THEIR VIEW

The big global responsibility that Joe Biden and Kamala Harris bear

Nationalism seems unavoidable for now but we need internationalist leaders to foster a mindset that serves all of humanity

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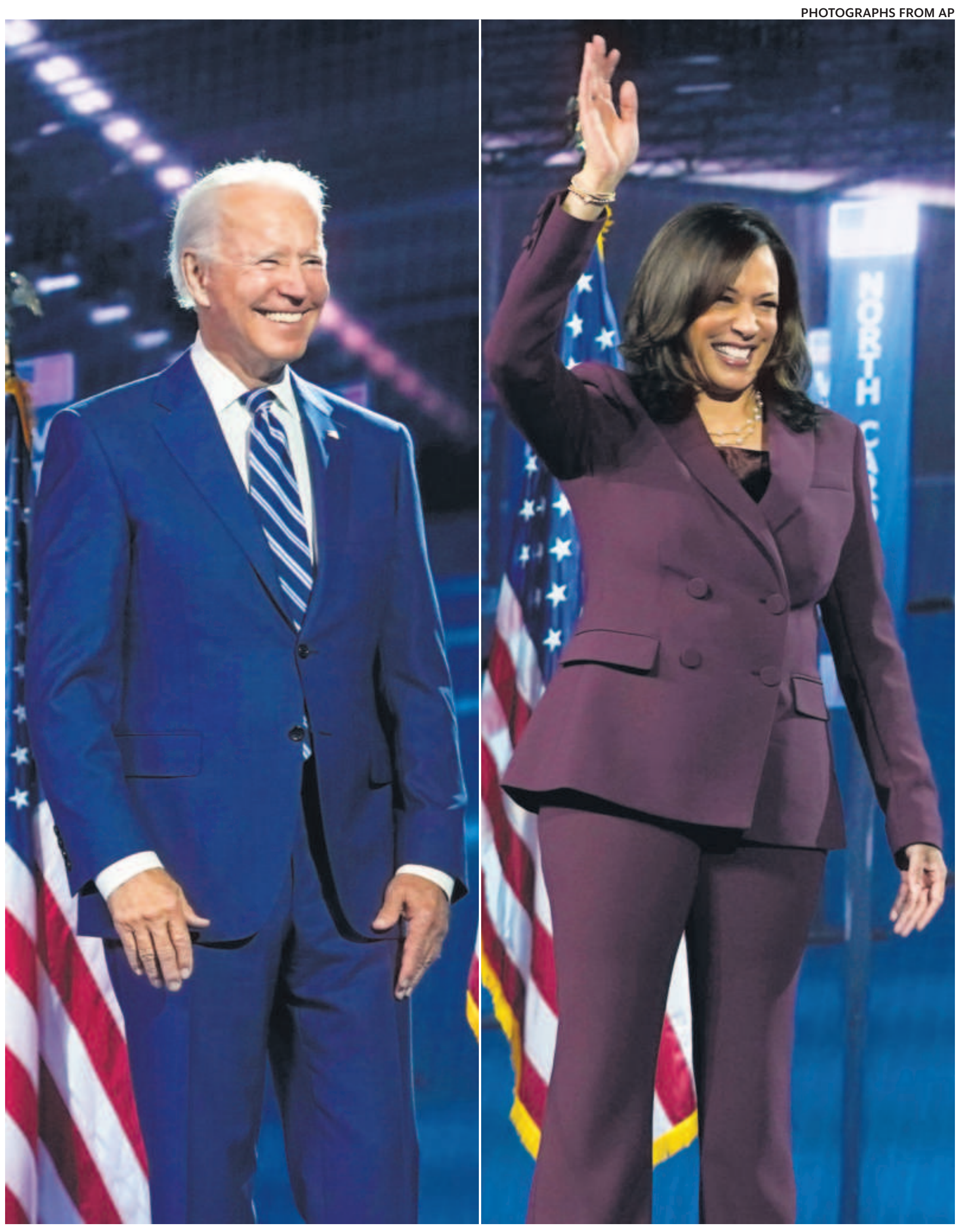

Neither Joe Biden nor Kamala Harris was my first choice among the contenders for the Democratic presidential nomination in the United States. But when Biden, by then the party's presumptive nominee, announced earlier this month that Senator Harris would be his vice-presidential running mate, it felt like a breath of fresh air.

