

“I don’t see a thinker, a doer or a driver in this government”

Weekly speaks to Eric Ng, economist, about his new book, *Economic Sense*.

We also take the opportunity to ask him about the economic situation in the country and specifically about the unemployment rate, public debt and the reputation of our financial jurisdiction.

By **Touria PRAYAG**

■ **You have just published a book called *Economic Sense*. Why this provocative title?**

Because there is a lot of economic nonsense in the press even among professionals and economists. I think there are many simple economic truths and we hear many opinions but I think the population is not really aware of the economic challenges and of simple economic concepts. There is definitely a need to sensitise the population to the economic dangers.

■ **What audience are you targeting?**

I am aiming to reach the intelligent layman. We still need people who can think and who can understand.

■ **But if you want to reach the layman, why use English? It’s not a language that the layman is likely to understand, is it?**

I am also targeting pupils and university students. I think some economic concepts can be better explained in English rather than in French. In French, the interpretation of the terms can be a little different.

■ **You started off saying that**



PHOTOS: KIRANCHAND SOOKRAH

there is a lot of nonsense being disseminated in economics. Are you saying that a lot of economists in this country don’t understand economics?

No, I think they understand economics but they are too politically correct. Many don’t take sides and they say things just to please the government of the day.

■ **Do they say nonsense just to please the government?**

I think they don’t tell the truth and they try to suck up to the government of the day. This happens not just in Mauritius but around the world. Economists are well-known as intellectual roadblocks against popular misconceptions and wrong government policies. However, today, many economists work in government and state-funded agencies like the World Bank, the International Monetary Fund and central banks. So somewhere they

have to toe the official line of reasoning. There are very few independent economist thinkers.

■ **But economics is not an exact science anyway so economists may have different opinions.**

Economics is not an exact science. It’s a social science but there is an economic phenomenon which is dangerous and that is the origin of populist rhetoric. You can see this very clearly in this era of Brexit and Donald Trump’s election. This type of economics makes an appeal to emotions rather than to rational thinking. This is post-truth politics.

■ **As a layperson, what are the basics that I need to understand in economics?**

The first basic economic principle is about scarcity. Resources, not only raw materials but also human resources and financial resources,

are not abundant. If they were, there would be no need for economics. But because resources are scarce, you have to allocate them efficiently. You have to make a choice. Economics is about choice. You have an end but you have to choose your means to attain your end in an environment where resources are scarce. The problem is politicians try to make people believe that they can do everything, that resources are unlimited, that they can print money and finance everything. Today, we talk about billions in education, in public health, in infrastructure. But this expenditure needs to be financed, one way or another. Ultimately, it is financed by taxpayers.

■ **Whenever government comes into office, the first thing we hear is that the previous one did a very bad job and that the new one is doing an excellent job. How do we know, as laypersons, which government is doing well and which one is not?**

You need to look primarily at unemployment and private investment. The government is here to create the conditions necessary to promote private investment and private investment will create private jobs. The problem with this government is that it claims that the unemployment rate has gone down and that means that the economy is doing well. That is not true. Unemployment has gone down because about 20,000 have left the active population. The active population has gone down significantly. It is the fall in active population that has caused the fall in the unemployment rate.

■ **How is the unemployment rate calculated?**

The unemployment rate is the number of unemployed people divided by the active population. The denominator is the active

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population. If the denominator falls, the unemployment rate falls.

■ Does that mean that unemployment has not gone down in spite of what the statistics show?

Our unemployment rate is between 7% and 8%. It is not dramatic but you need to analyse unemployment in detail. The problem is youth unemployment. For people between the ages of 16 and 24, unemployment is nearly 30%. It is almost the European norm. It is dangerous and even more so when they are graduates.

■ What does that mean then for the economy?

That means there is a consumption which is moderate because it is the youth who spend in terms of housing, electricity etc. but if they are unemployed, there is a muted demand. This results in less economic growth.

■ The opposition is sounding the alarm for the lack of investment. Has investment gone down with this new government?

