labor. And when we sent the invitations a couple of months ago, all of the labor ministers accepted. They are very keen on sharing experience, building a platform of common knowledge. And most importantly, our goal is to come out of that meeting with a set of recommendations from the labor and employment ministers back up to their heads of state about what kinds of measures -- recognizing the differences among the economies, but what kinds of measures would be good to adopt, if appropriate, to national circumstances that would lead us to a much more job abundant recovery.

And so the ministers will actually be coming back again to the heads of state and saying here's what we think. From sitting -- from where we sit, having done all the things that we've done, having achieved what we have been able to achieve through our fiscal stimulus programs, et cetera, we think that we sit here and we think to get to the job abundant recovery we want, we need additional measures and here's what we're proposing, leaders, for your consideration.

So, it's a very dynamic process. We expect that meeting to be one of a real dialogue among the ministers. Not a stock-set speeches, but a real sharing of experience and learning. We have invited the ILO to take the lead on doing some analytical materials as an input for the ministers to consider. We've asked the OECD to provide input to that report, with respect to the OECD member economies. And I think we're on track to have a very productive meeting that yields some recommendations that will be extremely helpful to each of our heads of state, but ultimately at the global level.

And that brings me to your second question, which is how does all of this fit in globally? I mean, I think that -- well, a lot has been done at the macroeconomic level to coordinate internationally. President Obama made the proposal in Pittsburgh that we just talked about. Some of you may know that in his state of the union address a few weeks ago, he said jobs must be our top priority in 2010. Because the crisis now is at that level, it's at the household level; it's at the level of the worker and at the level of the workplace. And we at the Department of Labor -- and I think more generally, in the administration -- see that global jobs recovery is absolutely essential, first of all, for a stable, sustainable rate of growth in the world economy. But it's essential for our own job recovery.

We can no longer be the consumer of last resort for the global economy. I think everyone can simply agree to that. That's not possible, and in recent years it was based not only on inequality of incomes around the world, which is a very important reason why we were a consumer of last resort. Too many workers, too many households in low-, middle-income countries could not afford to buy what they produce or what we produce. So, it was an inequality that was there for a long time. But in this crisis, we now see that for the last few years it was sustained at an extremely artificial level because of high levels of household debt in the United States. And that is also not sustainable.

So, we need global demand to grow. We need global job creation. We need jobs at the global level to be better jobs, to be jobs that provide a route out of poverty in low-income countries, jobs that provide adequate household income so that households can buy the things that they need for a decent and adequate standard of living. And those will be things that they produce in their own countries and they'll be things that we produce and they'll be things that people in other countries produce. That is the only recipe for a way forward for a sustainable global economy. And it's that emphasis that we and ILAB -- the International Labor Affairs Bureau at the Department of Labor -- take as our mission. How do we improve things for workers around the world because it benefits them and it benefits us?

MR. DERVIŞ: Thank you very much, Sandra.

Alan, turning to you. Maybe -- let me put in one or two questions. But again, whatever you want to touch on.

But looking at the macroeconomic policy mix, the director-general, Juan Somavía, you know, made this point that employment should be as central to the overall construction to macroeconomic policy. In my experience, in my own country, in international organizations, I know that politically employment is very important. But I also know from treasuries around the world that it doesn't necessarily always occupy center stage when we talk about macroeconomics, per se. Financial stability, fiscal balance, balance of payments in some ways comes first.

And so I wonder, you know, do we need this shift? Is it something that is a priority also for the U.S. Treasury? In that context, it's interesting that the IMF came up -- the IMF's chief economist came up with a paper, which probably you've seen or maybe not yet. It's a very recent paper where he raises the issue of, you know -- which coming from the IMF is really very interesting, may be a 4 percent inflation target. Gives greater flexibility to macroeconomic policy and monetary policy than the 2 percent that was kind of universally practiced in the last decades. And I thought coming from the IMF, that's a very interesting thought which has to do with the effectiveness of monetary policy.

