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Professor Ian Goldin questions austerity measures

Sunday 21 April 2013

AN INTERNATIONAL economics expert has raised concerns UK austerity measures are going too far, as he told Scottish business leaders to expect a shift in the global order.

Oxford University professor of globalisation and development Ian Goldin admitted he is worried about the implementation of Chancellor George Osborne's cost-cutting programme.

Mr Goldin is a vastly experienced financier serving in senior roles at the Development Bank of Southern Africa, the European Bank for Reconstruction and Development, the OECD and the World Bank plus a spell as an adviser to Nelson Mandela.

Ahead of his address to the Scottish Council for Development and Industry Forum in Edinburgh on Friday, he said: "The UK economy is in a pretty similar space to many other countries. The patient has had a heart attack and is now out [of immediate danger] but is still in intensive care and on life support.

"The risk of reverting back, partly because of the side effects of the medicine being given, is very real. It is still in a vulnerable position."

Although Mr Goldin is adamant there has to be "adjustment" he suggested the austerity measures the Chancellor is pursuing may lead to divisions in society widening.

He said: "There has to be adjustment, there is no question of that. The questions are, how do you adjust, what is the pace and how do you protect the poor and the vulnerable so as you don't give rising inequality?

"If you start affecting education, health and infrastructure, you are undermining competitiveness and particularly affecting the prospects for poor people, so I worry about that.

"The problem is you have to be credible to the markets with these adjustment programmes. You can't put it off.

"Whether you do it in two, or three or four years is a matter of economic and political judgment. As long as you are credible and serious about the way you go about it, the markets will understand it."

Mr Goldin told the SCDI gathering that emerging markets such as China and India will continue to grow strongly but other economies will struggle.

He said: "I believe China will continue to grow at 7% for the next 10 years. On the other side the old OECD economies are unlikely to grow above 2% and Europe is going to have a rough time getting close to 2%."

While Prof Goldin offered no opinion on what the outcome of the Scottish independence referendum will be, he said it is a natural consequence of globalisation to desire more power closer to home. The topic formed part of his most recent book *Divided Nations* and he said: "The increased number of external forces that influence our lives does mean we tend to worry about our lack of knowledge of the causes of things that shape our lives.

"People's natural reaction is to make things more local and get more control over their lives."

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Mr Goldin also argues there is a need to consider if a nation could have a stronger role in global debates through its independence.

"For countries, the questions are what are the big shapers of our future and how do we get a handle on them and will that be better or worse through having independence?"

"Will Scotland's voice be stronger or weaker in negotiations around climate change, cyber attack, finance or anything else that is going to matter?"

"What is really going to matter for Scotland's future is to not only shape things locally, but also shape the global things that will impact it locally."



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