I think there was a negative growth in private investment in 2015. In private investment, one must also talk about the quality of the investment. Private investment should be aimed at diversifying the traditional economic sectors. There has been a lot of investment in real estate. I think that the private sector is not really interested in diversifying its activities.

■ Why not?

It's true that business is difficult. External demand is very weak even internal demand too. There is a lot of competition and the market is small so it is hard. The most promising sector in terms of profit margins is the real estate sector. Acquiring real estate and apartments is easier. This is why the private sector is more interested in real estate.

■ What about foreign direct investment (FDI)?

There has been a drop from Rs20 billion prior to 2014 to about Rs13 to Rs14 billion after 2014. Here also, 70% of FDI has been in real estate.

■ Why has the FDI gone down so drastically?

I think the government has sent out mixed signals. The British American Investment (BAI) saga has caused a lot of harm because investors are asking themselves questions. Are their investments safe or do we have a government that can nationalise anything overnight? Serious questions are being asked. And then, I think that we are under the impression that the government is reluctant to welcome outsiders.

■ What makes you say that?

Delivering working permits and residence permits. It's very tricky and takes a lot of time. The government machinery is slow and very bureaucratic. An investor cannot wait for several months to get a permit.

■ Álvaro Sobrinho didn't have to wait for several months, did he?

(Laughs) Yes. That is surprising.



"There are very few independent economist thinkers."

Two weeks were enough in his case. This raises even more questions about the process.

■ Are you worried about Sobrinho investing in this country considering his background?

Yes, it worries me that we welcome people like that with open arms. A businessman who, even if he hasn't been convicted has nonetheless been under investigation, is a liability to the reputation of the country if we allow him to invest here. Reputation is an intangible asset. I think we have to be very careful with the image of our financial jurisdiction. It's starting to take a blow. We have to avoid giving the impression that we easily accommodate whoever comes.

■ Coming back to the economy, economists in this country have been puzzled by the increase in public debt when there are no serious or costly projects going on. How come from one year to another, government debt has gone up by Rs20 billion?

The government has spent Rs7 billion on the BAI saga alone. The consequences of the BAI saga have cost the taxpayers Rs7 billion. The pension has gone up by Rs4 billion per year. Also, there is a lot of recruitment in the public sector. In the last two years, the government has recruited around 9,000 people. The salary bill has therefore shot up and the Pay Research Bureau (PRB) did not make it better. As far as the lifestyle of the government is concerned, there is also a lot of waste of public funds.

■ The government has tried to reduce unemployment by filling in vacancies in the public sector. Is that productive?

No, I think it is counterproductive. I think a reengineering of the civil service is needed. There are sectors which are overstaffed and others which might be understaffed. We need to reengineer the whole sector and for that we need training. We need to better utilise our human resources in the public sector and also improve the customer care service. We need to

stop employing people for the sake of employing them. We need an audit of human resources to see where we can use the surplus staff to send in sectors where there is a deficit of staff.

■ Many vacancies are filled to get votes, aren't they?

What is even more serious is that these are mainly low-level jobs and there is a surplus for that. It is easier to give low-level jobs to political agents, particularly since these jobs are at the discretion of the ministry and do not go through the Public Service Commission. And then, we end up with a surplus and a higher debt.

■ Previously, a person opted for a government job when they were not interested in the pay as much as in job security, so they took a lesser salary and then they had the security of employment. What is interesting these days is that the public sector pays more and then you have a lifetime job. What are the implications of that on the economy?

In fact, today, the best jobs are in the public sector; that's why everyone wants to work there. If you compare the public and private sector, those who work as security guards, clerks, and drivers are better paid than in the private sector. And they have job security and a pension whereas people in the private sector, if they are laid off, leave without a pension. This is why people who have a job in the private sector put pressure on ministers and politicians to get them a job in the public sector. Even young people are not interested in working for the private sector any more. "I want to go to work from 9am to 4pm and have job security, a guaranteed pension and a better salary!"

■ You can't blame them, can you?

I don't blame them, I blame the government making promises and recruiting in the public sector.

■ Why doesn't the private sector increase the salaries and improve the conditions so that they do not only attract the less

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politically connected?

