

ADDITIONAL ECONOMIC SOLUTIONS

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Abstract

In this article, the author proposes some solutions to our modern seemingly intractable economic problems. Keynesian theories, the bug-bear of modern economics, seem to hold little water nowadays. Modern economies appear to be in need of more radical solutions. This article is the revised version of an article which had been published in an international journal.

Proposed Economic Solutions

We frequently suffer the throes of economic recession, becoming the victim of the economic recession. We hope, pray, and wait helplessly for the economy to recover. Governments often try to do something that may help the economy to recover fast, but there is no guarantee that they can help bring about a reasonably quick recovery. They may introduce more public works to create jobs, implement fiscal and monetary policies, re-train retrenched workers and carry out a myriad of other actions. But the economy may take its own time to pick up. The economy seems to live a life of its own, a life that does not seem easy to control at all. In fact, the fate of the economy is the fate of all human beings. Difficulty in controlling the economy simply translates to difficulty in controlling the human destiny.

In a depressed economy, human miseries are all too obvious. The jobless are living in fear and anxiety. Many have even turned to crimes (hence, the higher crime rates may be evident), such as robbery and looting. For those who are less well off, they now have to tighten their belts, live on a smaller budget. A number might seek the assistance of the authorities. It appears a helpless situation.

From the study of the history of past economic trends, everyone is more or less telling himself that when the economy swings downwards it can be expected to swing upwards again some time in the future (perhaps, in a few years' time), and, vice versa. That is, we assume that "history repeats itself". What, if in the future, history does not repeat itself? This is not an impossible scenario. It is indeed dicey.

This chaotic state of affairs which is not new and which brings about much uncertainty and misery seems to imply something. It seems to tell us that there is something wrong with our social system. It seems to imply at least some of the following, though they are perhaps not obvious to many as they are very complex indeed:-

- 1) There may be a problem in the distribution of wealth. The gap between the haves and the have-nots may have become very wide.
- 2) People may have been "psyched" by adverse publicity into hoarding rather than spending as usual, causing a fall in demand for goods and services all round, hence, reduction in production, retrenchment and loss of jobs.
- 3) Too much competition and under-cutting result in loss of profitability, hence loss

of incentive to produce or increase production, and, hence, business closure, retrenchment and loss of jobs. (Competition may not be really good, though consumers tend to deem it desirable.)

- 4) The free enterprise system, or, the capitalistic system, without much governmental control, may not be that efficient and good after all as it implies freedom for the economic system to be well beyond proper control which enables it to move along the correct, desirable path, ending up in the wrong, undesirable direction instead.
- 5) The wealthy has too much power and control over the workers and the have-nots. (In a recession, the workers and the have-nots will obviously suffer more than the wealthy, who may not hesitate to displace them from their jobs to save their own skins.)
- 6) The bosses exploit the workers, bringing misery to the latter one way or another. Though the labor legislations protect the workers and ensure that their minimal entitlements are fulfilled, bosses can still find subtle means to exploit their workers. (This is perhaps one of the greatest flaws of the capitalist system - exploitation, greed, or, profit-maximization at the expense of the workers.)
- 7) The bosses may also exercise some form of subtle control over the government, e.g., by sponsoring politicians (who run the government) or threatening to re-locate to another country, thus possibly causing job loss and a poor “employment situation” (a political headache for an elected government).
- 8) It may be a situation that even those who are desperate for a job and are prepared to accept a low salary may have hardly any opportunity of employment. The government cannot force companies to hire anyone they do not wish to hire. (In this respect, a socialist economy has an advantage in that its government-controlled industries can provide plenty of job opportunities for the populace.)
- 9) Instead of being the master of technology, we may have become its slave or victim. Technology can be changing so rapidly that it is very difficult or impossible to keep up with it.
- 10) The economy of one nation may have been adversely affected by the economies of the others and vice versa.

We, especially our governments, should manage the economy, instead of allowing the economy to manage us. We have to re-think and re-vamp our economic policies on a global scale, with nations consulting one another. It appears that capitalism is far from perfect as an economic or social system as it encourages human greed and exploitation. It may be better to combine the desirable elements of both the capitalist and socialist systems. Otherwise, we may have to reformulate a new social/economic system, which is radically different from both the capitalist and socialist systems. How about a world association to manage and co-ordinate the economies and economic activities of all the nations in the world, this association being represented by members from all the nations in the world? This association can fix or set quotas for imports and exports amongst all the world's nations. For example, the association can declare that Country A exports Item X to Country B and Item Y to Country C and imports Item S from Country B and Item T from Country C, Country D exports Item J to Countries E, F, G and H and imports Item K from Country E, Item L from Country F, Item M from Country G and Item N from Country H, et al., with the quantities imported and exported amongst them stipulated, subject to periodic changes in the future. In this way all countries in the world will

have to produce sufficient goods and services to fulfil their own consumption needs as well as meet the quotas set by the association. Thus, there should be enough jobs and incomes for everyone.

Contrary to general opinion, competition is really not good for business, especially in the long run. As mentioned in (3) above, too much competition and under-cutting may lead to business closure, retrenchment and loss of jobs, which is indeed not good for everybody. Fair enough, competition ensures that the consumer does not have to pay a high price for his good or service. Also, it is felt that competition will encourage businesses to be more productive (for example, to be more competitive or better businesses will strive to be more efficient and more cost-conscious, but they may be so cost-conscious that the welfare and safety of their workers are compromised). Cooperation and team-work amongst competitive businesses are better for there are economies of scale (resulting in cost-savings and thus, theoretically at least, lower prices for the consumer) and more heads to do the thinking and thrash ideas. However, to protect the consumer from over-priced goods or services, the government should have the right to step in and regulate prices.

Finally, a social or economic system should consider the general welfare and economic well-being or safety of every human being in the world. What we are having now is social and economic imbalance, with some people and nations having great wealth, some not so great wealth, and some having abject poverty (with problems such as famine, undernourishment and disease). Economic problems tend to lead to social problems such as crimes, riots, looting or even rebellion. The economic system should take into consideration the welfare of every human being and should not have allowed some to wallow in vast wealth while some others are down in the economic dumps. Our social or economic system should ensure a more even distribution of wealth. A more even distribution of wealth will lead to greater social equanimity.

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