THE BROOKINGS INSTITUTION

THE PATH TO GLOBAL RECOVERY:

A CONVERSATION WITH

SECRETARY OF THE TREASURY TIMOTHY GEITHNER

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P R O C E E D I N G S

MR. TALBOTT: Good morning, everybody. I'm Strobe Talbott, it's my pleasure to welcome you here this morning. It's a particular pleasure to look into the audience and see that we have Ambassador Strommen of Norway, Lintu of Finland, and Reinhart of Estonia.

Secretary Geithner has taken a little bit of time out of his very busy day to be with us on the eve of the IMF/World Bank meetings. And he will be discussing the global economic recovery. It's a personal pleasure for me to be able to introduce Secretary Geithner. I had the honor of working closely with him back in the 1990s, when he was the under-secretary of Treasury responsible for international affairs. He has also served as director of Policy Development and Review at the IMF.

In that capacity and others, he earned tremendous respect among colleagues around the world, including the respect of Kemal Derviş, the former finance minister of Turkey, a veteran of the World Bank and, of course, the head of the UNDP.

After Secretary Geithner speaks, Kemal -- who is now the vice president and director of our Global Economy and Development Program -- will moderate a fairly brief discussion.

Mr. Secretary, thank you very much for being with us, and the lectern is yours. (Applause)

SECRETARY GEITHNER: Thank you, Strobe. It's nice to be at Brookings. I want to start by acknowledging again how important it is, I think, to the quality of policy debate in the United States, we have institutions like Brookings, and its scholars and fellows -- and in the other think tanks of this town -- working to try to bring a higher level of debate -- quality of debate -- to analysis about policy. I admire what you're doing. It's very important. More of it would be good for the country.

I want to say a few things about our priorities in the next stage of cooperation on the international economic agenda. As you know, we meet this week with finance ministers and central bank governors of the world, and then we convene in Korea in a few weeks for a meeting of the G-20, and then the heads of state come together in Korea in late November.

It's worth noting at the beginning that this has been a remarkably effective period of cooperation on economic and financial issues. I think, the most productive era of cooperation we've seen in peace time. We came together in the crisis, in a moment of great peril for the system, and put in place an incredibly forceful package of classic fiscal measures, monetary policy, creative set of measures to stabilize our financial systems. We committed to keep our markets open and honored that commitment. We came together to embrace a set of very strong reforms of the global financial system and acted on that, not just with comprehensive financial reform in the United States of America, but with a new agreement on global capital standards negotiated last month by the world supervisors of central banks.

Now, these decisions required a lot of trust and a lot of political resolve, and they have been very effective in stopping the freefall and growth we saw around the world in the second half of 2008, and restarting global trade. Global trade now is almost back to pre-crisis levels, which is a remarkable achievement in such a short period of time. And each of our economies is stronger today than would otherwise have been the case because of the effectiveness of this joint strategy.

And these financial reforms, I think, will make a substantial difference in lowering the probability of future of future financial crisis -- lowering the odd losses -- the damage we might face in future financial crises.

But the question today is, what's next? What are the main challenges ahead? And the most important policy challenge will still face is how to strengthen the pace of economic growth, how to strengthen the pace of financial repair, and how to do so in a way that provides the basis for a more balanced and, therefore, more sustainable global economic recovery.

And this is not a challenge that can be best resolved by nations acting independently. In the heat of the crisis, as I said, we all recognized that our actions would be more powerful if we acted together. And even though that most dangerous period of crisis is behind us, we're still in a place where we can achieve better overall outcomes, if we make policy in a more cooperative framework.

So I want to offer a few suggestions ahead on three core areas: about economic growth, about exchange rate cooperation, and about reform of the architecture for economic cooperation for the governance of the international system. But first, on economic growth.

The IMF now forecasts that the world economy will grow at a respectable annual rate of around 4 percent, in 2011. Growth is very strong in many of the major emerging economies. In the major advanced economies, however, output and employment are still substantially below pre-crisis levels and the pace of recovery has been slower, with economic growth now running at a pace that is close to potential. Not rapid enough to repair quickly the substantial remaining economic damage from the crisis.

Now, economic recoveries that follow financial crises are typically slower than those that follow other types of recessions, and this is because of the headwinds to growth that are generated by the necessary adjustments in asset prices and in reducing financial leverage. So as financial institutions rebuild their balance sheet and as households -- as families reduce debt and raise savings -- spending is slower to recover.

