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"Tout l'art de la politique est de se servir des conjonctures." Louis XIV

The pitfalls of demand-side policies

By Sameer Sharma

Economists are often criticised for being overly prescriptive when it comes to economic policy making. Economics is indeed more complicated than most economists think. Relationships between variables are non linear, and expectations and sentiment have their own difficulty to measure dynamics at play. In the case of a highly politicised Mauritian landscape, higher frequency data is also hard to come by. The politicisation of economic data creates its own complexities.

There is in fact a tendency in policymaking circles to show great disdain for those who attempt to look at the available data to explain complex problems. This is because many economists and policymakers also often wear political hats, which adds more confusion and bias to the mix. The right approach for an economist to take then is to clearly explain the logic of his arguments. The wrong identification of the problem can more often than not lead to the wrong antidote.

Below potential growth

The potential growth rate of an economy is the maximum sustainable level of output that an economy can sustain given its current resources. When the realised level of growth of the economy is above capacity, the result is invariably inflation as producers of goods and services adjust prices. This is known as a positive output gap (overheating), and typically the central bank responds to higher inflationary pressures by increasing interest rates while governments can also reduce liquidity in the system by raising taxes or by cutting spending.

When an economy generates growth that is below potential growth, the output gap is said to be negative. In this scenario, domestic inflationary pressures are low, the central bank typically responds by cutting interest rates while the government typically engages in demand side measures such as income tax cuts, negative income taxes, pension increases, minimum wage increases. Essentially, the idea is to stimulate demand by injecting more liquidity into the system.

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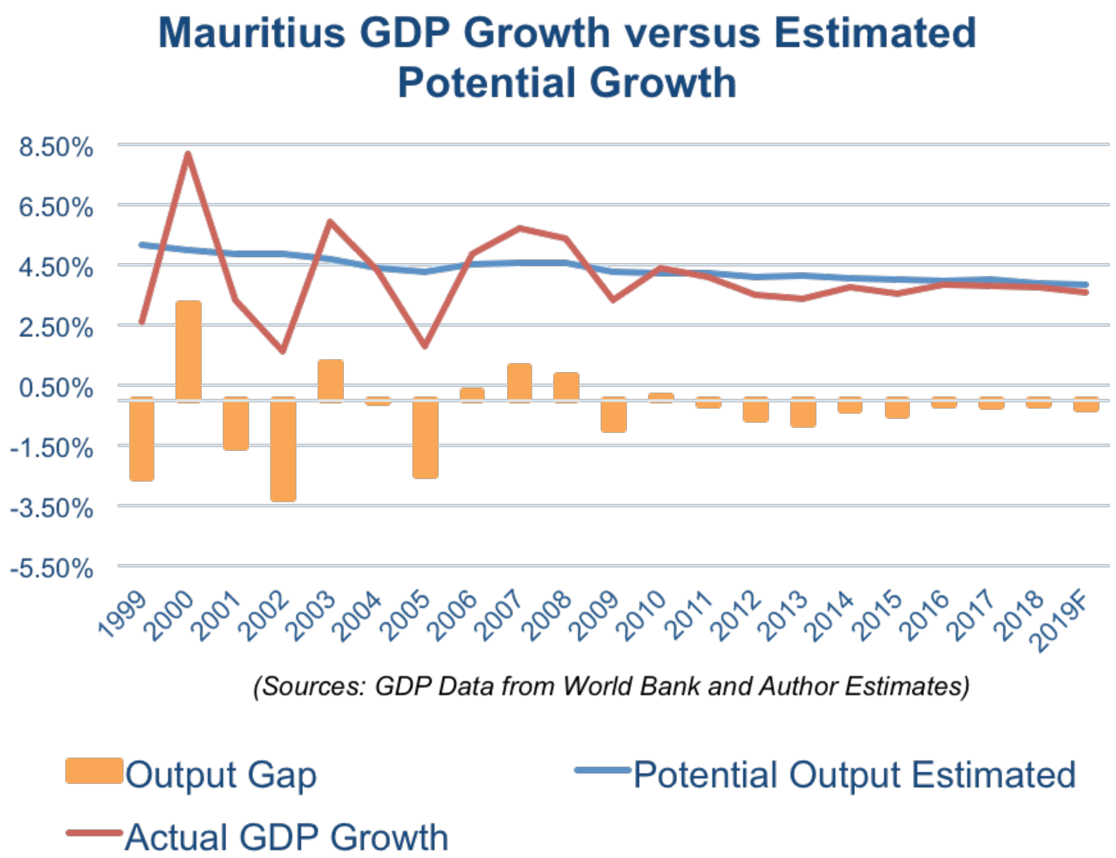
While this sounds simple, potential output is actually not observable and is ever changing. Producers of goods and services can over time invest and increase or decrease production capacity.

