Concluding remarks

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Bretton Woods: 75 years later
Paris
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Mr. Governor, Dear François

Ministers, Governors, ladies and gentlemen,

First of all, Governors, a very heart felt “thank you” for calling me back in your midst to celebrate this 75th anniversary of the conference of Bretton Woods in the perspective of the next 75 years! I am all the more grateful as the reform of the IMS has been a distinct part of my unfinished agenda at the IMF.

We have heard today very thoughtful remarks about the immense contribution of the Bretton Woods conference; you have reminded us several of its key debates; allow me to join President Macron quoting the concluding words of the President of the conference, President’s Roosevelt Secretary of the Treasury, Henry Morgenthau:

“We have come to recognize that the wisest and most effective way to protect our national interests is through international cooperation... through united effort for the attainment of common goals. This has been the great lesson of contemporary life — that the peoples of the earth are inseparably linked to one another by a deep, underlying community of purpose.”

Visionary remarks, indeed! Good to keep them in mind after the last remarks of President Zedillo about the sense of national interest!

This “deep underlying community of purpose” should have been the “red thread” of the cooperation of the Central banks over the last 75 years. This was not always the case. Jacques de Larosière told us that this cooperation suffered ups and downs. Very severe downs, indeed, with the system demise. Learning from them, we should be even more committed in the decades to come to this “deep community of purpose” to give life to a renewed multilateralism:

- To establish a safer financial system,
- To adopt new modalities of cooperation to contribute to the strong, sustainable and inclusive development needed to face the immense challenges we can already identify with us.
- And to put in place a monetary and financial system well adapted to the changing circumstances you will have face.

Let me put very briefly on record several of your suggestions under each of these three headlines.

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1. **A safer financial system**

In a same way as the Bretton Woods system was defined with the concern of avoiding a new 1929 crisis, the crisis of the last ten years has been such a blow to our economies that you have been unanimous in your pleas for a safer system, insisting on the fact that whatever the origins of a future crisis, whatever the moment in which it could take place, it will be very different from the one we had to overcome in 2008-2009. We have heard concerns, in particular about the speed of changes and innovations: be it in the size of the shadow banking, the strong growth of leveraged finance, while significant changes were affecting the geopolitical landscapes; all of this calling for renewed efforts of surveillance, closeness of cooperation among yourselves and reflexions on the reliability of the methods and instruments, on which we relied on in 2008-2009: swaps networks, SDR allocations, aptitude of our governing structures to react in a speedy way: it took you very few days at that time – something which was a very remarkable achievement of those in charge at that time. But will the delays in the next occasion exceed very few hours?

2. **New modalities of financial cooperation for the needed sustainable and inclusive development**

One of the features of the last decades has been the untiring efforts of our institutions and governments to define and try to fulfil common purposes such as the millennium development objectives and the September 2015 sustainable development goals of the UN.

By maintaining the stable and orderly working of the system, the Central banks will provide a key contribution to these objectives, but beyond that you have mentioned several suggestions of great interest. If I am allowed to underline one of the most promising ideas, I would like to remind a powerful suggestion of the Eminent Persons Group, whose Chairman is attending our meeting and, as usual, has contributed to it with inspiring remarks.

Considering particularly the “gap in infrastructure financing – Mark Carney reminded us a need of US $3.5 billions – they have recommended to “maximize the IFI’s unique ability to help reduce and manage risks” using their risk-mitigation tools to harness the full potential of private investment in low income countries, “s making a more efficient” use of their capital than direct lending.

3. **A permanent effort of institutional change to allow the emergence of the system required by a brand new world**

We have not heard in the present circumstances any particular support for a grand vision of a new IMS. What can be taken for sure, nevertheless, is that we are already facing problems requiring solutions, which could become tomorrow building blocks of a new Bretton Woods to respond to the very new challenges of the next 75 years. Allow me to mention a few.
Facing properly the world liquidity problems is certainly one of them. A careful surveillance of developments that can dramatically change liquidity conditions must be established. This invites to develop also official safety nets and to organize the appropriate fora to discuss with sufficient frequency global liquidity conditions. The idea of inviting the head of Central banks issuing the currencies integrating the SDR to report periodically to the G20 on the appropriateness of the evolving liquidity conditions would certainly be appropriate.

Another issue on which you will have to focus your attention is of course the evolution of our current so-called “non-system” towards a true multipolar one. This would requires to start with a more flexible process of adaptation of the quotas basis of the IMF than the present very rigid one, so providing the institution with the strong legitimacy and the financial means it will need to remain the unquestionable anchor of the system and, in my views, to evolve towards the recognized status of the lender of last resort the world will more and more require.

Remembering the long term perspective we are invited to contemplate, this last point bring us indeed to the issue of the future of the SDR. We know that the undertaking of our predecessors in 1969 to “collaborate with the Fund and with other members... making the special drawing right the principal reserve asset in the international monetary system”, was certainly at that time a long term view. It remains so, but in the framework of the multipolar system which is presently taking shape, this issue would deserve to be revisited soon and possibly sooner, in my view, than the 20 or 30 years which have been mentioned. A lot of work will still be needed to achieve a consensus on this issue, even if one can expect that the rapid process of unification of the world economy will probably call more and more Jean-Claude Trichet explained so clearly for a mean of supplementing the exchange reserves with an instrument of particular stability, which could facilitate also, provided a private market develops, international trading transactions and which could be utilized to facilitate the diversification of exchange reserves in the framework, if needed, of a substitution account.

All these issues of course will still require a lot of research and work for which the contributions of the academia and public or private institutions\(^1\) will be of high importance and should be warmly encouraged, together of course, with the work of the superb staff of the IMF. With such a Staff, as the legendary Managing Director of the Fund Pierre Paul Schweitzer told me a few days before I joined the Institution: “With these guys, there is only a problem you will not be able to solve in Washington: to get rid of crabgrass in your garden!” This leaves me with the hope that at the end of a possibly long process, the SDR could be transformed in a world currency cooperatively managed and providing the system with an ultimate stabilizer.

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\(^{1}\) Among the contribution of private institutes, I would like to underline the reflexions undertaken in Europe by the Robert Triffin Institute under the leadership of Bernard Snoy. An exemplary work, indeed.
Governors, ladies and gentlemen, much more should be said on all these issues François opened.

Our meeting quoting President Roosevelt allows me to conclude by these words Paul Volcker contributed to the conclusion of the “Palais-Royal Initiative” report launched, not far from here, in 2011. These words could have been pronounced today and they remain pertinent including for the hegemon:

“The crisis heralded, indeed accelerated, a transition to a new world where emerging market economies together play a large role on a par with advanced ones in driving global growth; a world that will be fundamentally multi-polar, and in which global monetary problems must be dealt with cooperatively. The reformed International Monetary System we aspire to is one that preserves the gains of the past sixty-five years, without succumbing to its own instability. It is a system that maintains freedom of trade and current payments and that allows sharing more widely the benefits of financial globalization, appropriately regulated. It is a system where all countries recognize their stake in global stability and accept that near-term national objectives may, if needed, be constrained by the global interest. International cooperation is, in the long run, a necessary ingredient in the search for national prosperity. This should lead every country to look with a renewed sense of responsibility and discipline to the system as a whole. [...] The opportunity for the emergence of a fully-fledged international monetary order is here at stake.”

End of quote. Mr. Minister, Dear Bruno, tell us, please: are we in our way to comply with these objectives?

Thank you very much.

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