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The Power of a Village

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Last week at the Second Annual Fiji Business Forum, President of Suva Chamber of Commerce and Industry called for solidarity amongst its members to promote investment for boosting economic growth, by refraining from “constantly pulling each other down”. Dr Nur Bano Ali warned negative stories flying around only render access to finance difficult.

That is exactly happening in the world economy.

Fear of the euro zone failure

Although President Mario Draghi of European Central Bank (ECB) assured the world that he would do “whatever it takes to save the single currency”, his hands are tied. European Treaty rules forbid ECB from financing governments. Jens Weidmann of the Bundesbank, central bank of Germany is opposed to ECB action of purchasing sovereign debt. ECB has never antagonized Bundesbank, as its approval is critical for German tax payers’ support for the euro zone. Hopes for a quick solution are elusive.

In a report on August 3, IMF warns about the spillover effects of inaction in the euro zone. If euro zone fails, it would cost Europe more than 5% of economic output. Britain would also fare almost as badly, the US could lose 2% of output and Japan could shrink by more than 1%. The contagion would spread to China and then Australia, major exporter of minerals and eventually to our region.

Stalemate in America

In an election year in America, two candidates for the world’s most powerful office have diametrically opposite approaches to the common goal: creation of jobs and growth. The percentage of unemployment remains high, at 8.3%. It is estimated that at least 250,000 jobs must be created each month, as 12.8 million Americans are still unemployed. In July only 163,000 jobs were created

Republican contender, a successful businessman-billionaire himself, Mitt Romney claims President Obama has no business experience. He asserts the policies of fiscal stimulus have failed and taxes on higher income groups would hurt investment and discourage innovative job creating business ventures.

Obama argues that economic growth would not just occur because of a few wealthy risk-takers with risky ideas. He says growth needs a supportive environment with appropriate

legal measures, public sector provision of physical infrastructure, investments in education, a prosperous middle class and consumer confidence.

On July 13, in a speech in Roanoke, Virginia, President Obama said:

"If you were successful, somebody along the line gave you some help. There was a great teacher somewhere in your life. Somebody helped to create this unbelievable American system that we have that allowed you to thrive. Somebody invested in roads and bridges. If you've got a business – you didn't build that. Somebody else made that happen. Internet didn't get invented on its own. Government research created the Internet so that all the companies could make money off the Internet."

Republicans pounced on those words: "You didn't build that. Somebody else made that happen"- words to remind the electorate that Governor Romney's immense wealth was mostly inherited and he did not work for it!

The negative campaign continues. One ad says the annual maintenance expenditure on Mrs. Romney's race horse is US\$ 77,000, which is higher than the US average per capita annual income of US\$ 48,442.

The ongoing battle between the two parties is turning ugly.

The latest is about Governor Romney's unwillingness to release tax returns of earlier years, giving more ammunition to Democrats.

Fiscal Cliff

The US Congress is deeply divided. It has to decide: either let current policy be effective from January 1, 2013 – which features a number of tax increases and spending cuts, affecting growth and driving US back into a recession – or cancel some or all of the scheduled tax increases and spending cuts, which would add to the deficit.

The highly partisan nature of the political environment renders a compromise difficult. Republicans are keen on spending cuts and no rise in taxes. Democrats are for a combination of spending cuts and tax increases, mostly on the rich.

Working together

President Obama's message is this:

"The point is that when we succeed, we succeed because of our individual initiative, but also because we do things together."

Mark Trumbul, inspired by an African saying wrote in Christian Science Monitor on 2 August, "It takes an economy to create jobs".

Not only the entrepreneurs, but other economic agents as well: financial institutions, farmers, factory workers, middlemen and, of course the three agencies, government, legislature and legal machinery. The whole national economy has to work together. That applies to global economic prosperity as well.

The saying also inspired a former first lady of America to give a similar title to her book, a 1996 New York Times best seller. Hillary Rodham Clinton, in her 1996 speech, while campaigning for President Bill Clinton said:

“I chose that old African proverb to title: *It Takes a Village and other Lessons Children Teach Us*, for my book because it offers a timeless reminder that children will thrive only, if the whole of society cares enough to provide for them”.

It needs a global village to create world economic upturn!

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