Potential output is typically estimated by using statistical techniques or by estimating a production function for the economy. All measures are imperfect. A good rule of thumb to know how close an economy is to its current capacity is by looking at whether inflationary pressures are rising or falling. When an economy has a wide negative output gap, demand side measures make some sense especially when directed to the poor and the lower middle class because they tend to consume most of what they earn relative to the rich.

This is essentially what the Mauritian government has been doing, and given the current global and local economic slowdown, further talk of pension increases and the recent interest rate cuts by the Bank of Mauritius should be viewed in this light. The challenge in Mauritius of course is that the country imports a large share of what it consumes, and the rising import bill drags overall growth down, thereby partly countering gains made by boosting consumption.

In the chart, I use an average of two statistical approaches known as HP and Kalman filters to estimate potential output growth over more than two decades and spanning at least four different political regimes after adjusting for seasonality in calculating potential growth, and compare this to actual GDP growth. The output gap itself is estimated by taking de-seasonal year-on-year quarterly GDP growth from potential output. Data in the chart is shown as annual for ease of reading. Admittedly, the lack of forward looking business survey data can lead to modest measurement error, but the results are similar to those of the likes of the International Monetary Fund: they also find that the difference between actual growth and potential growth in Mauritius is very low, and more worryingly that potential growth has been slowly but surely declining during the period from close to 5% during the early 2000s to around 4% today.



Supply-side measures

The reason why our ability to grow has been steadily declining is more structural or "supply side" driven. The decline has a lot to do with weaker growth in capital formation (productive investments made in the economy and the lack of the emergence of new sectors for quite some time), weakening labour force demographics, skills mismatches and our abysmal record when it comes to productivity growth. While all four political configurations which have governed Mauritius since the early 2000s have spoken about structural reforms, none has been able to arrest the decline in our potential growth rate so far.

There was a brief albeit modest increase in potential output following the 2006 reforms and given the debt fuelled investments of large corporates, but actual growth surpassed potential and the economy overheated. This was unsurprisingly a period of high inflation, including core inflation, and readers will recall the many tussles back then between the finance ministry and the central bank on who was right on interest rates. Post the 2008 global financial crisis, the heavily indebted corporates focused more on debt restructuring than on making new investments given that their balance sheets weakened, labour input growth continued to decline, and productivity remained low. In general, while an improvement in the output gap was noted over the past five years, the economy has tended to operate below capacity, and overall potential output has continued to decline slowly but surely. This is a secular and apolitical trend.

This is likely because structural reforms are a tough pill to swallow and only deliver results over time when politicians need results now, especially when income inequality has become a hot topic. With the population greying and important structural reforms hitting the brick wall of politics and the political system which defines it, the trend will be hard to reverse. Demand side measures can only take actual growth closer to potential, but if the potential is declining, policymakers are essentially chasing a decreasing target. If the gap is low, there is also little gains which can come out of further demand side economics. Given the fact that we import so much of what we consume, there has been no large scale response from the private sector to increase investment to augment capacity like in the United States or India in order to meet rising demand. They simply click on the import order button and a Chinese exporter benefits!

There has been no large scale response from the private sector to increase investment to augment capacity.

The cost in terms of additional public debt on future generations has also increased with little in terms of growth pickup to show for all these demand side measures as well intentioned and pro-poor as they might be. Sure, the Mauritian government has invested in the Metro express, improved business facilitation, brought about better rules when it comes to intellectual property rights and increased other infrastructure spending, but the private sector has remained timid if one includes or excludes real estate related activities. In any event, such measures will take time and are unlikely to completely offset the large structural challenges which continue to torment the Mauritian economy. In any event, the economy has not seen any reversal in growing above 4.0% for almost a decade now.

In response to rising debt levels, government policymakers have argued that the bulk of Mauritian debt is local and still sustainable. This is partly true. The state is not like a household. Mauritius has a monopoly on the Mauritian rupee and will simply never default on rupee debt. Inflation, which is typically the bigger concern with unsustainable local currency debt, has remained too low. But if debt funded demand-side policies lead to a continued rise in imports and a further deterioration in the terms of trade (financed by foreign villa sales, income from the offshore sector and tourism receipts all facing slowdown, stagnation or moderate declines), then such policies could, if sustained, lead to unintended but significant downside risks to the Mauritian economy and to the value of the rupee. Capital flows are invariably volatile and cyclical, and the global economy is currently slowing. Mauritius depends too heavily on foreign savings mainly flowing to the real estate.

So what are some of these structural reforms and supply side measures that both the government and the public do not like to hear much, about and how do we fund it all? Any demand side measures aimed at closing the small output gap, such as further sustainable pension increases, should first be financed by taxation on those who are more well off. Taxation should take the form of higher property taxes on the rich. Secondly, many developed "villages" such as Tamarin or Grand Baie can and should be converted into towns, making their populations beyond a certain income threshold eligible to pay municipal taxes.

