PSI 2009
Governance and the Economy
Summary session

David FIELDING
Christian MONTET
Difficult to synthesize 35 papers on subjects as different as:

- Australian trade policy,
- the link between institutions and health,
- the design of institutions to fight corruption,
- the protection of marine areas,

just to name a few.
This diversity reflects the number of challenges that we are facing, especially in the small remote islands, due to globalisation and to the changes in the world environment:

- New issues of external effects and public goods: climate change, preservation of fragile natural resources (marine resources, coral, land)
- Technological changes in telecommunications and transports (connectivity) and their effects on the location and development of economic activities
- Changes in energy and primary products markets,
- Macroeconomic policies in open economies (exchange rate and trade policies, foreign aid and assistance, transfers)
- Institutions and governance issues for sustained growth and international coordination of policies
This diversity of topics and approaches also reflects the increased cooperation between researchers in:

- law,
- management,
- economics,
- political science

(see for example inside the research team of the UPF named GDI for Gouvernance et Developpement Insulaire – Governance and Development of Island Economies)
The first keynote speaker, M. Mc Gillivray from the Australian Agency for International Development showed the advantages of increased interconnectivity, especially for the remote small Pacific Islands.

He stressed the importance of pro-competition policies in increasing the benefits of such technological changes.
The advantages of competition and liberal trade policies were also highlighted in most of the presentations:

- Competition is the only way to obtain significant reductions in prices of products and services required for the development of our economies and for the welfare of the consumers.
- Even some sort of competition between administrations are good not only for the cheaper provision of public services but also for fighting corruption and bad governance (see the presentation by Chauchat).
- Protectionism is certainly not a solution. Evaluations of the costs of protection are an essential contribution of economics (see the first evaluation presented by N. Winchester, U. of Otago, of the likely costs of changes of preferences such as the «food miles» movement).
• On the other hand, good and efficient regulations and state interventions and aid are certainly needed for facing the challenges of sustainable growth in the new global environment.

• These regulations can be actively complemented and supported by private arrangements following more traditional ways of dealing with collective action issues (see the part of the afternoon session dealing with environmental economics).
However in order to have efficient regulation or state intervention, good institutions and governance are required.

The performances of governments and their administrations must be greatly improved in the Pacific Islands. Strategic issues between politicians, business interests and citizens are highlighted by the new analyses called New Institutional Economics.

A series of questions were raised in this respect and suggestions of reforms were made.
What economics and economists can bring to help the decision-makers has been brilliantly discussed by Pierre Jacquet, Chief Economics of the French Agency for Development (AFD), through the specific example of designing durable development policies, in particular through the actions against the adverse effects of CO2 emissions.

Issues raised by uncertainties, social values toward the future generations, impatience of the current one finally generate trade-off between different solutions, which can only be solved by social and political choices.
Economics does not bring solutions, but rather offers a framework within which to discuss informatively the political choices that has to be made now in order to avoid irreversible effects or catastrophes tomorrow.
Finally many new links have been established between researchers from different countries and organisations, also between researchers of different disciplines (law, economics, political science)
Clearly from the Session Governance and Economics, there are many reasons to be optimistic about what our disciplines can bring to help the local decision makers in their work to solve the difficult challenges resulting from the global changes.

Thank you to all the speakers and participants!