And another point perhaps here is, given the fiscal challenges that we all face in the advanced countries, at least, fiscal policy will be very constrained. Is monetary policy going to be a tool that we can rely on more in terms of stimulating demand and employment? And what does that mean, however, in terms of asset bubbles, you know, the kind of carry trade issues and things of that sort? These are some of the questions I'm carrying around in my head these days.

MR. KRUEGER: Those are all terrific questions. Let me start by reminding the audience something that you mentioned, that I'm a labor economist and I'm also chief economist of the U.S. Department of the Treasury. So I think that should send some statement about the significance of labor issues in fiscal policy, in macroeconomic policies in view of the administration.

And I have to say, I have been struck in the year that I've been working at the Treasury Department on the complementarity between macroeconomic policy and jobs policy. You can't have a sustainable jobs policy in the long run without a sustainable fiscal policy.

So, often I think these issues are set up as a false choice because achieving fiscal balance, making sure that the U.S. is on a path for a sustainable government budget will help in the long run. And I think it's also helpful in the short run for keeping borrowing costs low in the current recovery and so on.

And, of course, a number of the issues that we face when we think about macroeconomic policy, tax policy, have a very strong labor component. For example, the tax cuts that the administration has pursued for small businesses are in part with an eye -- in large part with an eye to the recognition that small businesses in recoveries are responsible for a lot of job growth when conditions are right. When they have access to credit, also trying to increase access to credit for small businesses is partly a response to job-related issues.

I will diplomatically and politely decline to answer questions about the target inflation. As you know, we have an independent Federal Reserve Bank, and I think the tradition works quite well of allowing the Federal Reserve to conduct monetary policy without officials like myself commenting on them.

MR. DERVIŞ: Could I just follow up?

In terms of, you know, what's called the active labor market policies, the kinds of policies also that Germany practiced during the crisis, the issue of minimum wages, if both -- maybe first you, Alan, and then Sandra could say a few words on that. I just saw some evidence that -- I know, of course, I'm not a labor economist and I have to be careful in terms of the statistics. But a colleague of mine provided me that in states where minimum wages were raised; actually part-time employment went up more than in states where minimum wages were not raised.

Now, there is a demand channel and a supply channel, of course. But, you know, there is quite a debate on the role of minimum wages and the link to decent work. Juan Somavía mentioned Brazil, which actually increased the minimum wage during the crisis here last year. And that was one channel for stimulating demand.

I also know, of course, on the supply side the arguments against it. I wonder whether on that and also the German policies are there any comments?

MR. KRUEGER: Certainly. And, of course, the minimum wage in the United States was passed in 1932 in the height of the Great Depression. It may have been '37, but it was certainly during the Depression and was part of the strategy for raising incomes to boost aggregate demand.

I think from the professional work I did as an economist at Princeton and work I've seen since, there's very little evidence to connect job problems to the minimum wage as long as the minimum wage is set at a sensible level. So, I'm not surprised by the evidence that you mentioned, Kemal.

I think one of the things which we've learned if we didn't already know and we should have already known is that the cyclical problems that we're facing did not emerge from the labor market. They emerged from outside the labor market and then infected the labor market. Often American economists focus on alleged distortions from the labor market. And in the current crisis I think what we've learned is that having a strong safety net helps to stabilize the economy.

One of the key components of the Recovery Act was to strengthen unemployment insurance. And we've done -- taken unprecedented actions to expand and modernize unemployment insurance in the U.S., to expand -- to give states incentives to expand coverage for workers who are seeking part-time work, who pay into unemployment tax, but in many states are not eligible for benefits; to provide a substantial subsidy for the unemployed to continue receiving health insurance at 65 percent subsidy towards COBRA payments. And I think that the support from the Recovery Act, the automatic stabilizers that we have, have helped prevent the recession from being even more severe than it has been.

MR. DERVIŞ: Thank you.

Sandra, any reactions? Yeah?

MS. POLASKI: Yeah. Well, if I may, I would just add a couple of points.