With more than 12 months of import coverage worth of international reserves, it is high time for Mauritius not to let the result of these capital flows go by while it lasts, but to seed the creation of a professionally managed and apolitical sovereign wealth fund which would aim to generate higher returns and pay dividends to the state and the central bank in order to help complement tax revenues and avoid over taxation to fund demand side measures. The dividend and asset allocation framework would be similar to that of an endowment. It would be an indirect way of using the fruits of capital flows for the common good.

A clear rules-based approach

Rather than engaging in central bank special reserve fund transfers which are akin to printing money, the government should issue a special perpetual bond ("perp") to the central bank at a rate that is higher than the cost of conducting monetary policy but lower than market rates for long term bonds, thereby improving the balance sheet of the central bank and optimising the cost of debt of the government all the same. This will not be accounted as debt as governments and central banks belong to the same country, and perps are accounted for as equity anyway. It should also be noted that 80% of all realised profits made by the central bank would go back to the government anyway.

Regarding monetary policy and beyond perp or long term bond issuances between the government and central bank to fund supply side measures, in an uncertain global landscape where traditional monetary policy tools have reached their limits, both the Bank of Mauritius and the ministry of finance should engage in coordination in the following manner. Firstly, both the central bank and the fiscal side should formalise the adoption of a flexible inflation target with a band and be made accountable for this, instead of the traditional approach of just making the central bank accountable for a medium term inflation target.

Secondly, the central bank should formally set up a special line of credit to the government in a clear rules-based framework (focusing on supply side and limited demand side measures) as long as actual inflation remains below the target (taking the band into account). Given fiscal constraints, the line of credit at preferential rates, which would not be accounted for as debt in the traditional sense (the assets of one and the liabilities of the other could cancel out at the country level), would provide full coordination in a rules-based fashion to stimulate the economy whenever the output gap is negative. As inflation approaches the target (which is flexible within the band), the central bank would gradually reduce the quantum of the available credit line. The central bank would maintain its independence, and this would resolve some of the criticism made towards Modern Monetary Theory by purists who speak about helicopter money.

> We must focus on providing the right kind of capital to viable firms which can scale up, especially exporters.

Part of the proceeds spread over five years can be used to fund massive job guaranty schemes and youth re-skilling programmes. Additional funds from this special perp issuance along with continued traditional government debt issuance can be used to seed the creation of a new venture capital, private equity type, private flexible credit and start up ecosystem in Mauritius all managed within an apolitical setup to truly respond to a key challenge faced by start-ups, medium-sized and large enterprises alike, the lack of adequate equity, flexible financing, mentorship and access to markets. The Competition Commission must be strengthened and made to fend off oligopolistic tendencies of some private players while government contracts (and those of public companies) need to be awarded to smaller private players in a transparent and fair manner.

We must focus on providing the right kind of capital to viable firms which can scale up, especially exporters. Like in all more developed emerging and developed economies, local pension funds such as the National Pension Fund (NPF) too need to consider local private equity and infrastructure as an asset class. The way NPF assets are managed needs to be modernised, especially when it comes to an asset allocation framework which corresponds to the current CPI plus 3% to 4% return targets. Mauritius can unlock billions for infrastructure spending, the ocean economy and beyond out of its private and pension funds if policymakers get behind the development of capital markets and of new asset classes.

Given obvious limits on the taxation front and the need to fulfil electoral promises, Mauritian policymakers must now think out of the box and focus on ways in which new thinking on monetary policy and fiscal policy can work together. Supply side measures are key for Mauritius. More money needs to be spent in improving the quality of the local public universities, and the quantum of funds to research and development must be massively increased. Mauritius must be more open to immigration and target young entrepreneurs looking to set up shop and have a concrete strategy to grow the population over the longer term.

Last but not least, Mauritius must reform the way public companies and institutions are managed, with a much greater dose of meritocracy than is currently the case. A lot of this can only happen with a reform of the current political system which holds the nation back. Should this be done, then the sky is certainly the limit for a small country like Mauritius.

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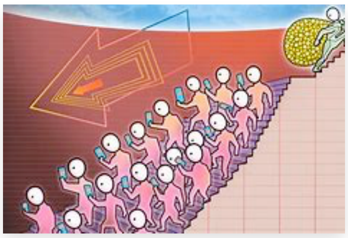
Mauritius is wrestling with a shattered system

By Samad Ramoly

A decade or so ago, some of the richest Germans publicly pledged to contribute to a fairer share of taxes. In 2011, American billionaire Warren Buffet even warned us: "Stop coddling the rich" (https://www.nytimes.com/2011/08/15/opinion/stop-coddling-the-super-rich.html). As, in effect, tax credits, creative accounting and tax havens allow him to pay less tax rate than his secretary. In this era, Britain's Jeremy Corbyn is arguably the first significant political bid to challenge the status quo in a major nation.



