**Elections, Investments, and The Global Economy**

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2024 came to a relatively consistent and non-volatile start for investors looking to capitalize on the thriving returns of 2023. In the preceding year, we saw time and time again, how governments failed to pay their debts and expanded an entire generation of social security under brand new acts passed, such as those in the US, and Canada. 2023 also seemed to stand out since it; avoided the much-awaited recession, enhanced opportunities for emerging economies, and derailed efforts by monetary institutions to regulate and contract the global economy.

2024 is set to be a deciding year for many nations, riddled with elections. In a tight race, all parties are vying to make it to Islamabad, hoping to bring stability to the capital and the economy, which has been under interim orders for the better part of the past 5 months. In the U.S., a similar picture is painted where President Biden is hoping to re-capture the House and the Senate, to pass much awaited aid deals to Ukraine and Israel, as well as pass job creation bills, to account for the damage done by the spike rate hikes in the past three years (by the Fed).

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Many economists said that 2023 was supposed to feature a recession, especially following fears that the U.S. government would default, and send the global economy into a spiralling downfall. They turned out to be wrong. Instead, the White House helped create a record number of jobs and cater for much needed infrastructure embedment across the country. And because of this, the economy expanded 2.5%, and had consumer spending at a whopping 2.8%. Consumers saw the opportunity of a downfall and started spending. It was a rather bold move shown by consumers, midst the uncertainty, but pushed through overall fears of an economic regression.

In the US economy’s context for a minute, let’s consider some of the different aspects. The impact of the Covid-19 lockdowns was mostly on businesses, consumers and members of the labour market. In terms of businesses and employees, the essential support given in form of stimulus was arguably enough to cover a large part of their spending to keep the economy, just afloat. In terms of consumers, it’s been a build up to each moment, until New Year’s Day. On the one hand, we had Republicans and the Federal Reserve pushing to drive down spending, and on the other we had Democrats and the White House negotiating to keep the industrial jobs booming like never before. This lag in employment period really helped account for much of the inflation cuts we saw. In early January, the Commerce Department released numbers indicating that inflation was persistent at a healthy 2.6 percent, down from 5.4 percent, this time last year.

In terms of a broader scheme of affairs-according to the IMF, emerging economies were also at a relatively positive outlook in 2023. Bangladesh’s economy grew 6 percent, Poland was at 2.3 percent, while Mongolia was at 4 percent. Now one may wonder what was similar between all these states. All 3 were accounted to the great volumes of trade. Bangladesh’s emerging tech sector proved as a great alternative to those of developed and thriving economies, while Tourism and Textile, in Poland and Mongolia proved to be successful for the large parts of the velocity of their circular economy.

Now, yes, the PCE gauge is healthy and consumers-not nations-are spending with more confidence than ever in the past-but there are still risks associated with this year, that could potentially break the momentum we saw in 2023. The world bank predicts that 2024 could be somewhat of a weak point for the global economy, citing fundamental issues such as “borrowing costs for developing economies-especially those with poor credit ratings-are likely to remain steep with global interest rates stuck at four-decade highs in inflation-adjusted terms.” This could mean that trade could be deterred and eventually halted between some countries for major goods, and major partnerships. And with a lack of free trade agreements, we could see volatility in some of these markets spike. This was perhaps the reason behind the redundancy of stock prices after the Davos meeting-where surveys show the global economy may shrunken due to fears of poor employment opportunities. A significant percentage of the respondents also indicated that AI, was literally taking over people’s jobs.

Now, everything isn’t going as planned for the US economy on an individual level either. JP Morgan and Chase CEO, Jamie Dimon predicts that the US economy is almost on the brink of a debt ‘rebellion’. He says, “It is a cliff, we see the cliff-It’s about 10 years out, we’re going 60 miles an hour (towards it).”

To some, this may serve as a warning to control government spending and inhibit further restraint by Congress. To others, it’s a sign that the tide is shifting on the political economy-where debt and tax rates are decided by the drag of a political party.

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