



Press Release

## **MAS holds The Yusuf Sayigh Development Lecture 2017**

**“Economic Policy in the New Age of Liberalism –**

**Radical Rethinking is Unavoidable”**

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Ramallah: The Palestine Economic Policy Research Institute (MAS) held on Wednesday 29<sup>th</sup> November the ninth annual Yusuf Sayigh Development Lecture. A wide range of academics, scholars, and representatives of the public, private and civil sectors attended the event.

Dr. Nabeel Kassis, the Director General of MAS, welcomed the guests and recalled the purpose of this series of Yusuf Sayigh development lectures, an annual tradition that MAS has established to commemorate this pre-eminent Palestinian economist for his contributions to promoting development and economic policy and knowledge. Dr. Kassis also extended his profound appreciation to Mr. Abdul Mohsen Al-Qattan for generously supporting the lecture.

This year’s lecture was delivered by Prof. Heiner Flassbeck, a lecturer at the University of Hamburg and Former Director of the Division of Globalization and Development Strategies at the United Nations Conference on Trade and Development (UNCTAD). The lecture addressed the dilemma of economic theory prevailing in industrialized countries and its implications on economic and development policies in different countries, by focusing on its shortcomings and the rising challenges. Such economic dilemmas, as he explained, whether in the context of developing or developed countries are the same.

In economics, many phenomena that took place could not have been predicted. Professor Flassbeck demonstrated some examples of developed countries that witnessed many economic difficulties in the early 1970s, which were characterized by steady increases in unemployment rates yet accompanied by an increase in wages. However, following the 1970s, the wages share in national income declined drastically, without a corresponding decline in unemployment rates in these countries, which refutes liberal economic concepts.

The lecturer called for abandoning these ideas of neoclassical economics, which claims that salaries and wages are determined by inflation. Rather, wages are determined by the conditions of the labor market; so if controlling inflation is the economic goal, there is a need for economic policies and tools that target wages, especially real wages. He also pointed to the need to determine the relationship between the real value of salaries and the level of productivity. Many Asian countries, especially China and Japan, have raised the level of real wages in parallel with the increase in productivity in their countries, to encourage their people to buy locally produced goods. This also applies to Germany, which is the only country in Europe that managed to keep real wages below the level of productivity.



Flassbeck went on to discuss the savings rates and interest rates in relation to investment. According to the neo-classical theory, to make investments you need savings, which will achieve the goal of development and increasing income. The savings of some parties (individuals, governments, and countries) are countered by debt of other parties, leading to zero surplus in the whole world. But, according to Schumpeter's economic development theory, there is no need for savings, since central banks issue the capital needed to achieve development. He mentioned that as the only country in Europe with no deficit Germany serves as a lesson. A large proportion of its neighbors became indebted to it, through achieving a surplus in its current account, a real increase in wages, and by maintaining the level of its products at a lower level of prices than in the neighboring countries, which encouraged companies to increase their investments in Germany.

The lecturer highlighted that in macroeconomics there are three important prices/rates. The first is the interest rate, as central banks must control interest rates totally, and maintain its value close to zero (or zero) in the event of scarcity of investments, to encourage investments. The second price is salaries and wages, as market forces do not affect the value of wages, while governments must directly interfere in determining their value. China is a good example of a country that was successful in implementing a wages control policy. The third price is the currency exchange rate, which should not be left to market forces as well. He attested to this view, by comparing some Latin American countries with East Asian countries, where the former countries faced huge troubles subsequent to leaving the control of the value of their currencies to market forces, unlike the latter countries, where they controlled the ceilings of their currencies.

Prof. Flassbeck concluded by asserting that developing countries that are unable to control exchange rates in parallel to developed countries, need to advocate for a cooperative monetary system. Its purpose should be similar to systems that many countries devised following the World War II in order to avoid the devastating consequences free trade and unrestricted flow of money have on developing countries.

Dr. Yusif Sayigh (1916-2004) is a Palestinian academic who held many influential positions and was one of the most prominent economists of the Arab world in the 20th century. In recognition of his many contributions to Palestinian economy, its reform, and development, MAS initiated this series of lectures. Prof. Sayigh led the expert team which laid out the National Program for the Reconstruction and Development of the Palestinian Economy (1994-2000) commissioned by the PLO and published in 1993. In addition to its in-depth socio-economic research, MAS organizes this annual lecture and each year, a key issue of economic development and development is addresses and delivered by a prominent international academic or influential figure.

To download the presentation of the lecture, follow this [link](#).



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