Wealth concentration, usually enabled by corrupt networks, has been tormenting populations worldwide, even if in varying degree. Worryingly, the popular anger it fuels is not being addressed in reasonable measure everywhere. Change is being imposed upon us. How and when will it happen concretely is anybody's guess. It is still unclear whether in Mauritius the message is getting through to where it matters: the top of the business and political world. It is time to call the sham they are set to promote as long as possible. Here are some of its key components.

Independence. Mauritius has been going through the same experience as most other countries in a post-colonial setting. In the wake of the official political independence from our colonisers, Mauritian citizens have been shackled by a neo-alliance between the post-independence political oligarchy and the "private sector", a misnomer for the sugar oligarchy. The fairy tale of electoral democracy has revealed itself as a sordidly engineered plutocracy, where the filthy rich of all shades dictates public policies for further capture. Simultaneously, Corporation France and Corporation India prey on deals in the Aid Industry while keeping Corporation China in check. All under the consultancy of the World Bank et al.

Miracle. The development phase associated to our Roaring Eighties onward is essentially infrastructural – the structural upgrade going conspicuously missing. It happened without any concern for planning, cost effectiveness and quest for excellence, let alone minimum standards. Why worry when we can nonetheless afford celebrating stardom, even if waning, within Africa. Worse, the gap between supply and demand in practically every field keeps broadening. Hence the permanent squeeze on the system.

The gap between supply and demand in practically every field keeps broadening.

"We are better educated". Indeed if we refer to relative access to academic diploma. But it is doubtful whether we inherited a better trained, more competent, trustworthy and cheery human capital relevant for today. Surely Internet has considerably reduced the asymmetry of information disseminated. We should however ponder its worth considering that a large segment of the audience is without much sense of discernment, too absorbed escaping an existential blow, or both.

The (fake) power of a sinking rupee. Expecting a collective pay cut to reverse the depressed labour output while also aiming at satisfying the obsession for GDP growth, whatever the costs (including environmentally), is delusional. It is little wonder the trajectory of the Mauritian Rupee (down ~90% against the US$ over the last 40 years) compared to that of the Singapore Dollar (up ~30%) also tells a brutally contrasting achievement story. A plight that weighs on borrowing costs, multiplies the number of debt-ridden businesses and households, and sours the national mojo. It is pertinent noting that to mitigate the distortion of their domestic markets as offshore money filters into them, practically all tax havens wisely and solidly anchor their currencies.

What's in *la république*? More often than not**,** who is voicing a word or a concept and in which language it is being conveyed can twist its meaning. For instance, it is rare that when uttered in French, *la républiqu*e is not alluding to *liberté, égalité, fraternit*é. In its abstract form, it may certainly aspire to its "universal" claim. But in Norway, say, which is a constitutional monarchy, the feel of public sovereignty at grassroots is way less skin deep than in France or Mauritius for that matter. The point is that we should stay wary of tokenism, the practice that elevates evocative symbols as a smokescreen to self-serving initiatives. Tokenism is not exclusive to *la république*, it permeates the system, undermining trust in institutions and weakening the rule of law.

"**Communalism is in our genes**". There are certainly among us a few fellow citizens who live with a sectarian mindset, however most of us are very comfortable to relate to cultural differences. Projecting one's frustrations on the Other rarely comes out of free will. It would be more productive to pick on the hawks bent on instrumentalising our differences and deconstruct what constitutes the everyday reality without privileges. Voting with a sectarian impulse does not mirror the core of mainstream responses. The lame excuses for not updating our ethnic census are a representation of our propensity to shun complexity foolishly and compound our problems.

"Mauricio is too costly for us". Better put up with market failure, kickbacks, pet projects (Harbour Bridge, Safe City – even if public safety is always warranted) and endemic shoddiness then? A nationwide railway network must not be viewed through the lens of financial feasibility. It must be made affordable for commuters to meet the social and economic sense it justifies. As long as full transparency and a green mindset prevail. The truth is that a huge portion of public money is being siphoned through, namely, public contracts, parastatals, and wasted on over-duplication of public jobs and offices, self-targeted and abusive pensions. A lean government and a competition watchdog that really bites count among the pre-requisites for keeping the costs of doing business and running a household lowest.

The glorious "reform" days. Unless one is hopelessly trapped in an echo chamber or suffers from chronic lazy thinking, who in her right mind would claim that the "strategy" implemented in the 2005-2010 period was a visionary move that has effectively made us less vulnerable and more cutting edge? Ironically, the rationale, that shaped the so-called miracle too, reflects the vicious cycle our policymakers have unwittingly fomented and the mess we are stuck in. Sloppy tinkering will never mend a system that is breaking by the day.

> Social capital precedes a stellar economic performance.

