

Agenda for Growth - September 2003

We, the G7 Finance Ministers and Central Bank Governors, have today agreed on an Agenda for Growth. This Agenda follows the successful cooperative approach of our two recent G7 Action Plans – the October 2001 Action Plan on Terrorist Financing and the April 2002 Action Plan on Emerging Markets – in which we defined objectives and then reported on progress toward those objectives at subsequent meetings.

Higher growth is essential to raise incomes and create more jobs. Without higher growth we will not have the resources to deal with an aging society, provide adequate national security, or, more generally, provide the means for people to pursue a more enjoyable life for themselves and their children. Moreover, higher economic growth in the G7 is one of the most effective ways we can reduce poverty around the world. Higher economic growth throughout the G7 will redress global imbalances that arise inter alia from uneven growth within the G7. Economic growth has been too low for too long in the G7, and while there are notable recent policy changes, it is time to bolster our efforts.

Key objectives

The reasons for low growth differ from country to country. But as shorter-term demand-side problems are addressed and the global recovery proceeds, longer-term supply-side impediments to higher productivity growth and employment are being revealed in many countries. Our key objectives, therefore, are on the supply-side - structural policies that increase flexibility and raise productivity growth and employment.

What have we done recently?

Progress achieved so far provides a good foundation to build on. Examples, one for each country, include: reductions in marginal tax rates on dividends and capital gains in the United States; improved incentives to work in the United Kingdom; sustainability of the public pension system along with higher limits on savings in private retirement plans in Canada; pension reform in France; tax reform in Germany; flexibility in labor contracts in Italy; and new R & D tax credit in Japan.

What more will we do?

Each of our governments intends to pursue additional pro-growth policies. Examples include: tort reform in the United States; a reform agenda 2010 for labor market and the pension system in Germany; public sector reform and further steps in health care reform in France; pension reform in Italy; Basic Policy for Economic and Fiscal Management and Structural Reform 2003 in Japan; measures to improve skills and labor force productivity in the United Kingdom; and full implementation of the five year tax reduction plan announced in 2000 in Canada. In the European Union, investment needs to be revitalized, with a particular emphasis on infrastructure and research and development.

Why do this as a Group?

These are primarily national responsibilities, but there are spillovers. Higher growth in the United States benefits the other G7 countries; but higher growth in the other G7 countries benefits the United States too. Moreover, many pro-growth policies, such as trade liberalization, involve all of us. Working as a group we intend to do regular supply-side surveillance, benchmarking proposals and reviewing results. This will complement our ongoing demand-side surveillance and mutually encourage progress toward pro-growth policies.