

Engel: Fiscal challenges abound globally

Written by Elizabeth Barrett
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Speaker featured at All Points annual meeting

The influence of politics on economics is increasing, according to a banking expert with experience in banking and rural economics.

Bob Engel, president and CEO of CoBank, was the speaker at All Points Cooperative's annual meeting Monday at the Monsanto Learning Center.

CoBank is a national cooperative that serves rural industries like All Points.

Engel began his talk, "Managing Risk in a Global Economy," by comparing the risk of national and world economies to a one-lane road in the mountains of Bolivia.

With 2,000-foot drop-offs, the North Yungas Road is known as the most dangerous in the world because of the number of deaths annually.

Hazards, obstacles and risk are unavoidable in life and the United States and the world are facing all of those now, he said.

More than four years after a global crisis, Engel said there are no sustained recoveries in developed economies.

Weak growth and high unemployment have weakened business and consumer confidence.

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Inconsistency in public policy has also contributed, he said.

Engel pointed to tightened lending regulations on U.S. banks while money is needed to spur spending.

As the national debt crisis intensifies, fiscal and money union are needed.

“We need a common destiny between the two,” he said.

In Japan, which is experiencing a drop in gross domestic product, the theme is similar—a real estate bubble collapse, debt, high unemployment and an aging population.

However, the Japanese ability to sacrifice is helpful, Engel said, pointing to Japan’s quick rebuilding efforts after a devastating earthquake and tsunami.

China has bypassed Japan in output and is now No. 2 in the world in that category, he said.

The country’s low cost of labor and efficiency in manufacturing has transformed much of the country into a vibrant market economy with a GDP that has increased 10% yearly for 20 years.

Still, challenges such as an aging population and huge economic differences between the super rich and agrarian poor are present, he said.

Because of borrowed money, Engel said the United States needs China economically and vice versa.

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Engel also spoke of the turmoil in the Middle East and the fact that U.S. policy efforts there are declining.

Closer to home, he touched upon the divisiveness in Washington D.C., noting that leadership and compromise are in short supply.

President Barack Obama has done little to deal with the deficit, Engel said, and former presidential candidate Mitt Romney failed to propose an acceptable fiscal plan with hard numbers.

As the national debt continues to rise, he said a transparent, bipartisan agreement is needed for a balanced, credible and broad-based consolidation plan that includes how to deal with entitlement programs.

“The best way is to begin confronting it now while we still have flexibility,” Engel said.

On a lighter note, he said the U.S. economy is more resilient than expected as the housing market has brightened and national oil and gas prices have dropped.

Engel referred to ag producers in the audience when he said world food production will have to double by 2050 as population grows to more than 9 billion.

The United States is the world leader in quality, quantity, efficiency and safety of ag products, Engel said.

“U.S. ag will be essential to meeting and satisfying these demands,” he said.

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