



THE NEXT DEBATE

Dambisa Moyo: 'This government has many tools at their disposal to stimulate the economy'

RUDYARD GRIFFITHS

Special to The Globe and Mail

Published Friday, Aug. 28, 2015 12:54PM EDT

Last updated Friday, Aug. 28, 2015 3:53PM EDT

A screenshot of a SoundCloud audio player. The title is "The Next Debate" and the subtitle is "The future of China and global growth wi...". The player shows a waveform and a progress bar at 21:32. There is a "Share" button and a "Cookie policy" link.

Subscribe to *The Next Debate* podcast on [iTunes](#) or visit www.munkdebates.com.

Rudyard Griffiths, chair of the Munk Debates, Canada's leading public-affairs forum, discusses issues and trends just over the horizon with renowned analysts and policy-makers.

What does the turmoil we have seen in financial markets tell us about the underlying state of the Chinese economy?

It is short-sighted to focus only on what's happening in the markets. This is really a story about what's happening structurally to the Chinese and the global economy. If you look at capital, labour and productivity – the three big drivers of economic growth – all are showing significant weaknesses in developed and emerging economies alike. Commodity exporting countries, and emerging markets in particular, are facing increased borrowing costs and the significant deterioration in their credit worthiness.

Do you see the basis here for a financial crisis in China?

I'm more optimistic. I had the opportunity to spend an hour with President Xi Jinping about a year ago. This government has many tools at their disposal to stimulate the economy. For example, they have lots of room to cut interest rates, encourage bank lending and increase public investment. In short, they have a lot of wiggle room to address the weakness that we are seeing now.

Is the credibility of China's leadership in jeopardy?

I don't think what we're seeing in China and the reactions by the political class in China is in any way different than what we've seen in other places in the world. If you look at the United States across Europe, in Japan and many other countries, governments have had to step in to support not just the stock markets but also reset the real economy. I think that it's unfair to characterize the actions of the Chinese political class as being different from that of, say, the United States or other advanced economies.

Looking over the longer term, is the Chinese model of limited political rights sustainable in an era of slower growth?

While it is sure to be a bumpy ride, I'm sanguine about China's prospects. Over time we will see an evolution toward a more participatory political system in China and, in some ways, this is already afoot. I was encouraged in my conversations with President Xi Jinping and his number two that, not only did they have a clear understanding of the challenges China faces, they were realistic enough to understand that they didn't have all the answers. In this regard, the Chinese leadership is willing to be innovative and try different things to stem not just the short-term concerns around the market but also the larger structure problems facing the country.

What is the fallout of a potentially extended slower global growth for resource-rich nations such as Canada?

I think that is the question of moment. The forecasts coming out from the International Monetary Fund and others are pretty bearish for the next period of time. This presents a fundamental problem for many countries because it's not entirely clear to me as an economist what exactly is left in our "tool kit" to stimulate economic growth. We've done monetary policy, we've done fiscal policy, both in developed and developing countries. We are now running out of options, and this itself is the big structural problem that the world now has to face.

For commodity exporters, government budgets will continue to come under pressure. One thing that some smart countries have done is to issue new debt that hopefully they will use wisely to stimulate their economies as we face economic headwinds in the near term. Countries are also recognizing the dangers of the volatile commodities markets and are focusing on diversifying their economies. Places like Chile are doing this and, while they are not out of the woods yet, they will not feel the commodities pinch as much as economies in Africa and South America.

When you combine your economic analysis with your instincts about where the global economy is at today, where are we headed?

The means for a lasting improvement in the outlook for the global economy lie in the political, not the economic, realm. Take, for example, the lack of infrastructure spending. Economists are pulling their hair out because, for us, it seems so obvious that you'd want to invest in infrastructure at a time of historically low borrowing costs. The myopia in democratic countries, in particular, is leading to a situation where policymakers are making decisions about economic policy that are basically deleterious to the health of their economies and the global economy as a whole. And while I am a believer in the potential for human ingenuity and creativity to get us through the challenges we face, I want to underscore that the world is undergoing a fundamental shift into a new era where the rate of economic growth will be slower. Our expectations about where growth will come from and how it will be parceled out across the world has changed from everything that we have come to assume over course of the past several decades.

This interview has been edited and condensed.

Follow us on Twitter: [@GlobeDebate](https://twitter.com/GlobeDebate)