On minimum wages, I think that there really has been a little bit of a shift in the perception of the utility and viability of minimum wage policy in the developing world. I mean, Alan and I already commented on it. In our country, we've just had a fairly significant raise in our minimum wage last autumn and it has positive effects, not negative effects. And there is this really rapidly evolving body of literature looking at natural experiments, for example, between states in the U.S. where one state raised minimum wage, another one didn't, and we don't see the adverse effects.

Now, minimum wages are very low in the U.S. And so it may be because we're below any threshold where we would have distorting effects. But certainly in our country, there's plenty of scope for using this policy actively and we should acknowledge it's a good policy of redistribution.

And if we're looking at aggregate demand during a period of slack aggregate demand, putting money into the households that have the last money is most likely to be used in the economy. You'll get the biggest multiplier bang for the buck.

So I think in our country there is a reexamination of that policy. But I think it's very interesting, and the director-general mentioned this, that in a number of developing countries, including very dynamic countries with really good policy track records, like Brazil, there has been renewed emphasis on the minimum wage and the crisis reaction was opposite to what it was in the Asian financial crisis. Countries were raising their minimum wage rather than lowering it, including China.

China had a significant round of minimum wage increases two years ago, and there was sort of global nervousness about what would happen during the crisis. And without being able to say that there might not have been exceptions in some municipalities not enforcing the laws, nonetheless the broad trend has been that those minimum wage increases have stuck. And it is probably a significant contributor to the robust return to growth in China. We don't know yet because it's too soon to be able to do that analysis, but there is -- I think there is a lot of new thinking about minimum wages and much greater receptivity to see that it can be a good policy and in a time of crisis, it can be perhaps an essential policy.

MR. DERVIŞ: Thank you, Sandra. Yes?

MR. KRUEGER: You also had asked about German policy, about work sharing.

MR. DERVIŞ: Right.

MR. KRUEGER: Which I think is a very interesting idea. And Juan also had mentioned that 17 states as part of their unemployment insurance systems encourage work sharing instead of layoffs. And I think those are ideas worth exploring.

Also wanted to mention, highlight, that earlier this week the Senate passed a bill originally sponsored by Senators Schumer and Hatch that would accelerate hiring. And the idea is to give tax relief for hiring unemployed workers. I think this very much follows from a proposal President Obama made right here at the Brookings Institution in December, where he proposed unemployment tax credit.

There are different ways of structuring such unemployment tax credit, but a strategy which I think is a right one at this time is to try to accelerate hiring, to do what we can to give employers a confidence to bring their hiring plans forward to help strengthen the recovery as the recovery goes forward.

MR. DERVIŞ: Thanks, Alan. Alan Krueger has to leave in a few minutes, Juan, but would you like to react to some of the things you've heard, also, as a -- answers and maybe add a few?

MR. SOMAVÍA: Just a brief comment. You know, Sandra spoke about the Asian crisis and Alan has just shown a series of policies that are truly innovative in terms of what traditionally has been done, you know, from a finance sector point of view.

So, I think that something key has happened. The way countries reacted is extremely different from, you know, the policies with which a financial crisis was dealt with before, in particular the Asian crisis. And to a certain extent, I think that it is a result of the fact that now everybody was involved and nobody had to sort of say, look, we know what needs to be done in this situation.

So, in a certain sense countries were left to do what they instinctively felt were the right policies. And what they instinctively felt were the right policies were not the policies that had been driven sort of -- crisis responses in the past. As you know, we had an enormous amount of financial crisis, but the response was more or less the same wherever it happened. It was tighten your belt.

And suddenly, you know, countries left on their own not being told what they have to do suddenly did very similar things. As I was mentioning there, almost every aspect in which we have studied in the ILO has examples of different countries that are doing the different things.

And I think that this is the foundation to move forward in the sense that I think that intellectually we've opened up the head and we are now in a situation in which we have a certain freedom, I would say, resulting from the practice and the practical reaction to think out of the box. And many of the issues that we have to deal with towards the future cannot be based on the policies that led to the crisis. We are going to get -- we're not going to get out of the crisis with the policies that produced the crisis. But those policies have to be developed and we have to think about them, and that's, I think, the biggest challenge we have.

