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Statement by Mr. Mnuchin
United States

IMFC Statement of Secretary Mnuchin
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I am delighted to join my colleagues in Washington this week as we gather to discuss global economic developments and our individual and collective efforts to promote stronger, sustained, and balanced global growth.

Most forecasters expect the U.S. expansion to continue through 2018. While the economy has grown since the global financial crisis, the recovery has proved disappointing on many fronts. Since the trough in 2009 annual growth has averaged 2.2 percent – considerably below the average of 2.7 percent during the 2001-2007 expansion and even further below the 3.8 percent average during the 1991-2000 period. The shallow recovery has significantly impacted the U.S. labor market. Over the past decade, for instance, average weekly earnings of production and nonsupervisory workers have been nearly flat in real terms. At the same time, many would-be workers are sidelined, as evidenced by dampened labor force participation rates, elevated numbers of part-time workers, and soft employment-to-population ratios. Weak business investment is holding back capital services growth, which has fallen to one-third the rates experienced in the 1980s and 1990s. Labor productivity growth has slowed to a near stand-still.

The Administration believes that better policy choices could remove structural impediments and unlock the economy's longer-term growth potential. Our agenda for tax reform, infrastructure investment, and regulatory relief is aimed at restoring much needed dynamism to the U.S. economy. In addition, we expect to reap additional growth benefits by expanding free and fair international trade and by ending unfair trade practices that handicap American firms. Although we expect near-term impacts from the recent hurricanes, we believe underlying fundamentals are strengthening, and high levels of consumer and business confidence will continue to support economic activity. Recent evidence suggests that business investment is gaining traction, and the manufacturing sector is expanding briskly. In addition, job creation is healthy and, by some measures, household balance sheets are their healthiest in fifteen years.

Meanwhile, global growth has taken hold more broadly over the past year. Yet, we remain far from our true potential. We believe the global economy can grow by more than 4 percent on a sustained basis, as it did in the decade 1997 to 2007. The current period of currency stability and greater resilience of the financial sectors provides an ideal opportunity to implement reforms to catalyze stronger, more sustainable, and better balanced global growth.

Achieving stronger growth requires concerted policy action, both individually and collectively. Each of us must reassess our optimal policy mix, which will vary across member countries. We should each, for instance, revisit our regulatory regimes to reduce barriers that stymie private sector investment; reassess our tax systems to ensure they provide sufficient incentives for private sector-led capital and labor mobilization; and reevaluate public sector spending policies to improve efficiency. Concurrently, each of us should focus on fostering sound economic fundamentals in support of stable exchange rates, which can help to reduce business uncertainty and lead to increased investment and stronger economic growth.

At the same time, we should work collectively to mitigate threats to global prosperity and growth. Together, we must push back strongly on bad behavior of rogue states, which through their disrespect for their own citizens and those of other countries sow global turmoil and contribute to economic instability. U.S. and United Nations sanctions on North Korea are a starting point, representing unified international efforts to counter the country's aggressive and provocative behavior.

As the IMF's recent External Sector Report (ESR) highlights, global rebalancing is far from complete, and sustained global excess imbalances continue to pose risks for the global system. The IMF does and should play a critical role in advising, informing, and helping member countries achieve global economic stability and stronger economic growth. In its bilateral and multilateral surveillance role the IMF must be a more forceful advocate for strong, sustainable, and balanced growth – across the membership. This will require the IMF to produce robust analysis and make clear policy recommendations – in particular highlighting ways that surplus and deficit countries must adjust to reduce imbalances. The ESR plays a valuable role in assessing global imbalances, and we urge the IMF to elevate the report to flagship status. We also welcome the IMF's plan to strengthen its External Balance Assessment model in the coming year.

As the IMF moves into the post-global financial crisis period, we urge the institution to structure its lending programs to prioritize reforms that drive private sector-led economic growth. In too many countries a large public sector crowds out the private sector. In others, a burdensome and inefficient tax system or excessive regulatory barriers fail to create effective incentives for private sector capital and labor mobilization. The IMF must design programs with the right policy reforms, in the right sequence, to support the private sector as the growth engine.

In this vein, we strongly approve of IMF efforts to reassess how the institution addresses corruption in member countries. Corruption at all levels of government wastes public resources and often deters private sector investment and growth.

The IMF also has a key role to play in promoting stronger debt management processes, particularly in low income countries. We welcome the IMF's work to strengthen the low-income debt sustainability framework and look forward to its implementation next year. The framework's effectiveness, however, depends crucially on accurate and complete debt data. The IMF should press for timely, accurate, and comprehensive debt information from borrowers and creditors – including private sector and emerging market debt – to improve transparency and reduce the negative outcomes of opaque lending.

We also believe the IMF should find ways to further enhance its operational efficiency. As a public institution – just like the member institutions it monitors and advises – the IMF should serve as a model on budget discipline and efficient use of limited resources. Achieving this goal will necessarily entail tough choices, potentially with regard to management and staff salaries and benefits.

The IMF plays an important role in the international monetary system through the promotion of economic stability and global growth. To best execute this role, the IMF must deliver on its core mandate by encouraging stable exchange rates that reflect underlying economic fundamentals; promoting sound public financial management and a market-oriented regulatory framework; and pressing for independent central banks to pursue transparent monetary policy.