Firms cautious after being burned by the financial panic are less willing to invest and hire because of uncertainty about future strength and demand for their products. Now, different economies face different challenges and different constraints in the scope of economic policy, to strengthen growth. Most of us, though, still have the capacity to take additional actions that would improve both short-run and long-run growth prospects. Concern about the near term limits, to more growth oriented economic policies is greatly exaggerated.

The greatest risks to the world economy today is that the largest economies underachieve on growth. And we believe, in the United States, in particular, we need to continue providing well targeted support for recovery in the near term, even as we put into place measures to help ensure fiscal responsibility, sustainability, over the longer term.

Now, I think everybody understands now that for recovery to be sustainable, it needs to be a change -- there needs to be a change in the pattern of global growth. For too long many countries oriented their countries their economies towards producing for export, rather than consuming at home. Counting on the United States to import more of their goods and services than they bought of ours.

Now, we're going to do our part in this process of adjustment. Private savings in the United States has already increased significantly and, as the recovery strengthens, we will bring down our fiscal deficits to a more sustainable level. But as America saves more, countries that are over reliant on exports to us for their own growth are going to need to change their policies, too, or else overall global growth will slow and all of us will be less well off.

Countries that chronically run large surpluses need to undertake policies that will boost domestic demand. Now, even if the risks to a sustained global recovery look relatively low -- certainly lower than they did 6 months ago, or a year ago, or 18 months ago -- it makes sense for policy makers in the major economies to continue to focus on strengthening growth, rather than risking a premature shift to macroeconomic policy restraint.

Which brings me to a second policy challenge. We believe it is very important to see more progress by the major emerging economies, to more flexible market oriented exchange rate systems. This is particularly important for those countries whose currencies are significantly undervalued. This is a problem because when large economies with undervalued exchange rates act to keep their currencies from appreciating, that encourages other countries to do the same and this sets off a dangerous dynamic, described first, I believe, by my former colleague Ted Truman, as competitive non-appreciation.

Over time, more countries face stronger pressure to lean against the wind -- lean against the market forces pressing their currencies higher. And the collective impact of this behavior risks either causing inflation and asset bubbles in emerging economies or else depressing consumption growth and intensifying short term distortions in favor or exports. This is inherently a multilateral problem. It's unfair to countries that were already running more flexible regimes and let their currencies depreciate, and it requires a cooperative approach to solve because emerging economies individually will be less likely to move -- to allow their currencies to move up unless they're confident other countries will move with them.

A third issue on the international agenda is reform of the architecture for economic cooperation. When the world's leaders met in London in 2009, and then in Pittsburgh in the fall of 2009, to set a strategy for confronting the crisis, they agreed to begin work on a new framework for global growth and to reform the architecture for cooperation. The framework, which was called "A Framework for Strong Sustainable and

Balanced Growth," was designed to create stronger incentives for rebalancing growth as the world recovered from the crisis. With higher savings in countries like the United States, complemented by reforms to strengthen domestic demand in surplus countries, like China and other emerging economies, Germany and Japan.

Now, along side this framework we agreed to give emerging market economies a greater stake in the most important institutions for economic and financial cooperation. To increase the resources available to the international financial institutions. To make the G-20 the centerpiece of economic cooperation, replacing the role traditionally played by the G-7. And we agreed to pursue these two paths -- the framework on growth and the reforms to the governance of the system -- in parallel. Each evolved changes in the rights and responsibilities of the major economies -- both emerging and advanced economies. And we made some progress on the framework, but that achievement is at risk of being undermined by the limited extent of progress towards more domestic demand led growth in the surplus countries and by the extent of foreign exchange rate intervention, as countries with undervalued currencies leaned against the pressures for appreciation.

On the governance front, we're also making progress towards agreement on a very important set of reforms to create a stronger

IMF. These changes would strength the financial position of the IMF, it would allow it to respond much more quickly and forcefully to future crises, it would give the fastest growing emerging market economies a significantly greater weight in the institution, a greater voting weight, and a greater share of seats on the board.

We want to make sure these changes go far enough in rebalancing the rights and responsibilities of members in the institutions. And for this reason an agreement to modernize the governance structure of the IMF needs to be accompanied by more progress in encouraging countries, particularly the surplus countries, to pursue more market-oriented exchange rate policies and policies that will reduce reliance on exports and strengthen domestic demand.

We'll be exploring with the other major economies in the coming weeks some specific suggestions for how to best advance these objectives.