But at the same time, it's an extraordinary opportunity. Because we do not have sort of -- we do not have to go against sort of the prevailing dogma. The prevailing dogma was put aside by almost every country in the way we reacted to this crisis.

Now, what do we have to do is to build the future. And of course that's a challenge we have in front of us and I think that the meeting of labor ministers is a good beginning to think how is it that, as Alan was saying, that complementarity that you have between macroeconomic, fiscal, and labor, and they all have to be brought together. So, I think that the problems are enormous, but the opportunity to think anew are always so enormous.

MR. DERVIŞ: Thank you very much. And maybe let me add one point to this. And that is that, you know, if you deal with social equity issues and employment issues kind of separately from fiscal policy and overall macroeconomic balance, if the institutional process is separate, it tends to lead to, on the one hand, not putting equity and social policy centrally enough in the overall macroeconomic policy. And I'm really glad that a labor economist is the chief economist of the Treasury in that sense, as Alan just said.

But it also leads to another thing, that those dealing with equity issues -- you know, ILO and others -- may be tempted to ignore fiscal balance issues. Because they'll say, well, this is not our domain. You know, the finance ministers will look after that. We're looking after social equity and social protection. And that leads to a not very constructive approach to policymaking because that can then lead to ignoring some of the fiscal constraints, you know, for those of us who work on the social side. So, bring it all together in a more holistic way.

And also in the international process, in the G-20 process, having the labor ministers involved, having those international institutions that have equity issues and social issues at the forefront of their concern. I mean, I think it's not only important in terms of making macroeconomic policy more sensitive to social variables, but it also forces those of us who have always emphasized the social aspects not to forget the macroeconomic equilibrium aspects and to work together, you know, with macroeconomists and those who are primarily concerned about the fiscal challenge, so that the social proposals don't lead to fiscally unsustainable situations. And in that sense, that -- I think that bringing together is very important. And the director-general emphasized the importance of fiscal responsibility. We're not going to get to a sustainable strategy, obviously, by fiscal irresponsibility. That will get us into bigger problems. But, at the same time, you know, we have to have the social variables and the employment variables at the center of our concern.

Alan, whenever you have to go, you're free, but --

MR. KRUEGER: Thank you. I got a message that my train is delayed, so.

MR. DERVIŞ: Okay, that's great. That's great.

MR. KRUEGER: I thought you might appreciate that.

MR. SOMAVÍA: Absolutely.

MR. DERVIŞ: Good. You know, the aid -- I was telling Juan Somavía yesterday with the snowstorm, somehow the angels are on his side, you know. Snowstorms go north, trains get delayed, everything goes the right way. I hope it will continue that way.

So, we'll open it up now to a more -- to a question-and-answer session. Yes? And could you please identify yourself when you make -- when you ask your question?

MR. ROSEN: Howard Rosen with Leader Students. I would like to take your overture, Director-General, about thinking outside the box.

I have a question for you that's a little bit more long term (inaudible). As you know, we have a federal unemployment insurance system here in the United States based on contribution by employers. And in a key period now in an economic emergency when we need to extend it, we -- the government finances those states that have that extra burden. So there's a little bit of a burden sharing that takes place.

As has been mentioned, unemployment is much more of an international thing now than it is a domestic -- a reaction of domestic factors. As you also probably know, half the countries in the world do not have an unemployment insurance system currently. Could you envision a day -- this is the question -- in the long term, where we move to some kind of international unemployment insurance system? Where countries with full employment take on the burden and pay some of the unemployment insurance funds for those countries with high unemployment? I'm not saying necessarily a system like we now think of unemployment insurance, but some kind of burden-sharing internationally?

MR. DERVIŞ: Okay, I'm going to give you a little time to think about it, maybe, and see if there are one or two more questions. Yes?