Feel-good factor. Every now and then there comes an event that rallies citizens and lifts their day. You would not expect them to wallow in a sullen mood without respite, would you? It is human nature to look forward to something with a potential to radiate positive vibes. Such feel-good moments rarely last long enough to welcome the implementation of painful policies designed to reinvent the system. The opportunity was there during the Roaring Eighties but was not harnessed. A more rewarding programme for any government would rather to create the conditions for citizens to identify consistently to Mauritius-building. Otherwise we would be witnessing plenty of sophisticated ways and civic sense rather than creeping ostentatious behaviour, religious and material. Just like before the "miracle".

Ultimately, it is not merely about rebranding hard core capitalism, that runs for (big) shareholders, into stakeholder capitalism. The one ideology or doctrine chasing another approach has a miserable track record we have paid dearly for. The call is for a stewardship inspiring us with hybrid ideas. Social capital precedes a stellar economic performance. Not the other way round

Samad Ramoly is an entrepreneur and a policy observer.

The end of central banks?

By Henri Lepage

Libertarians are rightly cheering to the rise of crypto-currencies. For the first time ever, initially with Bitcoin and now with Libra, central banks national monopolies are facing the prospect of a real market competitive challenge.

That being said, the idea of central banks having to face private rivalry is not as far fetched as many imagine. Libertarians do not need a Libra project to give birth to such competition. It is something that already exists. It even has a name: the *Eurodollar System*.

You have surely heard of "eurodollars". Formally speaking, a eurodollar is a dollar account deposited in a bank located outside the United States, i.e. out of reach of American regulators.

The new world of "global money"

Milton Friedman was the first economist to mention that central banks overlooked the monetary creation potential of eurodollars. In one of his articles dating from the seventies, he showed how, with conventional bank accounting practices, chains of cross border money transactions and credits ended in a cumulative extension of the world float of dollar supply that owed nothing to the

United States' balance of trade deficit. It is a pure bank money creation of *offshore* dollars (which are "dollars" in name, but not real US dollars).

About the same time, a Princeton economist went to London to study eurodollar transactions. He observed that corporate cash needs on that market were increasingly met with short term debt assets which did not qualify as money proper but offered liquidity properties close to the traditional components of money included in monetary aggregates: commercial paper, repos, MMF shares, swaps, derivatives... In a paper entitled "The Missing Money", he came to the conclusion that central bank econometric models were based on money statistics that missed a large chunk of actual payment instruments. They did not fit the standard definition of money. But they were increasingly used in the real world as alternative dollar instruments because they were characterised by a degree of *moneyness* close to that of true monetary instruments.

Over the years the use of these money-like instruments increased so much and so fast that it gave rise to a wholly new international banking structure (Gary Gorton): a global *offshore dollar* system. This offshore banking network has by now become the main source of access to dollar liquidity in the world – and thus the main source of dollar supply for the globalised economy. But, because of accounting conventions and a short-sighted definition of what counts as "money", most of this actual money creation does not appear in statistics. It is *shadow money.*

Shadow money

Economists still depend on Keynes' vision of the macroeconomic world. His representation basically remains that of semi-closed economic islands, each with its own monopoly hierarchy of banking and money institutions ordered around a central bank that is sovereign. Within this mental universe, there is conceptually no room for such shadow money.

Thanks to globalisation, digitalisation, financial innovation and the end of capital controls, this common view is now obsolete. In the old world, to grow their business, banks basically needed to collect more deposits. That was a marketing job. When faced with a balance sheet mismatch, they borrowed standard base money from other local banks with excess reserves at the national central bank. In the new globalised world they rather directly call the dealer desk of an offshore global bank department located in London or elsewhere. They will immediately be offered tailor-made eurodollar rolling *repo* loans or currency *swaps* obtained from large world cash flow pool aggregators (such as big multinationals with global value added networks, insurance groups, pension funds, mutual money and equity funds). This is finance. Market refinancing.

> Modern banking relies less and less on the traditional tools of national money markets.

As a consequence, to solve its liquidity problems, modern banking relies less and less on the traditional tools of national money markets. Even in the United States, Fed funds and Fed reserves are no more the exclusive source of last resort funding. *Repos* markets have become the largest liquidity and refinancing choice of last resort.

Wholesale money market

However there is a problem. This is not a market for everyone. This new global banking network is basically a wholesale money market whose main parties are very large institutions acting both as lenders and borrowers. What are usually transacted are exchanges of millions, hundred of millions, and even billions of dollars. Such accounts do not benefit from any statutory state insurance (as bank deposits usually do up to a certain limit). Therefore, this offshore system developed only because private markets spontaneously developed a highly complex and sophisticated hedging industry based on the use of collateral and derivatives techniques whose prototype is the repo contract.

The essence of a repo contract is not only the exchange of two promises: I promise you a loan of a certain amount for a certain duration while you promise me to repay the loan at maturity date; but the borrower also backs his promise by transferring to the lender the temporary possession of a portfolio of securities in exchange for the lender's promise to return it to its legal owner (the borrower) when the loan is repaid. Moreover, repo legislation gives the lender the legal right to re-use these securities as collateral for obtaining for his own benefit another personal repo loan from a third party. This practice is known as re-hypothecation. It is the source of a powerful leverage and multiplier mechanism (Manmohan Singh).