Speakers at the recently concluded Democratic National Convention—including some Republicans like former Ohio Governor John Kasich—stressed the importance of decency and empathy in politics. And in his inspiring acceptance speech, Biden emphasized the need for America to be "a light to the world once again." Listening to these words, I felt a rush of hope.

If Biden and Harris win in November, they will introduce important policy initiatives. They will improve the embarrassing US health-care system, which walls off a large section of the population from cutting-edge medical research and the world's finest health facilities. They will try to remedy the worsening conditions confronting America's working class, and restore some US efforts to combat climate change. But I do not think they will push for the sort of radical reforms that someone like Elizabeth Warren or Bernie Sanders would have attempted.

Nevertheless, there are two reasons to feel hopeful. First, Biden and Harris are more likely to win the election than more radical Democratic contenders would have been. Second, they will bolster the institutions that previously made America strong and restore its leadership in the world. That will be crucial: although much has been written about what Biden and Harris should do for America, they also have a global responsibility.

One of the most damaging consequences of Donald Trump's presidency has been the loss of America's international stature. This has had a huge adverse impact, spawning populism and authoritarianism around the world.

To be sure, America's record of global engagement is not without blemish. In the 1960s and early 1970s, for example, it was on the wrong side of history several times—including prosecuting the Vietnam War, tacitly supporting the overthrow of Chilean President Salvador Allende, and attempting to thwart Bangladeshi independence.

Fortunately, this coldly "realist" US foreign policy slowly gave way to one with some moral compass and global concern. The president who deserves the greatest credit for this shift is Jimmy Carter. Although he was low-key and not good at politicking, Carter had the rare mettle—evident in his moving 2018 interview with *The Late Show's* Stephen Colbert—to be prepared to lose for a moral cause.

In today's globalized world, we must recognize that all human beings, not just all co-nationals, are born equal. Hyper-nationalism is not only bad economics, but is also morally wrong. I have no doubt that a time will come when we regard hyper-nationalism—the belief that one's compatriots are special and more deserving than others—the way we view racism or caste systems today.

Because we currently live in a world of nation-states, nationalism is unavoidable for now. But we need leaders who can pioneer an international mindset and help to build a better future for all of humanity, including the poor and dispossessed wherever they live. This is the big responsibility that Biden and Harris must shoulder in seeking to re-establish the global leadership from which America has retreated under Trump.

On the subject of internationalism, Biden and Harris may wish to consider the thoughts of India's first prime minister, Jawaharlal Nehru, who spoke more eloquently about these values than perhaps any other leader. Nehru fought for India's independence, in which nationalism was obviously a driving force. But he was mindful that we have to strive for a world in which human identity takes precedence over racial, religious and national identity.

Nehru made his position clear in a remarkable 1953 letter to India's chief ministers. "The feeling of nationalism is an enlarging and widening experience for the individual or the nation," he wrote.

"More especially, when a country is under foreign domination, nationalism is a strengthening and unifying force. But, a stage arrives when it might well have a narrowing influence [...]."

That stage arrives, Nehru believed, because "Every people suffer from the strange delusion that they are the elect and better than all others. When they become strong and powerful, they try to impose themselves and their ways on others", but eventually "overreach themselves, stumble, and fall".

Nehru concluded with a warning to his newly independent country. "We, in India, have to be particularly careful of this because of our tradition of caste and separatism. We have a tendency to fall into separate groups and to forget the larger unity."

I shall leave it to Biden and Harris to substitute the US for India, and draw the lesson they may. And I will not give up hope that they will affirm America's global responsibility and revive its leadership role, using it to promote the interest of all humanity.

