

Sluggish growth prompts new world economy fears

Economists are muttering that the global economy is growing too slowly to pull us all out of the recession. It could be a long, painful crawl back up to prosperity, with bitter political divisions on show.



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Obama warns of hard economic times ahead in a speech at a car factory earlier this week.

President Obama has appealed for politicians to unite around a plan to tackle the stagnant US economy and an unemployment rate of more than 9%, calling on his Republican opponents to put ‘country before party.’

Across the globe, governments and economists are saying that the road to full recovery after the recession that followed 2008’s banking crisis is turning out to be much steeper and rockier than they anticipated.

In Europe, hopes have faded that measures to bail out crisis-stricken countries like Greece and Italy will stop the international investment markets punishing the entire Eurozone.

The financial markets are said to be ‘jittery’ – up one moment and down the next, but mostly down. One analyst said this week that the international economic indicators for both manufacturing and service industries were ‘a bloodbath’. In August, for example, the US created no

new jobs. Meanwhile, an important survey in the UK of the expected demand for services, which dominate the economy, showed the biggest fall for a decade.

It’s gloom-inducing stuff. And a huge challenge for the politicians: elections tend to be won or lost on how much the voters trust their leaders and would-be leaders to sort out the economy. But because of its global nature, much of this mess is beyond their control.

Hence this week’s moves by Barack Obama to try and present a positive action plan for creating more jobs – one of his ideas is to give the go-ahead to ‘infrastructure’ building projects.

In the UK there are people even in the governing Conservative party, which is wedded to a programme of tough spending cuts, who would like to see similar initiatives to boost growth. His Labour opponents constantly urge Tory Chancellor George Osborne to abandon his austerity drive and draw up a ‘Plan B’. But

now some parliamentarians and commentators who originally backed his policy are advising Mr Osborne to allow more investment to boost growth, in a sort of Plan A Plus: for example, building projects like the expansion of the broadband network across the UK.

KILL OR CURE?

Any hope of patriotic feelings prompting political unity is probably as vain in Europe as in the US. Disagreements about the causes and nature of the current economic disease are too strong and too fervently argued for any consensus to be reached.

Some diagnose a passing, if painful, illness. Many others now believe there’s a danger of the world economy developing a chronic condition: low growth, high unemployment and a rising cost of living. There is even one school of thought that argues Western capitalism itself, the system, is in crisis.

Q & A

Q What does it mean if capitalism is ‘broken’?

A The capitalist system, some argue, worked fine during the 19th and 20th Centuries but is outdated in today’s information age, as international money flows get faster and more complicated.

Q What’s the problem with it?

A These days, intricate financial deals can create a huge amount of ‘virtual’ wealth, which is underpinned with no real value. Banks, for example, can owe much more cash than they own. When debts get called in, banks can’t pay, and have to be rescued by governments.

Q Causing a crisis?

A Exactly. Some economists worry that

unless we change the system fundamentally, we’re doomed to repeat the same crisis all over again.

SOME PEOPLE SAY...

‘People with money and power will always be able to exploit any system.’

WHAT DO YOU THINK?