Let me just end before we get to the conversation by emphasizing that we recognize the special responsibility that the United States has for contributing to a more stable global financial system and a more balanced and sustainable pattern of growth. We have move aggressively to do our part to help bring the world out of the crisis and we're working very hard to repair our financial system, to fix what was broken, and to reduce the risk of future financial crises here at home, in the United States. We've seen, as I've said, a very significant increase in private savings already. Our external deficits have fallen sharply and we are financing at home a much larger share of the fiscal deficits we inherited.

We have a lot of challenges ahead of us in the United States to strengthen growth and restore fiscal sustainability and we expect to work very closely with Congress in the months ahead on how best to move forward.

Thank you. I'd be happy to take your questions. Come on. (Applause)

MR. DERVIŞ: Thank you very much, Mr. Secretary. And let me start by one question. I mean, you ended with the worries about public finance and debt. In the advanced countries, in particular, it's been an ongoing process, not just brought on by the crisis, but the aging of the population's structural factors. The Greek crisis triggered a little bit of a panic and, at the same time, we see long-term interest rates on bonds, government bonds, particularly in some of the major advanced countries -- in the U.S., in Germany, and Japan -- at almost record lows.

So, on the one hand, this anxiety on public finance, on the other hand, you know, borrowing costs which are lower than they've been in decades. What does that really mean for global cooperation, for the nature of the fiscal challenge that the world faces?

SECRETARY GEITHNER: It means that the major challenge we still face is about growth and -- for the economies you referred to -- that, as you said, are paying remarkably low rates to borrow, even at long maturities -- there is still a quite high degree of confidence in the capacity of those countries to restore balance to their fiscal positions over time. But that's something we have to earn over time. We can't count on it. And we want to be very careful that we work hard to make sure we're building confidence in our political will in the United States to take those actions. And that's important not just for growth over the long run, but it's important to give us a little more flexibility in the short term to do things that are sensible to help reinforce this recovery.

But I want to go back to where we began. It's very important to recognize that what happened in Europe in the spring was very, very damaging. It wasn't just that people came to doubt whether Europe had the will or the ability to stand behind their members, and to help them go through what's going to be a very protracted, very difficult process of reform. It was that faced with that fear that advanced economies might not be able to meet their financial obligations, you saw, I would say, an exaggerated shift to concern about the near-term room for maneuver for policy in many economies.

And the first effect was very damaging because it took a long time, far too long for Europe to decide that they were going to put in place a substantial financial support mechanism for their members. They've done that now. They've helped substantially reduce the pressure on the financial system in those countries. And I'm completely confident that they'll meet that commitment and do what's necessary to stand behind that commitment.

But in some ways as damaging was a little bit of a loss of faith. A little loss of confidence in the near term for policy that many of the major economies, certainly the surplus countries, have to take additional action. You saw Japan act this morning in another recognition about how to get this balance right. So I think we have to keep this in perspective.

Again, the most important thing we can do now is to make sure that this recovery becomes self-sustaining. And if we do that well and don't make the classic mistake countries have made in the past, which is to move prematurely to excessive restraint, then we'll be in a much better position to address those long-term fiscal challenges.

MR. DERVIŞ: Thank you. Well, the floor is open for questions. Please do identify yourself and address the question as briefly as possible, since time is quite limited.

Yes?

MS. CHRISTIE: Rebecca Christie from Bloomberg. Mr. Secretary, do you see a need for a new Plaza Accord, as some people have been calling for this week -- like Charles Dallara at the IIF -- and do you think there should be any sort of coordinated action on currencies?

SECRETARY GEITHNER: Well, as I said in my remarks, this is inherently a multilateral issue. It's much easier to solve if countries come together and do things to complement each other. It's important not to focus too much on the currency. Currency is very important, but you need the changes in the exchange rate regimes that are in prospect -- and they are happening -- to be accompanied by other policies that, again, help to strength domestic demand-led growth. And you want to see the combination of those things start to come together. And, as you know, we've been trying to work very hard to help make the G-20 an effective force with the IMF playing a more active role in helping convince countries of the merits of that package of policy changes.

MS. CHRISTIE: Do you think there's a place for a coordinated intervention again?

SECRETARY GEITHNER: I don't -- Rebecca, as you know, I don't talk about those kind of things except when it's useful to. (Laughter) But, again, what I would focus on is trying to make sure that we have a set of multilateral arrangements that give us a better balance of rights and responsibilities -- a better chance for countries to pursue, as the policies would be better for growth. Fairer over time. And we're going to work -- continue to work -- very hard to do that.