It's true that there is no career plan in the private sector and they play the meritocracy card. They have to treat their workers well, encourage profit sharing and give hope to workers to go up in the hierarchy.

Do you think that the private sector has remained stagnant?

Other than a few big companies which do make an effort, the private sector, in terms of corporate governance that they talk a lot about, leaves a lot to be desired. They definitely need to open up the management more and give more opportunities to young people who are competent and who can help the business to thrive. The private sector also has a prob-

“The minister of finance is a post that requires 100% attention, seven days a week.”



lem of brain drain. It is a phenomenon that persists.

But how can the private sector compete with the government in terms of salaries? I mean, the government just takes money out of our pocket; the private sector has to make profits first.

That's true but I also think the salary gap between the top management and the employees at the bottom is too big. This gap needs to be reduced for the private sector to offer more competitive salaries. This will also motivate and encourage employees to work more and give their best. I think this is an issue that will be raised sooner or later with the minimum wage discussions. The salary gap has to be reviewed.

How optimistic are you about the economic situation here?

I am less optimistic for the near future because, at the international level, there is a rise in protectionism with Trump and Brexit. There are also doubts concerning the outcome of the elections in France and Germany. Also, with the rise in the price of petrol which is now at \$50, the interest rate will increase and that will put a lot of pressure on the rupee, considering the increase in the US interest rates and the depreciation of the dollar. In the long run, we should think about reforms because of our ageing population. We need to think seriously about the pension system because this will explode in 20 years if it remains as it is.

Do we have a competent team at the helm that you trust with the economy?

The problem is that we don't have a full-time minister of finance. Yes, the post is occupied by the prime minister, but he has a lot of responsibilities other than taking care of the finances of the country. The minister of finance is a post that requires 100% attention, seven days a week. I don't see a thinker, a doer or a driver in this government. ■



REALITY CHECK] By Iqbal AHMED KHAN

Kafkaesque

“Imagine if I told you about a crime that the country's rulers almost unanimously said should not exist. A crime that the government says it does want to prosecute just yet. A crime that the justice system is not sure is a crime yet but exists nonetheless and can have people imprisoned.

As the 31 March deadline for switching to the new biometric ID cards approaches, the ICT minister, Yogida Sawmynaden, promises that nobody will be imprisoned for five years or fined Rs100,000 for not signing up for the new ID cards. This despite the fact that a law still exists on the books calling for these penalties. An ICT minister promising what the police, the director of public prosecutions and the courts will or will not do. It sounds like an absurd situation, but here we are. So how did we get here?

It all started in 2009 when the previous government snuck in a provision containing these penalties in a finance bill. There it roosted until 2012 when the Labour government went to Singapore and signed a Rs1.1 billion contract to make these biometric ID cards, then a year later amended the law concerning ID cards making presenting them to the police mandatory, rather than voluntary. All this hectic activity, of course, was justified on two grounds: the ID cards would be a harbinger of modernity (unlike the savage badlands of the UK, US and Australia not blessed with them) and to combat the colossal problem of voter fraud (the election commission never noticed it before 2014). Labour lost in 2014 and the *Alliance Lepep* promised to get rid of the biometric cards and the database holding all the fingerprint and personal information associated with the project.

The new dawn did lead to the database being destroyed, but with fingerprint collection and the biometric features of the ID preserved as before. So now people can be jailed for not having a card because they refused to give their fingerprints, which won't be stored anywhere anyway. Might as well legislate on making people catch fish and throwing it back. This is the absurd pass that the government finds itself in, and its piecemeal approach to the question of the biometric ID card project is what has landed it in the soup and why an ICT minister has to be trotted out to assure people that a law on the books will not be implemented.

The delicious irony is that all this is happening under the watch of a prime minister (who launched a Supreme Court case against the biometric ID project, if you please) and a leader of the opposition, both of whom were in the *Alliance Lepep* in 2014 and promised to do away with the project. How can a law that both government (with a firm majority) and opposition say they hate continue to exist? We are not accustomed to something as exotic as rational debate. Political cowardice on the other hand...

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