MINT CURATOR

Houseplants like the minima have become popular with millennials. TWITTER

An indoor plant sells for $8,000 in New Zealand

An indoor plant with just four leaves has sold for more than NZ$8,000 (£4,000) in New Zealand, as the public's passion for horticulture surges during the pandemic. Houseplants have become especially popular among millennials, experts say, many of whom are unable to nurture babies or pets due to financial and property constraints. Now a cornerstone of interior and Instagram styling, the trade in houseplants is booming online too, with tens of thousands of Kiwis bidding on plants each week. In August, a variegated minima broke the record for the most expensive houseplant ever sold on Trade Me, the country's largest trading site, beating the previous record-holder by $1,650. The seller had set their reserve at $1. The plant sold for $8,150. The seller described the small minima as "very rare"...

The Guardian

Taiwan expects to fix its passport identity crisis

Fed up with being confused with China amid the coronavirus pandemic and Beijing's stepped-up efforts to assert sovereignty, Taiwan said it would redesign its passport to give greater prominence to the island's name. Taiwan has complained during the outbreak that its people have encountered problems entering other countries, as Taiwanese passports have the words "Republic of China", its formal name, written in large English font at the top, with "Taiwan" printed at the bottom. The new passport, expected to come into circulation in January, removes the large English words "Republic of China", though the name in Chinese characters will remain, and enlarges the word "Taiwan" in English...The new passports were needed to prevent Taiwan people from being mistaken for Chinese citizens...

The Straits Times

Aboriginal art sales take a covid hit in Australia

Indigenous art centres have been hit hard by covid-19 travel shutdowns, with art sales falling by more than 50% in some locations and communities, a report has found. Before the pandemic, Indigenous art centre sales had been growing for almost a decade. But since March, sales of artworks across the Northern Territory, South Australia, and Western Australia have slumped by between 46 and 52%, according to the report by Desart, the peak body for Central Australian Aboriginal arts and crafts centres. Arts Minister Paul Fletcher released a consultation paper on Wednesday, calling for input from artists, art centre directors, arts workers, art dealers and collectors to help the Indigenous art sector rebuild and recover... In just 107 days of lockdown total sales fell from $10.5 million to $7.3 million.

The Sydney Morning Herald

Satellite tags reveal the secrets of a tiny seabird

The UK's smallest seabird regularly travels up to 186miles (300km) to feed in stormy waters off Shetland, according to new satellite tag data. Adult storm petrels on Mousa, Shetland, were fitted with GPS devices to better understand where they foraged for plankton and small fish at night. The data revealed they were flying to a previously unknown feeding area 68 miles (110km) south of their colony. One bird even ended up almost 248 miles (400km) in Norway. It took just 24 hours to fly back to Mousa. Researchers suspect the bird had been blown off course in bad weather. Storm petrels migrate from the coasts of South Africa and Namibia to breed in Europe. They nest in burrows, among rocks or holes in stone walls. Petrels on Mousa are known to nest in the walls of a fortified Iron Age house called a broch.

BBC

The cozy feel of a US Open closed to spectators

Organizers took advantage of lack of spectators to build a sprawling outdoor lounge at Flushing Meadows this year, affording U.S. Open competitors an unprecedented range of outdoor recreation on otherwise empty plaza inside Billie Jean King National Tennis Center. Fist-bumps and hugging are out at this year's U.S. Open—as many signs across the campus are quick to remind. Socially distanced recreation is in, with a "life-size chess board," miniature golf and popular lawn games like a beanbag toss placed in front of Arthur Ashe Stadium... Foosball, a basketball hoop, "soccer billiards" and shufflepuck are also available for players to enjoy, in public spaces where ticket holders once roamed, as tournament organizers aim to keep players away from the locker room and into fresh air.

Reuters

THEIR VIEW

Bretton Woods 3.0 puts the dollar's dominance at risk

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Like the proverbial foolish woodcutter chopping the branch on which he sits, the policies of the current US administration are undermining the post-World War II international economic order that it spawned and underwrote for long. This is undermining the dominance of the US dollar as the global reserve currency that underpins American power and hegemony.

