

I believe we are now at a turning point in the world economy. I see this as a moment when many of us have made considerable progress in reducing inflation and when we could move into a period of lasting recovery, with low inflation and sustainable growth. Success could be within our grasp. But this is also a moment of danger when our economic future could still go wrong rather than right.

Some of our countries, especially in Europe, have now surmounted the worst of the recession, though recovery is painfully slow. *and in some cases*
(In North America, and perhaps also in Japan) the recovery is not yet clearly established. But the international organisations and other forecasters promise us a general recovery during the next year. If they are right there is still the question how soon the recovery will come, especially in the United States, and how strong and well-founded it will be. The turning point on unemployment will depend on that.

What can we do to help the recovery and make it soundly based?

First we must keep up the fight to reduce inflation. We have made progress. In some of our countries we are in sight of changing peoples' expectations radically. They begin to believe that we are entering a period of permanently lower inflation. We must convince people and financial markets that we are keeping up

/the fight

How to go from recession to steady but some growth

① Inflation
let to make - dan of Budget used
Early 2009

② P.S.B.R. → Int Rates - Inflation

cutting Gov. Tax? COSTS

Path for budgets of future with decreasing deficits

Supply of new labor

③ Exchange Rate - low

System of Recovery needs led Patent fees Only 7.10%

④ Transferred Resources - Young New Business Technology

⑤ G.N. IMR
a) Demographic Structure

Productive Investment

Costs
Korea rule
27%
Industry
Social Contract

- ①. Publicly held
- ②. Structured labor market
- ③. Pulling of Trade
- ④. Higher Productivity
- ⑤. heaviest Productive Investment

A Contract Inflation without need of employees

B Need to reduce investment

Productive Investment

the fight with determination and will succeed. The price of failing to convince the markets is high.

1st Point
If we convince people that we are determined to go on fighting inflation, we shall be well on the way to reducing interest rates. That is my second major requirement for recovery. It is a route by which lower inflation leads to more investment, better activity and higher employment. We have to get interest rates down to levels which encourage sound investment without expropriating

avoid cost increases
My third requirement is that in Government and in the private sector we should avoid cost increases like the plague. And we should go on reducing the overheads which Government imposes on the wealth producing sectors; and the "crowding out" of productive investment caused by too much Government borrowing. It is worth recalling what the Managing Director of the IMF has said about the doubling of public borrowing in real terms in the industrial countries in the 1970s.

My fourth point is only partly within the control of any of us. It is that we need to avoid shocks and instability. It is partly in our hands to reduce the risk of future oil shocks by policies encouraging conservation and diversification. There is still progress to be made on market pricing of energy. We can also avoid instability of policy. In the UK in the past one of those has been an alteration of priorities between inflation and unemployment.

/We cannot

We cannot so easily avoid shocks caused by the military adventurism of others. We can only try to deter it and to prevent it from being rewarded. But there is no doubt that shocks of that kind are among those which the world cannot afford.

So I come back to stability as a key to recovery: political stability, stability of policy, stability of money, stability of expectations about low inflation, stability of costs. I believe this is how we have to turn the tide of unemployment.

- Incentive
- Investment
- Reducing barriers to world trade