The best of all collaterals, the most searched for are USTs (United States federal bills and bonds). But they are only in limited supplies. Therefore markets had to find alternative private solutions. They came from the derivatives industry. Through securitisation and other derived mathematical techniques that redistribute risk (like the infamous CDS and CDOs), its role is to produce private securities which may qualify for collateral use and re-use. But this multi-steps transformation process relies on chains and matrices of intermediated cross-border credits, loans and swaps that are themselves highly collateral intensive. It is this hyper complex financial architecture based on the central concept of collateral hedging – even over-collateralisation – that nurtured the explosive growth of modern finance and eurodollar markets.

As a result, the current international monetary system is an hybrid which works in ways very different from traditional textbook presentations. Today national monetary systems are collectively capped and embedded in a new banking layer of global dimension whose monetary output variations supersede and trump national monetary policies – even those of the American Fed. Nowadays it is this wholesale eurodollar global money system, *Global Money* to make it short (Perry Mehrling), that effectively rules the world economy tempo.

Who rules *Global Money*?

Assembling and marketing highly rated securities that qualify for use as collateral backing is the backbone of modern finance. Thus, the one who finances and controls this process rules the show. Today, it is a handful of huge global dealer banks (about 20 so-called Systemic Financial Institutions like Citibank, Bank of America, JP Morgan, Goldman, HSBC, BNP Paribas, Credit Agricole, DeutscheBank) whose wholesale experience, dealership expertise in derivatives and market making activities put them in a position of turning on or turning off the flow of global liquidity.

This new monetary structure is the hallmark of a momentous revolution: central banks are being competed out in the supply of one of the most important attributes of money (liquidity). They are de facto no more central. They are no more the centre of the system.

Failure by the central banks community to acknowledge and understand the reasons and the consequences of this change, means that their present monetary policies are totally disruptive. Consequently, after 12 years, the crisis is still with us.

To fix it, one may imagine some sort of new Bretton Woods. But there is nothing to expect from such a conference reset. To fix the system one must first understand the system. Politicians and central bank economists still do not.

An alternative direction may emerge from the spontaneous innovation market process initiated 50 years ago. At that time it brought private shadow solutions to overcome the postwar structural dollar shortage (Triffin paradox). Since the end of the great recession, we have faced renewed episodes of recurrent dollar shortage as a consequence of the failed response of central banks (the current episode being the fourth in 12 years).

Digital alternative private payment platforms, bitcoin, blockchain, crypto-currencies, “stable coins” are today higher technology supplementary and evolutive solution tools proposed by the market process. Let us hope that with his Libra project, Zuckerberg will not choose the side of monopoly hungry crony capitalism and obsolete central bankers. It would definitively jeopardise the future of these more freedom friendly experiments.

Henri Lepage, a member of the Mont Pelerin Society, is a French libertarian essayist, most famous for his book Demain le Capitalisme *(1978), translated into a dozen languages.*

L'écologie de marché

Par Eric Ng Ping Cheun

L'environnement est une chose trop importante pour être laissé aux seules mains des écologistes. Les économistes y ont aussi leur mot à dire, comme en témoigne la couverture de l'édition du 19 septembre 2019 de *The Economist,* consacrée au problème du climat. Dès le début des années 1990, la question du changement climatique dans les sciences économiques a émergé grâce à William Nordhaus, le premier chercheur à avoir créé un modèle quantitatif qui décrit l'interaction entre économie et climat. Et le 8 octobre 2018, cet économiste américain reçut le prix Nobel d'économie pour ses travaux sur l'intégration du changement climatique à l'analyse macroéconomique.

La place de l'économiste dans le débat environnemental est d'autant plus essentielle que la plupart des écologistes ignorent les problématiques économiques. Pour ces nouveaux soixante-huitards, dont Greta Thunberg est le porte-drapeau, la nature n'est pas soluble dans le marché. Les économistes de l'environnement soutiennent, au contraire, que les contraintes physiques peuvent être prises en compte par des mécanismes de marché, moyennant une régulation des inconvénients (que les économistes appellent des « externalités négatives ») qui s'intègre dans un subtil calcul coûts-avantages.

Cette approche utilitariste de l'environnement est bien plus pragmatique que celle qui consiste à déifier une nature au sein de laquelle l'homme n'est qu'une espèce invasive. La protection de l'environnement doit considérer l'efficacité économique si nous voulons accéder à une sécurité matérielle tout en gérant les coûts environnementaux. Personne ne nie l'existence d'un problème climatique : les inondations se multiplieront du fait de la montée des eaux, les pathologies liées à la chaleur augmenteront, et les rendements agricoles baisseront - autant de défis pour l'île Maurice. Mais comme l'écrit le magazine britannique, « *market economies are the wells that produce the response climate change requires* ». A l'écologie profonde, il convient d'opposer l'écologie de marché.

