



FINANCIAL TIMES

Without fear and without favour

Bleak words and difficult homework from the IMF

To avoid becoming mired in low growth, reform must start at home

Downgrades to global growth from the International Monetary Fund are becoming a regular quarterly event, accompanied by exhortations to pursue bold reforms. The global economic chief gathers this week at the annual meeting of the IMF and World Bank...

Ms Lagarde advises that without correcting the global economy will subside into what she calls the "new mediocrity". Matters must be getting down to brass tacks as the IMF is obliged to coin such a depressing term...

To get a figure on mediocrity, forecast growth will be revised to around 1 per cent this year, well down from the 2.7 per cent predicted in January then more expected the recovery to gather pace...

Most of the slowdown can be traced to the emerging economies but a uniform explanation is difficult to provide. The dire business climate in west Africa, Russia and much of the Middle East will only get better when the facts on the ground improve...

China needs an economic model that does not risk pushing its credit levels to still more dangerous levels. Having been over-reliant on heavy investment in property and infrastructure it has few options for renewed stimulus...

Spain must steer away from a collision course

Madrid needs to act fast over the Catalonia separatist question

The tug of war between Barcelona and Madrid about how or whether Catalonia fits into the Spanish state has reached a climax which threatens to engulf Spain in a devastating crisis...

The financial crisis added to a sense of grievance. Catalonia is a big net contributor to Spain's budget whereas the Balearic country, the other nation Spain needs to accommodate, raises nearly all its own taxes...

After Scotland's referendum, it is not clear that needs to move - and fast. Spain's constitution has served the country well, providing the framework for a deeply divided society to emerge from dictatorship...

Catalans want to be recognised as a nation and have greater fiscal autonomy. There are legitimate demands, Mr Rajoy's latest offer to talk is welcome. He should no longer hide behind the constitution but build a broad national consensus for changing it...

It is essential to remember that separatism was transferred into the ruling mainstream of Catalonia's public life only after the constitutional court in 2010, at the behest of a P PP then in opposition...

Letters

Savings not intended to be spent are behind stagnation

Sir, Martin Wolf's assertion that weak demand is a consequence of rising inequality rests on an implicit premise that needs to be examined, as it is the veritable key to understanding the fundamental cause of secular stagnation...

And since any attempt by China to "open" its dollar reserves would undermine its exchange rate policy, the market rationally considers its savings to be permanent. The fundamental cause of secular stagnation in the US is not an increase in saving per se but rather the increased proportion of savings that is not intended to be spent for a very long time...

Modi should look to India's neighbours

Sir, Regarding Victor Mallet's article "Modernising India presents huge challenges for Narendra Modi" (October 2), I would maintain that the number one challenge for India's prime minister will be that of time.

Mr Modi's government must begin to deliver concrete results to the electorate in order to retain their votes before the next election. Infrastructure projects and educational reform will not be fruit for at least another five to 10 years...

NY's public transport is beyond ghastly

Sir, Martin Sterrel must see New York's airports and their infrastructure through different eyes to mine when you write that he says "London is challenged by its poor airport infrastructure" compared with New York...

Nothing to compare with Terminal 2 and 1 at Heathrow and no problems about airport expansion. New York public transport is beyond ghastly, the subway is filthy and I frequently see rats on the track...

A piano tuner's work is pointless (in theory)

Sir, I would like to add the following dimension to the debate on theory and practice (editorial, September 28 and Letters, September 30).

Piano tuners have had to struggle with this dichotomy for centuries. It has attracted the attention of some of the greatest scientists, indeed the master himself: Bach gave us Das Wohltemperirte Clavier (The Well-Tempered Clavier) to illustrate his system, which was developed and refined into the system now employed only just over a century ago...

Google could clone an AM stalwart before breakfast

Sir, I thought Campbell Fleming, Catherine Thibault and David Stevenson spoke up briefly but missed the point about Google's asset management ambitions by at least one order of magnitude...

Google could clone an AM stalwart before breakfast. Your reporter Madhusu Mariga mentions PNC, whose report "Asset Management 2020: A More Value-Driven" was absolutely correct in concluding that fund managers' failure to keep up with technological change will create opportunities for groups like Apple, Twitter and Amazon...

Is no creditor member to be allowed to default?

Sir, What is the rationale behind the current configuration of eurozone bond yields? The 10-year bond yield (the nearest thing to a risk-free rate) is below 1 per cent, presumably based on a weakly stagflation/deflation view but that outcome would be very bullish for high debt countries in the zone...

Conrad's unique insight into the British character

Sir, I would be intrigued to know which Joseph Conrad novel Lord Hill referred to during his appearance before the European Parliament ("Hill fails to understand the British character", October 2). I assume it can't have been Lord Jim as, by coincidence, this novel begins with the eponymous "Lord" being grilled by an overseas court of inquiry...

Trust and its absence in a fractured society

Book review by John Pender

Making the case that the concept of trust is a useful but not a sufficient society is not difficult in the aftermath of the financial crisis. The word "trust", after all, is derived from the Latin for trust, and credit dried up in July 2007 when banks stopped lending to each other because they were unsure of the value of the complex mortgage-backed securities that assured their balance sheets...

and the law relative to trust. The workings of trust are nonetheless complex. Religion, for example, can provide people with a sense of identity, emotional solace and community. Yet religion also creates boundaries, across which distrust is projected against outsiders...

In the complex modern world, what increases trust is one group an internally distrustful in another. Moreover, the transition from trust to distrust can be rapid. The EU was the most successful attempt after the second world war to extend the radius of trust from the nation state to the international level...

Trust - A History

by Jonathan Haskins, Oxford University Press, £25

COMMENT ON FT.COM

Rich Butler's FT.com blog Could the world's energy markets cope with this? (see page 10) www.ft.com/butler

COMMENT ON FT.COM

Frank McCallum Glasgow, UK

COMMENT ON FT.COM

The writer is FT columnist