MR. ZEPEDA: Eduardo Zepeda, Carnegie Endowment. I have, if I may, two small questions, related questions. One is -- one has to do with the idea that Juan posed of putting at the same level employment creation to fiscal sustainability and control of inflation.

And the point is that we are always trying to come together with a social and economic policies. But the political economy of it is that ministries of labor are usually weak ministries. And ministries of finance or central banks are really powerful entities. So, what I'm looking at, this in the context of the G-20, is that the ministers of labor has been empowered because of presidential decision and an emergency situation. But what will happen when we come back a little bit to normal times? What will be that situation?

Now, the second related question has to do with some of the issues that Kemal was also raising. What happens if some countries come to an agreement between their ministries, including labor, about what is sustainable, a fiscal path, and what is a sustainable macro inflation target, and the rating agencies do not agree?

And then we have destabilizing market forces throw into the basket carefully designed projects that also respond well to the constituencies. So, how do we play with that fact?

MR. DERVIŞ: Thank you very much.

So, we'll ask all the three, I guess, starting with the director-general to try to respond to some of these questions or add some additional points.

MR. SOMAVÍA: Sure. Now, on the global unemployment issue is, I think that we have to go step by step. What is the point of parture? The point of the parture is that 80 percent of world workers do not have access to, you know, a basic system of social protection. So, that's the reason for what I said. I think that we have to draw out of this crisis the conclusion that we should promote the notion of a basic floor of social protection for the most vulnerable as a norm as something that we agree to internationally, which we've already done it in the ILO and in the Global Jobs Pact.

And you begin by building that social floor. That social floor will have to include the unemployment elements that have to do with unemployment benefits. I think that for a while, we can take common decisions globally as to the fact that we want to develop certain systems. But for the moment we have to see ways that they develop nationally before you can put a global system together of the nature that you're mentioning.

So I would say, it's an important, you know, longer term objective. But we will know how and in which manner that something like that can work only if we begin working at the basic social protection system of the national level, the regional level, and see how we move forward.

The question of the weakness of the labor ministers is a reality, traditionally. It is sometimes -- it is a reality traditionally. And so finance ministers are strong, labor ministers do not have the same space.

It also depends on politics and it depends on the prevailing notions of what are the general policy objectives that you want to pursue. In the last 30 years, you've had a vision of development and that has produced a type of globalization in which it was about making sure that financial policies and trade policies were the key policies that guided most investment processes at home, and the way you organize the international system.

Now, that naturally leads to a finance minister playing a central role at the national level and international level. But at the same time, you know, the New Deal was based on a political decision that you needed to go in a certain direction in which the finance minister was not an obstacle, but was functional to the objectives of the New Deal. And you had for 12 years Frances Perkins that was together at the side of Roosevelt.

So, this is not a mechanical problem. This has to do with politics, and it has to do with the prevailing notions. The prevailing notions that we've had, as I said, I think are beginning to change. And the politics of the thing is clearly going in the direction that, you know, if you call a recover simply recovery because you grew and the job situation -- not only the recovery of jobs, but the situation previously -- continues to be the same, you know, the politics of it is probably going to lead to let's see how we see that we try to find the solutions.

But the basic structural situation that you've said is real. But, you know, it is not an inevitable situation. I would say that that is the point.

The issue of, you know, markers and national policies, I think it's a central thing. We're living through that in the gaze of Greece, you know? A year ago, no market participant would even be thinking about doing something with the Greece -- with the problem that Greece has on fiscal terms, which were not that different a year ago from the situation today.

Suddenly, you know, the financial system was saved, the banks are all right, you know, and you begin saying, well, you know, what games can we play? And you have sort of a market direction towards Greece. Is it because something happened this last six months that makes it so necessary? No. It's just the way the system is working. And so one has to see how is it that we address all of these different questions because the Greece situation is real. You know, you can't have the traffic on the levels -- but, you can see, you know, the markets reacting in a way that is sort of responding to the old ways, if you want, that we're trying to see how is it that we put in place.

