

The Fortunes and Challenges for the Market Economy

The market economy around the world has taken some battering in recent times, along with governments and political leaders. Within PNG frustrations have grown over inadequate work opportunities, corruption, poor public services, crime and marginalisation of local communities from decision-making or widely benefiting from local resources, whilst facing the deterioration of their local environment.

Is the world reaching the limit of its growth path in the face of resource limits and excessive waste and emissions, imploding financial markets and economies built upon over-valued market prices and debt?

The world is certainly facing many challenges. Its population reached its first billion in 1800, second around 1930, merely 10 years to reach the sixth billion, and this year we've reached our seventh billion after a further 12 years. This economic and population growth has been enabled largely through cheap and accessible energy, notably from coal and then oil, allowing mechanisation and international trade. The days of seemingly unlimited hydrocarbon-based power are within sight and there's a desperate search for affordable (and cleaner) ways to harness power safely, notably from renewables (solar, water, wind and bio-fuel), but also nuclear and other untapped, if problematic, hydrocarbon sources (notably coal-seam gas). Invariably, these alternative sources pose their own technological, environmental and safety challenges, and clearly solutions lie not merely with continued increased energy provision, but also restraining demand, through more efficient energy use, lower population growth and more equitable consumption. PNG may have ample (substantially untapped) renewable energy resources and normally plentiful water supplies, but for much of the world, from China to Africa, accessible fresh (unpolluted) water is particularly scarce, with local supplies and aquifers becoming exhausted, but demand burgeoning.

Humans have done well, using technology and (hitherto) abundant cheap energy and related inputs, to keep global food production apace with demand, although millions remain deprived owing to conflict, inequitable purchasing power and/or lack of access to land or other production inputs. Further great production leaps (e.g. green revolution) are handicapped by higher energy costs, loss of suitable land/inputs, evolving agricultural pests and diseases (notably associated with mono-cropping), plus competition on that land for energy producing crops. Years of low agricultural prices drained agricultural research and development of needed funds, potentially addressable with higher recent prices and supply concerns. Marine stocks, are, however, finite and widely over-harvested already and subject to major threats, including ocean acidification, climate change and other pollution, even before current demand growth. Aqua-culture plays an increasingly crucial role, but is subject to various constraints related to feed supply and careful habitat management.

Addressing the world's production, consumption and habitation challenges is within current and future technological bounds, but at what cost? In much of the world hitherto productive land and biodiverse habitats have been degraded, even before the impact of

human-induced climate change, with major farming areas salinised, or, as in China extensively now, sustaining production through exhausting aquifers, whilst deserts extend progressively and contamination threatens major production.

Urbanisation can, ironically, be part of the solution, even whilst posing its own major problems. If planned properly, it is cheaper to provide goods and services, including water and its treatment, to concentrated populations, and use of efficient public transport and pedestrian power is practical in dense cities, as opposed to widely dispersed settlements or urban sprawls than (like LA, where cars remain king).

Parts of the world remain in financial and economic crisis, largely of their own making, following ingenious ways by financial institutions, and lax policy, fuelling massive bubbles, notably in real estate in the US (as in Japan in the 1980s) and some countries in Europe living beyond their means in recent years. These impose interim global problems (with Europe/North America still a major portion of global demand), although maybe longer-lasting economic problems for those regions themselves, but for the world overall new growth centres are developing and overall global economic growth will likely be sustained, if subdued.

There is understandable widespread condemnation of the perceived perpetrators of the bubbles and subsequent economic and social hardship, notably bankers receiving continued large bonuses (or the Qantas CEO's new package!). Similarly, the public and overseas has had a bellyful of corrupt leaders clinging desperately to power, to crony businesses, diverting public funds and assets from core infrastructure and services, with false claims and unstarted/uncompleted projects, or valuable portions of urban land or vast areas of customary land allocated without even landowners' consent for bogus agricultural projects or projects where the resource owners are relatively marginalised.

The market system, however, remains the best we have in orchestrating production to meet demand, delivering goods and services, generating innovation, production, houses and jobs. The Chinese have adopted it, though not political choice, as have the Russians, in a crude form, and latterly Cuba has adopted private ownership of some assets, (whilst retaining its impressive public delivery of certain services, notably health). However, the market economy is only effective under certain conditions, requiring the State and wider public to apply effective rules and transparent oversight. Markets, including financial, only function effectively given a level playing field and labour, health and safety, environmental, investment, land and related laws are applied effectively and transparently. Labour conditions have long been established in western countries, notably following social pressure (including trades unions), but remain weaker in many developing countries, where sweat shops, often using child labour are widespread and effective slave labour conditions prevail in some countries; whilst income earning options invariably differ between people and countries, given different resources and opportunities, certain international and national minimum standards must be established, including using social and market pressure.

Some countries' markets are heavily distorted, by monopolies and cartels, often controlled by powerful oligarchs affiliated with government leaders or parties, as with logging businesses in PNG and some other countries, and a range of illegal businesses protected by some police and other officials.

Public pressure for social reform has a long history and a major early international campaign was launched in Europe and North America in the 1890s against the forced labour scheme operating in King Leopold's private colony of Congo, which resulted in mass deaths. Some churches lead demands for social reforms, especially the Quakers.

