additional foreign resources and significant debt reduction is not supported by experience--it rests upon a confusion of the effects of the illness with those of the remedies. Any adjustment effort--as those of us who had the misfortune of needing physical therapy ourselves know only too well--is painful, the more so the longer therapy has been postponed and the more the process has been interrupted. The experience of many countries clearly shows the dangers of failure to address imbalances--the costs in terms of lower growth, rising inflation, and severe balance of payments problems tend to increase progressively the longer imbalances are allowed to persist. Thus, in assessing the record of experience, we must look beyond the problems that remain and look at what would have occurred in the absence of corrective efforts.

Third, the need to address internal imbalances does not mean that policies necessarily must concentrate solely--or even primarily--on demand restraint. Again the experience of countries that have been successful in achieving steady and adequate economic growth with financial stability points to the need for policies that are broad in scope and adequately balanced. While this generally requires strong monetary, fiscal, and exchange rate policies to ensure macroeconomic stability, such policies cannot be successful without carefully targeted structural measures that improve the response mechanism of the economy.

While the resumption of growth in the developing countries depends on the implementation of sound adjustment programs, such programs can bear fruit fully only if they are accompanied by adequate support from the international community at large.

Let me elaborate somewhat on this point.

First, the availability of sufficient external resources is essential, especially in the initial stage of adjustment, when countries frequently have little room to maneuver. In this context, the Fund has moved quickly to support the reduction of the debt burden for those countries where the debt overhang threatens to interfere with the success of adjustment policies. But debt reduction is only one element in the effort to bring about financial stability in debt-burdened developing countries. It needs to be used with care, so as not to become self defeating: it must be sufficient to open the way to restoration of creditworthiness, but not be such as to turn off the resumption of essential spontaneous flows of new money. Even with continued high levels of official flows, adequate financing of growth and economic reform in indebted countries depends largely on the provision of savings by the private sector--foreign and domestic.

A second condition for the success of adjustment programs is access to overseas markets. The extended economic expansion in industrial countries, accompanied by a significant reduction in unemployment, should