> La protection de l'environnement doit considérer l'efficacité économique.

Ici, l'environnement devient objet de transactions financières. Un exemple bien connu est l'activité de collecte, de recyclage et de revente de déchets plastiques. Pour lui donner une valeur marchande, encourageons d'abord le tri sélectif des ménages : charité bien ordonnée commence par soi-même. Cela devrait permettre de recycler la moitié des bouteilles plastiques en les transformant en granulés de PET (polyéthylène téréphtalate) destinés à la fabrication de semelles de baskets. Les bouchons peuvent aussi être broyés et revendus pour la plasturgie et pour la production de bacs poubelles et de tubes de dentifrice.

On peut obtenir un bon taux de recyclage en mettant en place des tris très sélectifs dans les décharges et en améliorant le taux de collecte. La chasse aux bouteilles usagées donnera de l'intérêt écologique à ce nouveau marché. A cette fin, il faut établir un système de consigne des bouteilles plastiques (et aussi des piles) où elles peuvent être revendues chez les points de vente (devenus aussi points de collecte) à un prix qui incite les gens à les rapporter.

Ce prix sera un prix de marché. Il sera fonction de la part de marché de chaque collecteur. Il dépendra du prix de revente d'une tonne de bouteilles plastiques collectées, sachant qu'une tonne représente 30 000 bouteilles. Il devra être incorporé au prix de vente de la bouteille pleine pour être reversé aux collecteurs suivant la loi. C'est le client final qui paie le coût de collecte. Toute la question est de savoir si celui-ci est tel qu'il rendra la collecte motivante. Pour cela, il faudra trouver un prix « optimal », c'est-à-dire un prix auquel on maximise ses revenus sous contrainte de coûts.

Ce calcul d'optimisation, Nordhaus l'utilise pour valoriser économiquement les effets du climat. Le combat contre le réchauffement climatique n'est pas une fin en soi, mais un moyen de sauvegarder les conditions économiques et environnementales propices au bien-être de l'homme. L'économiste établit une fonction de dommage qui lie variation de température et de précipitation à perte de PIB potentiel. Une hausse de 6 degrés de la température pourrait, selon lui, coûter 10% du PIB mondial en 2100. Un scénario qui reste préférable à une stagnation séculaire ou à une décroissance, chère aux fondamentalistes verts. L'enjeu consiste à appliquer une tarification optimale du carbone qui soit assez élevée pour compenser les préjudices du réchauffement climatique, mais suffisamment faible pour ne pas enrayer la croissance économique.

Le double dividende d'une fiscalité verte

Plus généralement, une fiscalité verte sera pertinente si elle remplace graduellement la fiscalité traditionnelle, ou si celle-ci n'est pas pesante. Les taxes écologiques permettraient à la fois de protéger l'environnement et de déplacer les prélèvements obligatoires vers les activités polluantes. Ce double dividende ne s'obtiendra qu'à trois conditions : les assiettes fiscales sont calculées en fonction des externalités négatives liées aux dégradations de l'environnement ; la demande d'un produit est fortement élastique, inversement proportionnelle au taux de prélèvement qui lui est affecté ; et un effet de substitution se joue pour réorienter les consommations.

Il convient de dissiper ce discours douteux selon lequel la croissance économique serait l'ennemie de la sécurité environnementale. Il est indécent de dire aux 700 millions d'habitants encore sous-alimentés de rester dans l'extrême pauvreté au motif qu'une hausse de leur niveau de vie accroîtrait les émissions du dioxyde de carbone. Générée par l'économie de marché, la croissance permet à un pays de se doter d'infrastructures, de technologies et d'un système de soin de meilleure qualité, qui rendent les hommes plus résilients aux catastrophes naturelles. C'est elle qui conditionne le développement humain.

Eric Ng Ping Cheun vient de publier Maurice la cigale *(2019), en vente chez Bookcourt, Editions Le Printemps, Editions de l'Océan Indien, Librairie Petrusmok, Librairie Le Cygne et Librairie Le Trèfle.*

Afrique : les défis du libre échange

Par Emmanuel Martin

Le coup d'envoi de la zone de libre-échange continentale africaine (*Continental Free Trade Area*) a été donné le 30 mai 2019. L'accord signé par 52 pays sur 55 et ratifié par 22 d'entre eux vise à supprimer à terme les protections tarifaires et non tarifaires dans la zone. C'est une bonne nouvelle pour l'avenir du développement du continent et de son milliard d'habitants. Mais les défis sont de taille.

