

## IMF and World Bank hold annual meetings in Toronto

Canada is determined to solve its domestic problems and will support "new international initiatives that will enhance international economic and financial stability", Prime Minister Pierre Trudeau told the opening session of the annual meeting of the board of governors of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD or World Bank) in Toronto on September 6.

Representatives of the 146-member nations of the IMF and IBRD were in Toronto for the annual meetings of the banks. Canada, which has been a member of the IMF and IBRD since their beginnings, was also represented at the meetings by: former Finance Minister Allan MacEachen, former Justice Minister Jean Chrétien, former Energy Minister Marc Lalonde, Minister of State (External Relations) Pierre De Bané, former Secretary of State for External Affairs Mark MacGuigan, Minister of State for Finance Pierre Bussières, Minister of State (International Trade) Ed Lumley and Treasury Board President Donald Johnston (see article on page 1 for new Cabinet appointments).

### Inflation a priority

In his speech to the board of governors meeting, Mr. Trudeau said that reducing inflation "without excessive costs in the form of lost jobs, is currently the most important economic policy problem we face in Canada. We have found that inflation is not consistent with growth and stability. Furthermore, once imbedded, it is most difficult to remove".

"This is because in a practical sense, inflation is much more than a monetary phenomenon. The speed of cost and price adjustments is related not just to changes in the growth of money and credit but also to the attitudes and perceptions of our people. Rapid return to cost and price stability, and so to conditions permitting a resumption of growth, depends on both. Changing money supply growth is easy. Creating the national will and determination to slow down cost and price increases is not.

"The essence of our approach is to try to create that national will. We are convinced that if our people understand the benefits to all of reducing inflation, their individual actions will accelerate the process. We do not underestimate the difficulty in explaining that individual



Prime Minister Pierre Trudeau addresses bank governors in Toronto.

restraint for the common good is also in harmony with self-interest. But that is the challenge we have taken up.

"In our policy program we are taking direct income and price action within the federal government and we are asking for voluntary responses from all others. We will continue to restrain money supply growth and work toward smaller federal fiscal deficits. We are confident that our own example of direct restraint, and a broader understanding of the absolute necessity of reducing costs and inflation, will together generate the national determination on which success of the voluntary approach depends....

"We must avoid such destabilizing policies in the 1980s. But is there among us the international consensus, the will, that is needed if progress in this area is to be assured? However difficult the task, we must encourage the IMF to find increasingly effective means for helping to maintain stability and harmony in the economic policies of its members.

"...The success of our domestic policies depends on our people identifying more closely with the common good and less with narrow sectoral interests. Similarly among nations, international interdependence requires that common international objectives rather than beggar-my-

neighbour instincts increasingly determine our individual actions.

"Nowhere is our interdependence more evident, and some would say more fragile, than in the flow of international capital, both private and official. The 1970s saw an extraordinary increase in private international financing, including the flow of such capital to developing countries. About half of all funds flowing to developing countries in 1980 was private capital. Unless these funds keep flowing in support of productive development, many developing countries will fall far short of their minimum needs....

"Not only have the flows of private funds become very large, but in some cases they have become closely dependent on the Fund and the World Bank. The importance to private international lending of the Fund's approval of and financial support for a member country's policy program, and the Bank's development of co-financing, illustrate this. This linking up of private and official funding is crucial for the 1980s, particularly since official funding itself will be limited. Increasingly closer working relationships between the Fund, the Bank and the private international financial institutions should be encouraged....

"But growth and development must go beyond the limits imposed by foreseeable economic return. Health and sanitation and education and communication and transportation and food production, all these give high returns to society but not in a form that markets can measure over short periods. Concessional funding, both bilateral and multilateral, therefore continues to be a vital element of balanced growth and development in many developing countries. For the poorest countries it is their only source of foreign capital for development. And the necessary response from the richer countries can be made with the certain knowledge that such growth and development enriches the whole of the world economy, the industrialized countries and the developing countries. We must ensure that the momentum of foreign aid is maintained and we must maintain the strength of the World Bank.

"The avoidance of energy shocks is yet another area where international cooperation and consensus may be crucial in the 1980s. Past energy price explosions clearly caught the world unawares, with adverse consequences for growth, inflation, and burdens of debt that reverberate still. The instinctive international institutional responses so far, have tended to

The Globe and Mail