This order was initially based on the Bretton Woods (BW) system of exchange rates fixed against the US dollar, in turn pegged to gold. After the US went off the gold standard and floated its currency in 1971, there was a shift to BW 2.0, comprising floating exchange rates. The dollar strengthened its global reserve-currency role as demand for it rose with an expansion in cross-border trade and capital flows on the lines outlined by Robert Triffin. This allowed it to finance large domestic (both private and government) and external deficits.

BW 2.0 started unravelling with shifts in monetary policy. Central banks have different mandates and objectives, mostly a mix of growth and price stability. The primary target of both the Bank of England and European Central Bank is price stability. Bank of Japan too targets inflation, but financial stability is almost equally important on account of its historic focus on the exchange rate. Most developing countries also have their exchange rate as an unstated objective of monetary policy, constrained by what is described as an "impossible trinity". The US Federal Reserve has twin targets, with growth and price stability given equal weightage, as captured in the "Taylor Rule" formula.

In June 2020, the US Fed issued "forward guidance" that it intends to keep its benchmark fund rate in a band of 0-0.25% for the foreseeable future. Further, the Fed chairman recently made an announcement that effectively downgraded price stability to a subsidiary objective, as markets saw it.

This shift in focus of the Fed, and indeed of other advanced-economy central banks was in the works for a long time, beginning with the "Greenspan put", even though its formal articulation is new. The long-term decline in both growth and consumer price inflation in the West underlies this shift. The reasons for the former are clear in ageing post-industrial economies. The reasons for the decline in inflation are less clear. The likely candidates are a global savings glut, consumption growth not keeping pace with productivity, and trade openness that eased supply bottlenecks. Even the sharp increase in government debt since the global financial crisis over a decade ago, and exacerbated in the wake of the strong fiscal response to the covid pandemic, has not moved inflation northwards.

The Fed's ultra easy money policy could combine with White House myopia to end its long reign

Over time, as the Fed began to deviate from its twin mandate to give precedence to growth over inflation, its benchmark rate moved closer to the zero lower bound that marked the limit of conventional monetary policy. Japan had hit that limit as a result of its policy response to a protracted real estate-banking crisis in the 90s. It was here that early experiments in unconventional policy—with shades of modern monetary theory or MMT—such as quantitative easing (QE) were first carried out. Western economies hit their lower bound very soon into the global financial crisis, and resorted to large-scale QE. Their recovery from it was never robust enough for interest rates to rise much above the lower bound, or for a rollback of QE.

The flipside of this easy-money policy bias was a global investor search for yield, which propped asset markets and made them bubble-prone on one hand, and pushed capital into emerging markets, where growth rates were rising even as these were falling in the West, on the other. The monetary policy response of emerging market central banks was to expand their own balance sheets by mopping up capital inflows to keep their exchange rates from rising too far and puncturing their growth. This injected large amounts of domestic currency into domestic markets that in turn needed to be sterilized. This version of MMT preceded, and was exacerbated by, QE in the West.

As the covid crisis hit the global economy in early 2020, rich-world central banks were hurried into hitting their lower bound and resuming QE. The Fed expanded its already bloated balance sheet by over 70% in just three months ending 3 June to over 33% of US nominal output. This was even more dramatic than during the earlier crisis, and other advanced economy central banks followed suit. With the need for a second round of fiscal stimulus in response to an extended pandemic, the balance sheet could expand even more, pushing more flows our way.

The rise of QE and MMT in the advanced world marks a shift to BW 3.0, with central banks now constrained to pick up larger amounts of sovereign debt as external demand for the dollar retreats in tandem with deglobalization, and government borrowing rises. Central banks are becoming sinks for sovereign debt. Since their assets are not freely traded, there is little effect on inflation and interest rates, thereby masking the expected effects of fiscal dominance as monetary and fiscal policies get conflated.

By turning its back on globalization and institutions of the post-war global order, the Donald Trump administration is further reducing demand for the dollar, thus undermining a key pillar on which US economic hegemony rests. This is reflected in a sharp rise in the price of gold. Unless a new US administration reverts to the status quo ante, the dollar could eventually cede its status as the world's de facto reserve currency.