And then, it's worth noting that, you know, this basic concern about how you create incentives for surplus countries, in particular, to adjust -- was at the center of the debate surrounding IMF 60 years ago; left unresolved then. The members of the IMF are sovereign nations. They did not give over to the IMF control over their basic economic policy choices, but we're on the verge of giving substantially greater weight to the large, rapidly growing emerging market economies in the Fund. And we think this is a moment where it's worthwhile making sure those reforms to governance, which we deeply believe in and support, are complemented by more effective ways for the IMF to play a greater role in helping change behavior on the exchange rate front and encourage surplus countries to shift to more domestic demand-led growth. That's the basic deal on offer.

MR. TALBOTT: Well, you mentioned gains and, of course, the European Growth and Stability Pact many decades later still had problems, so it's a tough one.

There's a gentleman here on the -- yes? On the right, yes?

MR. OGATA: Hi. I'm Toshihiko Ogata with *Asahi Shimbun*, Japanese newspaper.

(inaudible) specifically asked about the recent Japanese intervention to the foreign exchange market. And you mentioned the damaging dynamics of the competitive no appreciation. Do you think Japanese intervention set the fire of these dynamics?

SECRETARY GEITHNER: I don't, no. But I would just emphasize again that for the major economies as a whole, there's been a very important move over time to flexible exchange rates, which is, I think, good for the system, better (inaudible) as a whole. The main problem we have today is you have a set of emerging economies that both remain undervalued and are leaning heavily against the pressures for appreciation. And that's not a viable, sustainable strategy for them. It's not a sustainable strategy for their trading partners, with the countries they compete with, and it's not good for the system as a whole. And we'd like to find ways to encourage them to allow more of that pressure to flow through into the exchange rate.

MR. DERVIŞ: All right, yes.

MR. MACLAURY: Bruce Maclaury , formerly at Brookings.

Mr. Secretary, you said at the end of your remarks that the United States had moved aggressively to do its share with respect to economic growth. And I think that's very true with respect to the short term and the sustaining actions taken by Treasury and the Fed. But I think it'd be very difficult to characterize as aggressive the United States actions on the longer term deficit and the fiscal problems that we face. And that has to be leading to economic uncertainty in the world. Where are we going to find the same will and ability to take aggressive actions on the longer term deficit?

SECRETARY GEITHNER: You're absolutely right that we have very substantial challenges in the long-term fiscal front, not just over the next 5 to 10 years, but, of course, beyond that because of what demographics and health care costs due to our long-term entitlement costs. But I would just characterize it slightly differently where we are today.

If you look at what the President proposed in terms of policies to restore fiscal sustainability over the next five years or so, we have, I think, one of the most aggressive paths to bring down our fiscal deficits than is true for many of the other major economies. Just compare the magnitude of the adjustment we're proposing as the economy recovers to what most of the other major economies are facing, and most of them have deeper fiscal problems than we do. Ours are actually very strong.

Now, of course, it requires Congress to act on those proposals. It's not something that the Executive Branch, the President, can do unilaterally.

And ultimately, of course, you're exactly right, this is fundamentally a political test. And we are -- as you know, the President established -- taking a model out of the Reagan Social Security Commission -- a bipartisan commission to try to begin to build consensus among Republicans and Democrats for policies that'll help bring that gap down further. And they're supported to report on December 1st and we'll see what they come up with, see how successful they are in trying to build coalitions of bipartisan support for more policy. And, you know, we're hopeful still that that's going to give a basis for moving forward.

But my own view, these are manageable challenges for the United States. They certainly our challenges over the next 5 to 10 years are much more modest, and it's true for most of the other major economies because our underlying growth rates are stronger. We start with a lower -- too high, but still lower -- debt level to the share of our economy. And we have many other strengths in terms of our capacity to meet those challenges. It's something we can do. We just have to find the political will to actually do it.

And I agree with you that even though the world's demonstrating a lot of confidence in the basic quality of U.S. economic management. You can see that in all sorts of financial markets. And it's important to recognize, you know, in the worst parts of the crisis and every moment people have been concerned about the basic fundamental stability of the national financial system, people still found safety in the risk-free asset of the United States and the dollar. And that's something that is very important to us and we're going to work very, very hard to sustain and to reinforce and to build on. But as you know, that's something we can't do alone as the Executive Branch requires Congress, too. And it's not something -- well, I should say it has to be bipartisan for it to work.

