

ECONOMIC SOLUTIONS

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Abstract

Economic problems that plague us seem intractable and seem to require some radical counter-measures. One of the root causes of a recession is that people are not spending sufficiently. To overcome this problem a radical change in our monetary system could be effected. This article is the revised version of an article which had been published in an international journal and is an elaboration of the article ECONOMICS, ECONOMIC POLICIES AND SOLUTIONS published here.

Proposed Monetary System

The world economy has been frequently gloomy and depressed.

The economy works through the market forces of supply and demand. The level of demand ultimately determines the quantity of goods and services that will be made available in the market, though sometimes the quantity of goods and services produced in the market are so produced in anticipation of demand.

The crux of the matter is that money held by people has to be spent or change hands in sufficiently large volumes for the economy to be buoyant. If people lose their jobs, have little or no money to spend and curtail or stop spending the economy will be in trouble. Equally bad is the situation where employment rate is high, people have money to spend but are hardly spending. To rectify the situation of low employment governments can help to create jobs. But after the jobs have been created and people have jobs and money but are still not spending sufficiently, what will become of the economy? This is an interesting point to ponder. The author's view is that companies or producers of goods and services will flounder when their goods and services are not in demand as people have little inclination to spend the money they possess (unless the government now performs the charitable act of financially supporting them to ensure that their employees do not lose their jobs). When these companies or business units flounder, they will retrench or wind up, that is, those with jobs will now find themselves without jobs and income, and, spending will become less. So, it is more or less back to "square one." Of course in the situation whereby people have money but are not spending enough but saving the bulk of their income, the government may well be urged to resort to suitable fiscal policies to rectify the situation such as reducing bank rates and reducing taxes. Companies and business enterprises may well be advised to advertise and market their goods and services more aggressively to create or increase the demand for them. Will these be certain to change people's attitude towards spending? The certainty could hardly be expected.

The point is that governmental policies and aggressive advertising and marketing can only help to coerce and persuade people to spend more but the final choice of whether to spend or not still belongs to the people. In other words, the "customer is king", the market belongs to the buyer. Put bluntly, business, the economy (even the government), is at the mercy of the buyer or customer. Can we force the buyer or customer to spend? No? The author's answer is yes. But, a radical change has to be implemented.

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All these suggest that the economy is indeed difficult, even impossible, to control. We should not allow the whims and fancies of the buyer or market to create problems in the economy, problems for businesses who need a profit to carry on, problems for people who need jobs, problems for the government whose responsibility is to see that their people have jobs and incomes. As mentioned earlier, creating jobs and incomes for the people may be fine and good, but when those with incomes are not spending sufficiently, it is not good for the economy, it is not good for everybody. We have to find a way to force everyone to spend sufficiently so that economically everyone will survive. The question here is how? The author would like to make a radical suggestion. The suggestion is that two types of currencies be introduced to ensure that there is sufficient spending. One type of currency has an expiry date while the second type of currency has no expiry date like our current ones. The issuance and administration of such currencies, especially the first type which has an expiry date, are to be the responsibility of a governmental monetary authority or statutory board. For example, the government can pass a law to the effect that all salaries have to be paid in the following format: 70% in currencies which expire say three months from the date of payment and the balance 30% in currencies with no expiry date like our present currencies. The seller who receives the currencies with expiry dates from the buyer could then exchange them at the governmental monetary authority for the following currencies: 70% in currencies which expire in three months' time and 30% in currencies with no expiry date. In this way everyone, bosses and employees, and, buyers and sellers alike, have to spend at least 70% of their earnings within the allotted time frame of three months. Here we are only talking about salaries and purchases within the same country.

At the international level, where business between countries is concerned, the same principle should also apply, except that the currencies with expiry dates and the currencies without expiry dates should now be issued and administered by an international authority, for example, a newly created division of the United Nations.

The question is whether this arrangement is practical. Except for some teething problems on initial implementation, the author does not think implementation is going to be difficult. Though it entails some administrative costs, the price is worth paying. For sure, implementing this new monetary system will result in new jobs being created, which is good for the economy. And, most important of all, this new monetary system will help to eradicate recessions, unemployment and other economic and related social problems.

There is no point grumbling about the poor state of the economy and how miserable life is because one has no job and no income, no business and no earnings. Everyone, especially the powers that be, should seriously attempt to analyze what causes the economy to fail and people to lose their livelihood and try hard to do something about it.

Hence, the authorities should seriously consider the author's reasoned proposal here.

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