And I think that a key question with the rating agencies is, why was it impossible for them to predict what was going to happen? And I think that that's a perfectly reasonable, legitimate question for ourselves to ask in terms of the role the rating agencies should play in the overall balance of actors that you need in understanding how the macroeconomic processes are moving.

So, I don't have the answer. But, of course, let's say the credibility of rating agencies were simply not in a condition of saying, look, be careful. These things are happening, and taking decisions in terms of the rating is reduced, inevitably. But we still need rating agencies. So how are we going to deal with that particular problem of making sure that you have the type of public information and trust in those that look at specific situations, draw conclusions, and then you say, okay, you know, if that is organized this way, then we can trust the conclusions?

You have a question mark there going towards the future.

MR. DERVIŞ: All right. Any further comments?

MS. POLASKI: I would just try to respond to Howard's question. And I think that the simple answer to the question of whether we can foresee an international unemployment insurance system where, you know, full employment economies would be subsidizing the others. I think, unfortunately, the answer to that, at least from my perspective, is no, I can't foresee that in the foreseeable horizon.

However, I do think that there is something going on which in a less ambitious way gets at that question, and that is the idea that there has been a lot more support globally for the multilateral banks to support social safety nets in developing countries, whether it's unemployment insurance or other forms of basic income protection, basic protection against poverty. And indeed, the World Bank has increased its lending for that, a number of regional development banks have increased their lending. And I think there needs to be the political will -- and I think it exists, but I think it needs to be crystallized to say to the IMF and you should allow the fiscal space, within reason, within sustainable limits, for those kinds of lendings to create those social safety nets.

I mean, I think we are seeing motion now. I mean, it's nothing like the kind of formal system you're talking about. But, I mean, I don't think we're stuck where we were before the crisis.

MR. DERVIŞ: Could I just add one more little question, if you'd like, for Alan in particular?

I mean, in this overall context, what kind of thinking is going on in terms of the -- you know, the nature of the tax system in the U.S.? The degree of -- because there is, of course, a huge fiscal constraint on all of this and, you know, more support to unemployment, more support to small business, all this has costs. How do you think can one balance it out? How can hiring groups, for example, contribute more effectively?

I know that there are some issues, you know: lower tax rates for private equity and things of that sort. But how can we have this fiscally, you know, responsible strategy at the same time has social protection and employment at its core?

MR. KRUEGER: One point I want to emphasize is timing. And I think that's really critical here and the timing is important to get right.

Obviously, there are times when it's necessary to stimulate the economy, and as a result run deficits. And then there's a time to return to a fiscally sustainable path. We're still at a stage where the recovery is fragile. And the focus is on supporting the recovery.

The President laid out in his budget a path of, you know, a trajectory for spending, a set of policies to return us in terms of spending and revenues to a more sustainable path, but also recognizing the tremendous challenges that we face. So, the President has set as a goal and has signed an Executive Order creating a fiscal commission to make proposals and try to bring about a bipartisan consensus to bring us to a situation where the primary budget is in balance.

For the United States, our view is that if we're in a situation where debt relative to GDP is stable, is not rising, then that's a manageable situation going forward. And that essentially roughly requires that the operating budget is balanced, the primary balance. That primary balance is achieved, and that's around a deficit to GDP of around 3 percent for the U.S.

The President's budget gets us down from a deficit now which is around 10 percent of GDP because of the recession and because of the support for the recovery programs down to about 3.9 percent, as I remember. And then it kind of stays there and blips up a little bit towards the end of the 10-year window, and that's not sustainable. We need to pursue polices to go further than that. And that was the idea behind the fiscal commission.

Now, some of the improvement in the deficit is going to come about just because of economic growth. On top of that, the President has proposed a fee on the financial sector to recoup the losses from the TARP program, a fee on liabilities of financial companies, which would also have the benefit of reducing leverage, to some extent, the type of excessive leverage that was a cause of the problem. And that fee would only be imposed on the largest of the financial companies. In addition, the President's budget freezes non-defense security spending.