MR. DERVIŞ: Thank you. Ted?

MR. GAYER: Hi, Ted Gayer. I just wanted to get your sense of how much housing you think is restricting growth. You talked about the difficulties coming off of a financial crisis and I'm wondering, given the underlying fundamentals of housing, how big of a problem that is, and your assessment on the various foreclosure prevention programs that are in place now.

SECRETARY GEITHNER: Well, just a few things about the U.S. economy now. The U.S. economy is absolutely healing. It's healing in some ways more quickly than many of us thought. You had growth start more quickly, it was stronger than we anticipated, and parts of the economy are looking really very strong today. If you look at high-tech, if you look at the strength in the manufacturing response, industrial production, export growth's pretty healthy -- those are encouraging signs.

It's also worth noting that the factors that caused near-term weakness, this process of adjusting to a period when we were living beyond our means as a country, that process is very well advanced. You can't know for certain how much more of that is ahead of us, but if you look at what's already happened in real estate markets and housing markets, if you look at how much the savings rate has increased, if you look the significant progress households have made in bringing down their debt levels to income, you look at the amount of deleveraging that's already happened in the financial system, that process of adjustment is, in my judgment, very, very well advanced. And that is good for growth over time or looking forward, even though it has the effect of causing near-term weakness. And one of the great strengths of our economy in contrast to many other major economies is just how quick and forceful we allow that process of adjustment to happen in the United States. And that's put us in a much better position for more sustainable growth going forward.

I think in the housing market now, housing, like a few other parts of the economy now, still is very weak and very hard. Anybody who's in the construction business, in the real estate financing business, small businesses across the country who are unlucky in their choice of bank, have a bank that got themselves too exposed to commercial real estate, those parts of the economy are still facing a very tough environment still.

What we have done and what we were very successful in doing is to bring a measure of stability to house prices. It's worth remembering that in March of 2009, most of the forecasters thought house prices might fall an additional 25 to 30 percent. But house prices actually stabilized quite quickly after that, and that happened because of the combined effects of what the Fed did and what we were able to do to bring mortgage interest rates down. And in part, it was the function of the fact that we were pretty successful in substantially slowing the pace of foreclosures.

And there are, under our programs, at the peak 1.2 million Americans benefited from temporary modifications that reduced their monthly payments, but there was a very substantial additional set of broad mortgage modification systems done outside our programs that had the same basic effect. And those programs were designed to help people who could afford to stay in their home, restructure their mortgage obligations so they had a chance to do so, but they were not designed and

I think should not -- cannot responsibly be designed to help people who were speculating in real estate, who had a second home, who could afford to meet their payments, or who can't prove income, can't demonstrate eligibility. And so they will be inherently limited in their reach relative to the full scope of foreclosures, but that's because we think it's hard to justify using the taxpayers' money to reach a broader set of people.

So we're going to continue to make sure those programs reach as many people as they can. And we'll keep finding ways, again, to make sure of that class of people we think should be eligible for some temporary assistance, that we're reaching as many of those as possible. We'll keep doing that. There's a lot of that still ahead for us.

MR. DERVIŞ: Thank you very much. Yes?

MR. TALLEY: Ian Talley , Dow Jones. You spoke broadly about the concern for too much fiscal consolidation too early dampening growth. But more specifically, do you have specific concerns about tightening in the peripheral countries, dampening growth there, or Europe, central countries, or no concern about plans?

SECRETARY GEITHNER: I think you have to distinguish the challenges faced by Greece, by Spain, Portugal, Ireland, or a number of other countries that really for them now have no choice but to move very, very aggressively to bring their commitments more in line with their resources. That is the essential path for policy in those countries. And that should be supported, as it has been, by Europe and by the IMF and, of course, by us by a program of conditional financial support, so that they're able to still finance themselves as they go through that process. That's good policy. But you have to distinguish that from the challenge faced by the major economies, particularly the major surplus countries.

And those countries, we're all in a slightly different position, but we're all trying to find a balance between ways to make sure growth becomes self-sustaining and a framework for a return to fiscal sustainability, to allow gravity to reassert itself on our fiscal positions over the medium term. And we're going to get that balance differently across countries, as we should. And the paths to restoring balance will be slightly different across countries because we start from different positions. But we want to keep reinforcing -- because you have to make choices, you know, reinforcing the basic imperative should be to emphasize growth now. That's the biggest risk we still face.

