

Greater Coordination Needed Over Economy

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If the flip side of every crisis is opportunity, then in theory the recent near-meltdown of the global economic and financial system should pose enormous upside potential.

Reaping that potential, however, hinges crucially upon correctly identifying what changes and reforms need to be put in place.

This year's Bank of Thailand symposium, entitled "Coping with and Looking Beyond the global Crisis". culminated last week with a panel discussion by distinguished economists who attempted to identify the challenges posed and prioritize the changes required for the Kingdom to move forward while remaining competitive and relevant in the new global environment.

Achieving such a tall order requires some honest soul-searching about Thailand's economic future. Identifying lessons learned from the crisis and leveraging upon the resulting changes while preventing a drop in long-term potential growth rate are key.

Participants at the symposium identified four key areas that need to be addressed with urgency. The first priority is to ensure financial-system stability and efficiency, including increasing financial-system stability and efficiency, including increasing financial market competition to foster financial innovation and providing alternatives for borrowing and lending in Thailand.

A second priority focuses on the social aspects of sustainable long-term growth, as domestic demand can play a substantial role in driving economic growth only if there is more of it. For households to consume more, social and economic inequality must be tackled seriously. The have-nots of society-which extend beyond the poor to include those with substantial include those with substantial uninsured risks and uncertainties-need to be empowered, in order to enhance their role in the country's economic development. In this regard, reforms to improve

access to education, skill training and proper healthcare should be coupled with an overhaul of the social insurance and welfare system aimed at reducing uninsured risks and uncertainties.

A third priority arises from concerns over fiscal sustainability following the unprecedented scale of fiscal support. Fiscal spending must be efficient and effective, while at the same time a broader tax base will be required to finance the increased debt burden.

Last but not least, the central bank must fulfill public expectations of its monetary-policy conduct to achieve price and financial stability. Policy credibility is essential to convince the public that price stability, achieved through a flexible inflation-targeting framework, also provides room for macro prudential measures to help ensure financial stability, while the exchange rate can serve as an automatic stabilizer during cyclical swings.

A common theme emerged throughout all the discussions, recognizing that greater coordination between all parties involved in shaping our economic future is paramount. Monetary and fiscal authorities should continue to work together beyond the crisis. Links between the markets and regulators are crucial, while private-sector involvement in key policy reforms is a vital part in ensuring that today's soul-searching transpires into the required transformation for every part of our economy and society.

(The views expressed are the author's own.)

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