

Summary of IPS Seminar

Doing Enough? The World Bank's Assessment of the Responses to the Economic, Environmental and Development Crises

by Mr Vinod Thomas, Director-General of the Independent Evaluation Group and Senior Vice-President at the World Bank

19 June 2009

Seminar Room 2-3, Level 2, Manasseh Meyer Building, Lee Kuan Yew School of Public Policy

Mr Thomas compared the current crisis and with past crises and noted that the economic turmoil was the result of a lack in demand and lack of regulation. In comparison, previous crises were the result of a shrinkage in demand and deregulation. Unlike other analysts who had predicted that the current crisis would lead to a decoupling of the Asia economies from the US economy, Mr Thomas noted that this possibility is remote due to the high level of connectivity that Asian economies have with the global economy. While Asian economies are current indeed suffering from a sharp decline in their Gross Domestic Product, it is still premature to conclude that globalisation has been an unwelcome development. The past may not be indicative of future events, he said. The more open an economy is in a globalised world, the more they have been affected by the downturn. And yet at the same time, the open economies will have a higher chance to recover faster than the closed economies in post-crisis, due to the great benefits of the forces of globalisation. Mr Thomas also highlighted that this was an epoch in the making as there has never been bailouts of such scale, and new and comprehensive regulation being introduced with sweeping implications, particularly regulations on fiscal expansion which have not been seen in the past, especially in Asia. Relatively, Latin American countries had no room for fiscal expansion, with the exception of Chile, hence they have not been able to respond to the crises as effectively.

Looking ahead, Mr Thomas noted that the question of the benefits and the volume that the current fiscal spending generated would need to be tackled post-crisis. An issue that would need to be examined is whether the capital was used productively. In the recovery from this crisis, anticipated that global trade may face greater restrictions and the patterns of employment may also change. On the environment, he noted that with regulation, it is possible to reduce the greenhouse effect and that the global temperature will be kept lower by a few degrees. In conclusion, a new paradigm is needed to deal with what he called the triple threats a global slowdown, rising world poverty and a climate crisis.

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Summary by Chang Li Lin, IPS Associate Director.