

# From Crisis to Recovery, Together

By ALISTAIR DARLING

Global effort and government interventions paid off this week in the U.K. as we emerged from the recession. The figures were modest, yet they proved the effectiveness of the government's fiscal and monetary action. To have left the economy to right itself was never a credible alternative and fortunately that view was shared around the world.

Many countries are now out of recession, but there must be no room for complacency. We have to take steps to secure the economic recovery while creating a safer and better global banking system to support strong and sustainable growth.

If we learned anything in the last two years, it is the extent to which cooperation between countries is crucial. John Maynard Keynes, writing after the end of World War I, understood that the price of increasing a nation's lot was, unfortunately, often met at a neighbor's expense. In today's global economy that model will not work. Our economies are deeply connected, so we must all share the common goals of spreading opportunity, fighting injustice and increasing the prosperity of all our people. One country's wealth should not be predicated on another's deprivation.

In the past 18 months we demonstrated how the collective power of countries working together can make a difference. The G-20 agreements in Washington, London and Pittsburgh committed countries to unprecedented levels of support for their economies and were critical in combating the global recession.

If we had not agreed to take radical monetary and fiscal action

the impact of the global downturn would have been far greater. Tens of thousands more jobs would have been lost, thousands more businesses would have gone under and more homes would have been repossessed. And the gravest danger, a prolonged depression, was avoided.

In the past year, the G-20 rose to the global economic challenges. But its work is far from over. Now, as we move from crisis to recovery, the G-20 must implement its commitments and push forward with financial and economic reform. That is the message I will be pressing on international finance ministers in Davos, at next week's G-7 meeting in Canada, and later this year at the G-20 meeting in Korea. These meetings will only succeed if we recognize our common purpose and work together to lay the groundwork for stronger world economy.

It is imperative to recognize that the job is not yet done. There are still many risks to overcome. Financial markets are still febrile. Only last month, the fallout from the financial problems in Dubai were a timely reminder of just how deeply integrated global markets have become. Oil prices, which are a crucial determinant of inflation and income in most countries, have also been volatile.

Unemployment is still too high in many countries. In the U.K. we have made great efforts to help people stay in work or find new jobs. Across the world, the fiscal stimulus alone has protected between seven and 11 million jobs in 2009, according to the International Labor Organization, and these measures will continue to provide support this year.

I am confident that if we maintain momentum throughout the

G-20 we shall be able to secure a global recovery. But no economy in the world can go it alone. Our economies, no matter how individually strong, are connected and that is why global recovery can only be based on transparent and meaningful cooperation.

No less a priority is the need to make a better job of coordinating our macroeconomic and structural policies. The G-20 Framework for Strong, Sustainable and Balanced growth is a major step in the right direction. This should now be the central mechanism for international economic coordination. All G-20 countries must play their part.

Equally, we must continue with our efforts to repair the global financial system. Our objective is clear: ensuring banks are less likely to fail and, but if they do, that taxpayer support should be the last resort. This means implementing higher and better quality capital and liquidity requirements; an internationally consistent leverage ratio so that banks are operating within their means; strengthened market infrastructure; common accounting standards; and obliging banks to plan for their own orderly winding down by writing living wills.

The G-20 has already agreed to all this. Now we must get on and do it, and I am glad that the U.S. is now fully engaged in this debate with their own proposals. But, crucially, the Basel Committee and Financial Stability Board's impact assessment of proposed new measures urgently needs completion.

As each economy deals with the global crisis, it is an understandable instinct for governments to think their first priority should be to look after their own.



However, that does not make it right or wise, and I would urge avoidance of protectionism at all costs. Trade is the great engine of prosperity and wealth: throughout the ages it has raised millions out of poverty. To put up trade barriers would harm us all, rich and poor alike.

In the last 100 years we have reached many international agreements: trade law, international labor standards, conventions on humanitarian relief and protocols on military law. Today our task is no greater.

The World Economic Forum in Davos is an opportunity to kick-start the process, to build on a consensus that recognizes that our common interest need not contradict each country's self-interest. On the contrary, it should complement it.

*Mr. Darling is the U.K.'s chancellor of the exchequer.*