Consumer campaigning, initially for product safety, built up in the 1960s, notably with Ralph Nader, but diversifying into wider social and environmental aspects notably from the 1970s. Consumer power has extended a wider range of issues and standards in the West particularly since the 1980s, largely constructively, although its critics pronounce it as selective or sometimes anti-competitive, particularly when targeting individual companies, and perhaps ignoring other 'perpetrators'.

The pressure on markets and products stems from consumer interests, combined with humanitarian, environmental and faith-based NGOs, trades unions and some political groups. Some businesses have responded positively to consumers and some shareholder power, and perhaps prospects of legislation, by endorsing or even proposing voluntary standards, as with the forestry or marine stewardship council certification or RSPO for oil palm, as well as applying voluntary carbon emission curbs, securing 'fair trade' or related accreditation. This invariably entails real costs, if applied seriously, but also longer term market benefits.

There is certainly scepticism with these schemes, on the basis of authenticity, genuine standards and tracking of products, interference in competitive markets or internal affairs of other countries, or that it applies merely to niche products and should be subject to mandatory national laws and standards. Nevertheless, voluntary arrangements are sometimes the precursor of national and international rules, and can bypass governments' reticence to pressure foreign governments on social and environmental grounds.

If voluntary rules, for fair trade or RSPO, relating to environmental, human rights and employment conditions, or other standards, e.g. media or banking behaviour, are ineffective or inadequate, then clearly it requires international or national rules, as with the Dodd-Frank Wall Street Reform and Consumer Protection and Foreign Corrupt Practices Acts in the US, or Corruption Act in the UK, which extend well beyond their domestic boundaries. Government and corporate endorsement of global standards of financial governance with the EITI for extractive industries is long overdue in PNG. Although State interference in the press is unwelcome, standards should be subject to effective media watchdogs, backed by mandatory citizen's protective sanction if necessary.

Some governments and home industries are concerned that imposing higher social and environmental standards in some countries (e.g. US and Europe) undermines their competitiveness and pushes industries offshore, whilst imposing market standards applicable overseas may be considered a form cultural imperialism. However, where a

seed is sown in one region the idea or information tends rapidly to spread globally nowadays, with consumers in one continent affecting market demand and the supply chain in others, even perhaps the most reclusive societies, like North Korea (with its reported industrial slave labour). Major producing countries, like China, may be reticent towards some political or economic reforms restraining their commercial edge or growth prospects, or expose the State, especially when they increasingly hold the global purse-strings, but reform there can occur at an unparalleled pace, if not over 'domestic industries' (e.g. mining safety), but especially with export industries or prestige initiatives, like high speed trains, or facing the growing costs of environmental degradation.

There's no room for complacency; global economic, social and environmental challenges are critical, and tougher for countries teetering in or near recession and debt crisis, so there's no greater time to avoid parochialism and pursue common focus, internationally and certainly within PNG.

PNG's economy has been booming, but people's frustrations are understandable, as the benefits have seemed narrow-based, by-passing most, who've faced leaping living costs, with continued poor social indicators and government performance and accountability, environmental impacts from some extractive industries, but limited translation into jobs and local income earning opportunities. The former PM unfairly criticised the work inclination of Papua New Guineans (on Al Jazeera tv), but, whilst some overseas workers certainly have a high work focus, Papua New Guineans have the necessary drive and adaptability, but most have been handicapped by inadequate, inequitable and unsuitable education and skills-training, needed to empower them to access the formal and informal job market, particularly for in industries.

The new government seems to be making some right moves, if inconsistently. Much greater focus is needed to ensure full public participation in the country's development process, through greater dialogue, more reliable routine services and maintenance, investment in human resources capacity, more rigorous project negotiation in the country's benefit, and integrity in application of the country's laws by agencies (from Lands to Labour) and watchdogs, supported by greater transparency and public participation in auditing government functions and performance, and ensure the country fully benefits from all resource extraction projects, including applying EITI. Government should endorse the voluntary industry and consumer-driven standards, as of FSC and RSPO, but require that they are applied universally and rigorously, and should treat labour, sustainability and environmental issues markedly more seriously, rather than simply rubber stamping bogus environmental plans and turning a blind eye to extensive malpractice, including with the extensive destruction of PNG's valuable natural resources (notably forests) for often bogus agricultural projects. Government can only be effective if it restores the management and capacity of the often moribund public sector institutions, including cleaning up appointments processes which too often bring forward the least suitable managers and marginalise the most professional and reputable.

The world has the ingenuity and hopefully the drive to address its economic and sustainability challenges, before it's too late, but as with past conflicts and crises, the global or regional community often lets critical challenges smoulder, or allows localised vested interests to ride rough-shod over broader public needs, and fails to count wider costs (of resource extraction or degradation, or escalating conflict) until too late, when markets or resource stocks have collapsed, conflict has erupted or the costs of mitigation have escalated (as with climate change or other environmental impacts). PNG has an increasing role to play in the international economy and resource base; it will come under increasing pressures and can readily strike quick deals (over land or other resources, granting immense concessions) at great long term cost, unless a better development vision and ethic is applied and the wider community's longer term needs receive greater pre-eminence over short term private gain. Do PNG leaders have what it takes, especially in the face of election pressures for up front deliverables?

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7 November 2011