So, you asked about other types of proposals. Obviously, tax policy is not only about efficiency. It's also about what's the fair way of raising revenue that we need to do the essential functions that the government can do -- the government needs to do.

And people can have differences in their views about what's the fairest way to raise the revenue that we raise, and we try to strike that balance. I could tell you in the tax discussions that I've been party to, we certainly consider the job implications and we consider the implications on various groups of individuals broken down by income, broken down by other characteristics. And all of that weighs into the budget proposals.

And then you also obviously have to work with Congress and see which proposals are viable. And that's obviously a very difficult process, but jobs are part of that. And I think having an interagency process that considers the proposals is an important part of this.

MR. DERVIŞ: Thank you. Yes, Uri, that will be the last question, then we'll have to close and Juan Somavía will make some final concluding remarks.

URI: Yeah, just wanted to ask sort of a little bit of a philosophical question.

When we first thought about stimulus in the 1930s, we had a lot of poor and vulnerable people in the economy, obviously. And today, you know, most people are not poor or terribly vulnerable. So that, you know, the recession for them may mean going out to restaurant once a week instead of twice a week or something like that. At the same time, we also have huge entitlements and sort of fiscal pressures are much larger.

My question is, is there any thought to more systematic stimulus policies in the future? Sort of in future events like this, to have a much more targeted type of fiscal stimulus that supports very specifically the most vulnerable and that is much more economical than this very big gun approach that we have at the moment, and that leads to a lot of problems that will accumulate and that could come back to haunt us?

MR. SOMAVÍA: Okay. Well, this is -- I mean, Uri, you meant this -- you asked worldwide. I mean, I guess, worldwide.

URI: No, what I mean is, which countries for whom the recession (inaudible) a recession is not what it used to be for a very --

MR. SOMAVÍA: Thankfully.

URI: Yes, thankfully. Thankfully.

MR. KRUEGER: Could I respond to that?

MR. DERVIŞ: Okay, Alan.

MR. KRUEGER: I think --

URI: I don't mean for Detroit. I think Detroit is very badly hurt. I mean for a very large part of the population, a recession is not what it used to be.

MR. KRUEGER: Let me say I don't agree with that premise. I mean, I think you understate the pain of dislocation for those who have become unemployed or have family members who are struggling and become unemployed.

And if you look at this recession, 40 percent of the unemployed have been unemployed for 6 months or longer. We have record level of duration of unemployment. If you look at how that plays out for subsequent generations, it seems to have a scarring effect and for people's psychological well-being and not only their economic well-being and for their families and so on.

So, I think it's very important that we have a stronger safety net, that we have automatic stabilizers. I think one of the reasons why we're such a wealthier society now is because we started implementing those policies in the New Deal. But that doesn't mean that I think we should minimize the pain associated with job losses, as others have emphasized.

That said, I do think it is important that stimulus is, as Larry Summers had said, is timely and targeted and temporary. And I think we've tried to do that.

The other thing I would add is we've tried to pursue policies that were incremental that would not just reward people for activities that they were doing, but try to lead to new activities. So, for example, to bolster the housing market we had the first-time homebuyer credit, which is now continuing to try to bring in new sources of demand and we've seen signs of stabilization in the housing market a lot faster than I think people had anticipated, at least in terms of prices.

And that's one of the features of the strategy that's been used to combat this downturn which I think has been helpful and that idea of trying to design the programs to lead to incremental changes rather than just rewarding activity that would have taken place anyway was part of the administration's rationale for the tax credit to expand hiring. Also part of the administration's proposal -- part of the rationale for the administration's proposal to reward banks that increased their small business lending, which Congress is now currently considering and we're working with Congress to try to enact.

So, that's one approach which I think has helped to make stimulus -- that can help to make stimulus more effective.

MR. DERVIŞ: All right, thank you very much, Alan.

Juan, some concluding remarks?