MR. DERVIŞ: (inaudible) of the approach will be at the heart of the IMF and the G-20 discussion.

SECRETARY GEITHNER: As has been from the beginning. And I think the IMF has done a very good job of trying to emphasize the need for a differentiated approach across countries, and we want to reinforce that, too. We're not going to choose for other countries what they do in this case. They have to make that choice themselves.

And, you know, of course, we still bear a substantial burden here for trying to find a way, as you've seen us propose, ways to provide additional targeted support for investment, for private investment, for public investment, and do so in a way that's fiscally sustainable.

Again, the ideal balance you want to strike is you want to do things that are good for short-term growth, but help improve longer-term growth prospects. And that's why we brought so much emphasis to things that'll help create stronger incentives for investment in the United States and to help catalyze a more substantial multiyear program of investments in public infrastructure. Those things we think are -- they're good for short-term growth and they have better prospects of helping the longer-term growth challenge we have.

MR. DERVIŞ: Last question. Alan?

MR. BEATTIE: Alan Beattie from *Financial Times*.

Mr. Secretary, on this question of multilateralizing the currency issue, the U.S. has been very vocal about the need for more flexibility, particularly in China. Europe has been somewhat vocal, but from the other -- from the big emerging economies, rather, in recent weeks certainly, there's been a deafening silence. Are you short of allies on this particular campaign?

SECRETARY GEITHNER: I don't think so. In fact, I would describe it slightly differently. I think if you look at what a range of countries, emerging countries in Asia have said, emerging countries in Latin America have said -- Brazil prominently -- I think you see people demonstrating what they say publicly, the broad collective state countries have been trying to solve this problem. As I said, you know, again, it's a problem that is hard for any country to solve individually.

And I'll just take one piece of the China calculation, for example. China will be less likely to move, allow its exchange rate to appreciate more rapidly. If it is not confident, other countries will move with it. You've already seen a bunch of countries who have experienced this very sustained, substantial appreciation feeling left to drift by the fact that a bunch of countries are behind them. So there's a very compelling case for doing this together.

And it's going -- this is not something we're going to solve in the next three months definitively. It's going to take a sustained set of changes over time and we want to maximize the incentives. Those take place over time. Don't look for a near-term quick fix on this. This is the central existential challenge of cooperation internationally as it has been for a long period of time. And what we want to do is to take the remarkable record of cooperation that was so important and bring the world out of crisis and try to translate that into new will to build a more effective set of institutional arrangements in the IMF and in the G-20 to get a better balance going forward.

Again, this is promising and possible because it's so obviously in the collective interests of each of the countries to do this, like it was in the crisis. You just look now and you could say -- and the IMF has done a very good job of illustrating this -- that without this change to a more balanced pattern of growth, more domestic demand in surplus countries, more exchange rate flexibility, you will know with confidence that overall growth will be lower than would otherwise be the case. That makes a very strong incentive for countries to move in this direction. Better for them to move together. And it's not something that we in the United States can solve unilaterally.

MR. DERVIŞ: Well, the next two months are going to be crucial. They won't solve everything, but the Annual Meetings and then the Korea G-20. I just came back and the Koreans are putting everything they've got into it. It's the first time that an emerging market will actually host the leaders level.

So thank you very much. Good luck, particularly in the next few days.

Please may I ask all of you to remain seated while Secretary Geithner leaves.

SECRETARY GEITHNER: Kemal, could I just --

MR. DERVIŞ: Yes.

SECRETARY GEITHNER: I want to just say one more thing in response to Alan's question.

MR. DERVIŞ: Okay, sure.

SECRETARY GEITHNER: I'll just end with this, although I'm repeating it, but I want to make sure it's clear. It is not good for the world for the burden of solving this broader problem -- (inaudible) the exchange rate problem -- to rest on the shoulders of the United States. It's better for it to come in a multilateral context, not countries using us to help advance this issue because it is a sensitive, complicated thing. It's better for it to happen through the collective force of those institutions.

And we'd like to see the IMF have more leverage, more capacity to make a difference in these things, and use the G-20 where you see the collective interests of those countries come together to be the place where we make progress in that. We'd like it to -- we think it'd be more effective it happens that way. Not good for any of those countries to leave the burden to fall excessively on the United States.

Thank you.

MR. DERVIŞ: Thank you very much and good luck.

(Applause)

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