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## Nobel economist blasts Europe's austerity plans

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By James Lamont in New Delhi

Amartya Sen, the Harvard university professor and Nobel laureate, has sharply criticised European governments for embracing austerity measures to cure their economic difficulties, describing fiscal tightening policies in the UK as premature and “oddly confused”.

Speaking at the Indian finance ministry's Delhi Economic Conclave, Mr Sen said the rush to impose austerity plans across Europe was a “spiralling catastrophe,” and was even threatening to drag the US in the same direction.

The Nobel Prize-winning economist said that Europe's leaders were mistaking the need for greater financial responsibility and accountability in governmental expenditure for more radical, short-term measures that could worsen the current downturn. He warned that large-scale, indiscriminate cutting of government expenditure could “decimate” lives and nip economic recoveries in the bud.

“Many countries in the west seem to be doing their best to go straight into the mouth of a fairly hefty snake,” he warned.

“To move from that frying pan of mismanagement to the fire of indiscriminate cuts to satisfy the creditors and to placate the rating agencies has not been helping these countries to move into a responsible forward-looking recovery programme,” he said.

Mr Sen singled out the UK, describing Prime Minister David Cameron's belt-tightening measures as “oddly confused” and “certainly mistimed”. Many economists have warned that the austerity measures have raised the risks of economic contraction and a double-dip recession.

Mr Sen implored policymakers to study the years after the second world war and during former US President Bill Clinton's office, when economic growth played a significant role in reducing public debt.

Economists predict that the eurozone debt crisis and austerity measures could reverse the already modest third-quarter economic growth in Europe. Germany and the UK both posted growth of 0.5 per cent in the third quarter, France 0.4 per cent, and the US economy 0.6 per cent.

Mr Sen's views reflect growing misgivings among Indian and, more widely, Asian economists and policymakers about the policy choices in the developed world in the wake of the 2008 global financial crisis. They fear that Europe, which has strong linkages to India, may suffer a decade or more of low growth.

Pranab Mukherjee, India's finance minister, said on Wednesday that the sovereign debt crisis was at "the heart" of a global economic downturn and was weighing down the fast-growing economies of India and China.

Kishore Mahbubani, dean of the Lee Kuan Yew School of Public Policy at the National University of Singapore, said the world economy was a victim of "incompetent western economic management".

Turmoil across Europe would force Asian countries to work more closely together and take leadership in the global economy, he said. "[It's time] for China and India to work more closely together to pursue global economic growth."

Richard Freeman, an economist at Harvard University and the London School of Economics said: "Emerging economies need to have disaster plans in case advanced economies go into depression."

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