MR. SOMAVÍA: Well, first of all, thank you. I think it's been a very, very interesting moment and also the types of questions that have been raised.

Let me maybe end by saying that, you know, if we want to move forward in all of these issues, we do need a level of international coordination and cooperation. Absent that, the sum of national reactions to the crisis are not going to produce a stable and balanced global growth towards the future. And this is, of course, we can observe the reality, but it's damned difficult to do. But I think that we have no option.

Let me give you one example in the case of the ILO. The reaction to the crisis was rather rapid on our part, and we were able to put the Global Jobs Pact together because we had already seen and developed the decent work agenda of the ILO based on jobs and social protection and workers' rights and social dialogue in a global context. So, it was not difficult to say, well, this which we define globally, which we apply nationally, now is not too difficult to transform into a Global Jobs Pact, which is that's what we need to do now.

So, this sort of approach, which is what the G-20, are doing is absolutely essential. And in that sense, I think that we all have to -- when I say "we all," I'm thinking from an international point of view -- we have to be able to support this effort. Because if it is successful, it is a major breakthrough. And even though it's just 20 countries, it's an effort that if those 20 countries are successful in putting together this global framework of future growth that is sustainable and balanced and strong, that is a major contribution to stability towards the future.

On the contrary, if for some reason, you know, it sort of gets stuck on the way, the implications for the rest of the countries are enormous. So I would say that when I say the leadership that President Obama had at Pittsburgh, it has extraordinarily strong implications for the United States, for the G-20, but for the rest of the world.

And in the microcosm of what the labor ministers are going to do here, it again implies that these issues are at the heart of the problems that we have been discussing. So I find that this meeting is extremely timely because we are in the process of redefining ways we work internationally, and that is absolutely essentially. And in this redefinition, the Pittsburgh summit decided to put jobs and labor issues at the heart of that redefinition.

And I think it's a very, very important step forward and the Secretary of Labor and the -- everything that is being done by Hilda Solis and Seth Harris and Sandra, I think, are extremely important because they have this American dimension, they have a G-20 dimension, but they also have a much more global dimension. And I think that that's a very important thing that is happening here in Washington soon.

MR. DERVIŞ: Thank you very much, Juan. And maybe let me add that you said it was the G-20 countries. But, of course, the presence of the ILO and of the major international organizations at the G-20 -- not all of them, it would be -- you know, one has to keep these meetings reasonably small, otherwise it gets out of hand. But the presence of the secretary-general of the UN, of the director-general of the ILO, of the managing director of the IMF, and the head of the World Bank, the head of the WTO, this gives these meetings a kind of universal dimension that is, I think, very welcome because while the G-20 represent close to 90 percent of GDP and 80 percent of population, nonetheless the world is still a world of nation states. And so the indirect participation through the international universal organizations at that process, I think, gives it an added legitimacy. And also in terms of implementation more universally can make it much more effective.

I was at the G-20 meeting working with the secretary-general in London, not at the Pittsburgh meeting. You were in Pittsburgh, also. I think it has been a fantastic start, but let me just say that we really do need American leadership. It's always needed, even if you can't do it all alone. But, you know, to keep this process going it's potentially a breakthrough in international cooperation. I strongly hope that it will not just be a crisis moment, but will continue to address the ongoing challenges, you know: fiscal sustainability, employment, poverty, but also climate issues and the, you know -- that are still with us. So it would be a pity -- I think it was -- who said that one should never waste a crisis? It was --

MS. POLASKI: Rahm Emanuel.

MR. DERVIŞ: Rahm Emanuel, okay. Well, it's -- many people have said that. But I think if something good comes out of this crisis for international cooperation, I think this is it and I really hope that the process can continue in that way.

Many thanks and apologies to those who couldn't ask their questions, but we already have kept our guests for an hour and a half. And many, many thanks, Juan, to you coming all the way.

Thank you. (Applause)

MR. DERVIŞ: And to the ILO and to Sandra and Alan.

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CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

/s/Carleton J. Anderson, III

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