

6

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COMMENTARY

LANGUAGE

Subsidiarity Man wants a difficult word with you

By Andy Carling

By day, Richard Medic is a mild-mannered spokesman for the Association of European Regions, but it is his alter-ego that has been making the news. As Subsidiarity Man, he has founded a movement to have the word subsidiarity included in all the world's dictionaries, with the slogan, "Subsidiarity is a word." His actions have included jumping off a high bridge in Mostar, while a 5,000-strong crowd chanted "subsidiarnost," and an attempt to climb Residence Palace, where he managed to get arrested. He agreed to return to the scene of the crime and we settled into the Palace cafe to explain his obsession with this piece of Euro-speak.

So, how was Subsidiarity Man born? "It all started when I first joined AER and I was drafting my first press release and I typed subsidiarity in a Microsoft Word document and a red line appeared under it. I checked the spelling and realised that Word didn't recognise it. I thought it was absurd because AER has been lobbying for the subsidiarity principle to be included in the Maastricht and Lisbon treaties. I realised that we couldn't get people to respect the principle if they didn't recognise the word. The first step was to get the word recognised by Microsoft and by dictionaries." Recognition of the word is more eccentric than Medic's enthusiasm. For example, Word in French and German includes subsidiarity in its spellchecker, whereas the English and Italian versions don't. In Wikipedia, the definition is frequently wrong, as is the definition in Dictionary.com. How does Medic define the word? "It's basically the principle that decisions should be taken as closely as possible to the citizen, but subsidiarity is more than just Euro-speak, it's a principle that has been around for centuries. Subsidiarity starts with the individual, if you can't make a decision yourself, you take it to a higher level until you reach one that can make a decision. It's a bottom up principle, not the top down centralised approach we see all too often."

Climate change is a global issue that requires a global solution, but Medic explains how subsidiarity fits in. "At AER we talk a lot about co-ordination and subsidiarity and these issues need to be co-ordinated at a central level, but that doesn't mean that the local level, or grassroots is not important. The best initiatives start in local communities, such as a school starting something or a council that can be replicated. It's about multi-level governance and that the different layers should be working with each other." There does seem to be a glorious eccentricity to the campaign. "Well it's a movement not a campaign. Campaigns are limited propaganda exercises, but we hope to build and build the movement. Recognising the word is only the first stage, the second is to respect the principle. We started this with a glint in our eye, we are conscious that it is a very serious issue but we realise that this is an unusual issue, something different so we've taken a unique approach. We're hearing from people all over the world, including an environmental activist who is using subsidiarity in a grassroots level organisation, for example." As Brussels hosts up to 100 press conferences a day, something special was needed for the launch of the movement, so he decided to climb Residence Palas. Initially he contacted Alain Robert, the famous climber of buildings, but he was too expensive, so Medic decided to do it himself, wearing a suit as a disguise and a 17-kilo banner, he planned to unfurl. Sadly, someone had tipped off the cops and he was arrested and had his banner confiscated for six months. The police have just handed him back the banner. Expect to hear more of Subsidiarity Man in the near future. Keep your eyes open.

ECONOMY

Developing countries and the global crisis

By Joseph E. Stiglitz



Joseph E. Stiglitz

Chinese shoppers look through clothes on offer at a department store in Shenyang, April 1, 2009. Efforts by the central government to raise domestic consumption have only had limited effect so far and attention is turning to striking exports

This year is likely to be the worst for the global economy since World War II, with the World Bank estimating a decline of up to two percent. Even developing countries that did everything right – and had far better macroeconomic and regulatory policies than the United States did – are feeling the impact. Largely as a result of a precipitous fall in exports, China is likely to continue to grow, but at a much slower pace than the 11-12 percent annual growth of recent years. Unless something is done, the crisis will throw as many as 200 million additional people into poverty.

This global crisis requires a global response, but, unfortunately, responsibility for responding remains at the national level. Each country will try to design its stimulus package to maximise the impact on its own citizens – not the global impact. In assessing the size of the stimulus, countries will balance the cost to their own budgets with the benefits in terms of increased growth and employment for their own economies. Since some of the benefit (much of it in the case of small, open economies) will accrue to others, stimulus packages are likely to be smaller and more poorly designed than they otherwise would be, which is why a globally coordinated stimulus package is needed. This is one of several important messages to emerge from a United Nations Experts Commission on the global economic crisis, which I chair – and which recently submitted its preliminary report to the UN. The report supports many of the G-20 initiatives, but it urges stronger measures focused on developing countries. For instance, while it is recognised that almost all countries need to undertake stimulus measures (we're all Keynesians now), many developing countries do not have the resources to do so. Nor do existing international lending institutions.

But if we are to avoid winding up in another debt crisis, some, perhaps much, of the money will have to be given in grants. And, in the past, assistance has been accompanied by extensive "conditions," some of which enforced contractionary monetary and fiscal policies – just the opposite of what is needed now – and imposed financial deregulation, which was among the root causes of the crisis. In many parts of the world, there is a strong stigma associated with going to the International Monetary Fund, for obvious reasons. And there is dissatisfaction not just from borrowers, but also from potential suppliers of funds. The sources of liquid funds today are in Asia and the Middle East, but why should these countries contribute money to organizations in which their voice is limited and which have often pushed policies that are antithetical to their values and beliefs?

Many of the governance reforms proposed for the International Monetary Fund (IMF) and the World Bank – affecting, most obviously, how their heads are chosen – finally seem to be on the table. But the reform process is slow, and the crisis will not wait. It is thus imperative that assistance be provided through a variety of channels, in addition to, or instead of, the IMF, including regional institutions. New lending facilities could be created, with governance structures more consonant with the 21st Century. If this could be done quickly (which I think it could), such facilities could be an important channel

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for disbursing funds.

At their November, 2008 summit the G-20 leaders strongly condemned protectionism and committed themselves not to engage in it. Unfortunately, a World Bank study notes that 17 of the 20 countries have actually undertaken new protectionist measures, most notably the US with the "buy American" provision included in its stimulus package. But it has long been recognized that subsidies can be just as destructive as tariffs – and even less fair, since rich countries can better afford them. If there was ever a level playing field in the global economy, it no longer exists: the massive subsidies and bailouts provided by the US have changed everything, perhaps irreversibly. Indeed, even firms in advanced industrial countries that have not received a subsidy are at an unfair advantage. They can undertake risks that others cannot, knowing that if they fail, they may be bailed out. While one can understand the domestic political imperatives that have led to subsidies and guarantees, developed countries need to recognise the global consequences, and provide compensatory assistance to developing countries.

One of the more important medium-term initiatives urged by the UN Commission is the creation of a global economic coordinating council, which would not only coordinate economic policy, but would also assess impending problems and institutional gaps. As the downturn deepens, several countries may, for example, face bankruptcy. But we still do not have an adequate framework for dealing with such problems.

And the US dollar reserve-currency system – the backbone of the current global financial system – is fraying. China has expressed concerns, and the head of its central bank has joined the UN Commission in calling for a new global reserve system. The UN Commission argues that addressing this old issue – raised more than 75 years ago by Keynes – is essential if we are to have a robust and stable recovery. Such reforms will not occur overnight. But they will not occur ever unless work on them is begun now.

Joseph E. Stiglitz, Professor of Economics at Columbia University, chairs a Commission of Experts, appointed by the President of the UN General Assembly, on reforms of the international monetary and financial system. A new global reserve currency system is discussed in his 2006 book, *Making Globalization Work*. Copyright: Project Syndicate, 2009. www.project-syndicate.org