Un continent fragmenté

Le commerce intra-africain, c'est-à-dire entre nations africaines elles-mêmes, ne représente que 16% du commerce des pays africains alors qu'entre pays européens, par exemple, il se situe à près de 60%. Il ne faut pas être un Nobel en économie pour comprendre qu'il y a là un gâchis en termes d'opportunités d'échanges et donc de développement du continent. Même si l'Afrique dispose de zones d'échange sous-régionales, la fragmentation de son espace économique l'empêche de constituer un grand marché et de profiter des avantages qui vont avec. Selon la Commission économique de l'ONU pour l'Afrique, l'accord pourrait augmenter le commerce intra-continental de 53%.

Avec son PIB cumulé de 2 500 milliards de dollars, la connexion de cet espace pourrait augmenter considérablement la « taille du marché » et ainsi permettre aux entreprises des différents pays de réaliser des économies d'échelle. On sait que c'est là le fondement d'un approfondissement de la spécialisation industrielle, puisque ces mêmes entreprises, représentant elles-mêmes un marché, constitueront un effet d'entraînement pour des secteurs en amont. Ces processus, qui s'accompagnent de hausses de productivité et de revenus, sont évidemment au cœur du développement économique.

Accepter la concurrence

Si le lancement du 30 mai va manifestement dans le bon sens, bien des conditions restent néanmoins à remplir pour que ce qui a fait le succès d'autres zones de libre échange comme l'Europe puisse se répliquer en Afrique. L'absence du géant nigérian est évidemment un point important. Au-delà, un frein serait sans doute que, puisqu'une liste d'exclusion de certains produits est prévue et que des règles d'origine des produits seront définies, les responsables des négociations se perdent en d'interminables débats – la « fatigue de la mise en œuvre » s'installerait très vite.

Bien des pays africains subissent encore des régimes autoritaires dans lesquels les liens entre le politique et l'économique sont très étroits.

Cette possibilité est d'autant plus préoccupante que bien des pays africains subissent encore des régimes autoritaires dans lesquels les liens entre le politique et l'économique sont très étroits. Ce « capitalisme de copinage » (ou parfois socialisme pur et simple) implique évidemment une notion très particulière de la concurrence, avec de forts réflexes protectionnistes (le *stand by* du projet d'ouverture de l'espace aérien africain, Open Sky, est venu le rappeler) : l'ouverture sans véritable concurrence, cela risquerait d'être compliqué.

Améliorer le climat des affaires

Dans la même veine, il paraît évident que le développement d'entreprises et la création d'emplois du fait de l'ouverture de ce grand marché ne pourront se matérialiser que si le climat des affaires le permet. Or dans de nombreux pays signataires, il est pour le moins délétère. La République démocratique du Congo est, par exemple, classée 184ème dans le rapport *Doing Business* de la Banque mondiale, et 188ème en ce qui concerne le commerce transfrontalier.

Fait intéressant, ses coûts d'exportation en matière de respect des procédures sont 3,6 fois plus élevés que la moyenne de l'Afrique sub-saharienne (US$ 2 223 contre US$ 605) et 16 fois (!) plus élevés que dans les pays de l'OCDE les mieux classés (US$ 2 223 contre US$ 139). Pour les importations, ce dernier ratio est de 30… Une partie de ces coûts est liée à l'inefficacité, mais une autre sans nul doute à la corruption : l'ouverture devra donc s'accompagner d'une réforme sérieuse...

L'accélération de l'ouverture aux investissements pourrait en outre accentuer le phénomène d'accaparement des terres (le fameux « *landgrab* ») qui s'amplifie depuis une quinzaine d'année. De nombreux Africains se voient en effet expulsés de terres que leurs familles ont habitées depuis des décennies, voire des siècles, malheureusement sans titre de propriété du fait de l'absence de système formel de cadastre. Afin d'assurer la protection des droits de propriété légitimes, des réformes sont là également nécessaires.

De l'infrastructure juridique à l'infrastructure routière…

Cette amélioration du climat des affaires, et plus globalement de la situation de l'état de droit, est fondamentale si l'on ne veut pas, là encore, que cette libération du marché continental profite uniquement à quelques entreprises proches du pouvoir ou quelques multinationales qui, contrairement aux petits entrepreneurs locaux, ont les moyens de payer pour faire avancer leurs projets d'investissement. Quand on connaît les traditions africaines en la matière (et notamment du fait des relations post-coloniales de type Françafrique ou Chine-Afrique), c'est là clairement un point qu'il faudra surveiller de près.

Sur un plan plus technique enfin, une ouverture des frontières impliquera des progrès en matière d'infrastructure. La réflexion est banale mais pourtant cruciale : pas de commerce sans infrastructures commerciales. Si les investissements chinois en Afrique depuis deux décennies ont permis, il faut le reconnaître, d'améliorer des routes, des aéroports ou des ports, il reste encore beaucoup à faire, notamment pour créer des lignes maritimes directes.

L'ouverture du commerce intra continental en Afrique constitue ainsi une magnifique opportunité pour enfin développer le continent de manière endogène, mais également pour pousser pour des réformes institutionnelles qui seront en réalité la clef du succès de cette ouverture.

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