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A firewall to stop Europe's crisis spreading

By Barack Obama

When leaders of the largest economies meet next week in France, our citizens will be watching for the same sense of common purpose that allowed us to rescue the global economy two years ago from a financial crisis that was sparked by years of irresponsibility.

Because of the co-ordinated action the Group of 20 took then, the global economy began to grow again. Emerging economies rebounded. In the US, we've had 19 straight months of private sector job growth and added more than 2.5m private sector jobs.

Still, progress has not come fast enough and today the global recovery remains fragile. Around the world, hundreds of millions of people are unemployed. Disruptions in oil supplies, the tragic earthquake in Japan, and Europe's financial crisis have contributed to the slowdown. Emerging economies have begun to slow. Global demand is weakening.

Our challenge is clear. We must stay focused on the strong, sustainable and balanced growth that boosts global demand and creates jobs and opportunity for our people. This requires action in several areas.

First, as the world's largest economy, the US will continue to lead. The single most effective thing we can do to get the global economy growing faster is to get the US economy growing faster. That's why my highest priority is putting Americans back to work. It's why I've proposed the American Jobs Act, which independent economists have said would create nearly 2m jobs, boost demand and increase US economic growth. It's why I signed landmark trade agreements with South Korea, Colombia and Panama to create jobs, keep us on track to double our exports and preserve American competitiveness.

At the same time, we're building on the nearly \$1,000bn in spending cuts agreed this summer. I've put forward a comprehensive and balanced plan to substantially reduce our deficit over the next few years in a way that does not hamper the current recovery and that lays the foundation for future growth.

Second, the crisis in Europe must be resolved as quickly as possible. This week, our European allies made important progress on a strategy to restore confidence in European financial markets, laying a critical foundation on which to build.

Given the scope of the challenge and the threat to the global economy, it is important for all of us that this strategy be implemented successfully – including building a credible firewall that prevents the crisis from spreading, strengthening European banks, charting a sustainable path for Greece and tackling the structural issues at the heart of the current crisis.

The European Union is America's single largest economic partner and a critical anchor of the global economy. I am confident that Europe has the financial and economic capacity to meet this challenge, and the US will continue to support our European partners as they work to resolve this crisis.

Third, each nation must do its part to ensure that global growth is balanced and sustainable so we avoid slipping into old imbalances. For some countries, this means confronting their own fiscal challenges. For countries with large surpluses, it means taking additional steps to support growth. For export-oriented economies, it means working to boost domestic demand. A critical tool for accelerating that shift is greater flexibility in exchange rates, including exchange rates that are market-driven.

Avoiding old imbalances also means moving ahead with financial reforms that can help prevent another financial crisis. In the US, we're implementing the strongest reforms since the Great Depression. Across the G20, we need to make sure banks maintain the capital they need to withstand shocks, and there needs to be greater oversight and

transparency to avoid excessive risks, especially with regard to derivatives.

Finally, the G20 nations must deepen co-operation on the range of global challenges that affect our shared prosperity. We need to move ahead with our commitment to phase out subsidies for fossil fuels and transition to 21st-century clean-energy economies. As we promote the development that gives nations a path out of poverty, we can focus on the infrastructure, finance and good governance that unleash growth. Even as we work to save lives from the drought and famine in the Horn of Africa, we need to continue investing in the food security and agricultural productivity that make future famines less likely and communities more self-sufficient.

When we met in London two years ago, we knew that putting the global economy on the path to recovery would be neither easy nor quick. But together, we forged a response that pulled the global economy back from the brink of catastrophe. That's the leadership we've demonstrated before. That's the leadership we need now – to sustain economic recovery and put people back to work, in our own countries and around the world.

The writer is US president

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