

A rising tide lifts all boats?

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Author's Note: *This is a commentary piece submitted to the Maldivian Economy and is meant only as a presage to a larger more detailed analysis of the topic; how growth in a specific industry in the Maldivian Economy, feeds back to the larger economy. The larger essay to follow will also compare and contrast 3 essential industries of the Maldivian Economy; Tourism, Fisheries and Construction, to understand such feedback loops and their beneficial effects.*

“A rising tide lifts all boats” is a popular quote attributed to John F. Kennedy and commonly used, almost as a truism, to show that rising economic activity will benefit all sectors of the economy and all peoples of that country.



However, just as there's considerable doubt as to the origin of the phrase there is also considerable research to show that increase in GDP growth does not spread

itself equally to all people or even benefit all sectors of the economy equally. This essay will attempt to reach a better understanding of how the increase in GDP are felt across these industries. It'll also examine the beneficial feedback loop back into the larger economy.

The National Economy has, according to published statistics, grown 7.33% in 2014, 2.25% in 2015 and 7.3% in 2016 and 6.9 in 2017. The 2019 Budget submitted by the Finance Minister projects the economy to grow by 7.6% during 2018. As can be expected a deeper scan of the economy shows that different sectors of the economy grew by different rates during this period.

While the national economy grew at an average rate of 5.25% during the study period; 2014-2016, (because detailed industry breakdown is not yet available for 2018) the Primary Sector grew only by 0.22% and the Tertiary Sector grew by 4.53% during this period. It's the Secondary Sector which grew by a whopping 15.91% that afforded a large part of the fuel that drove the engine of the national economy during the 3 years 2014-2016. For the sake of understanding the larger article will take a detailed look at the different industries which constitute the Maldivian Economy.

Because, it is evident that it is the Secondary Sector that accounted for the large part of the growth in the study period, a deeper drill into the Secondary Sector reveals that while the sector grew by 15.91% during the period, it is the construction industry that grew by a mammoth 24.17% during the period and in fact grew 28.54% in 2014 and 26.81% in 2015, that largely accounted for growth in the Secondary Sector.

Therefore, it is the remarkable growth in the Construction industry at 24.17%, that has led to the near 16% growth in the Secondary Sector and the consequent 5.25% growth in the National Economy during the period.

As alluded at the beginning it is almost a truism that a rising tide floats all boats. That growth in the economy will benefit all industries and all peoples. However, as common with all such platitudes there remains a lot of conditions and provisos that needs to be appreciated.

A basic understanding of the Maldivian Economy tells us, as in other economies, the beneficial effect of growth in any specific industry is not equally spread across the stakeholders of the industry. Some industries, because of its very structure, are better construed to spread the benefits of growth to more national stakeholders. Almost by definition some are not. A rising tide does not lift all boats equally. The

detailed analysis to follow in the lengthier and detailed article will examine this effect in greater detail.

AS has been recognized, growth in the economy, for the medium term is going to be very much dependent on the energy of the construction industry. An industry which does not, even at the best of times, have the best feed-back loop into the economy. That factor is multiplied, when the energetic 24% growth in the construction industry is being fuelled by foreign projects, funded from foreign banks and undertaken and implemented by foreign companies using only foreign material and labor.

Therefore, even while a rising tide is supposed to lift all boats, many factors play into the how far individual boats rise or do not. They include, among other aspects, the natural incline of the shore line, the created flow pattern in the harbour, the specific mooring points, the types and weight of boats and their design, and of course the lunar calendar defining tide levels. These factors and more each contribute, sometimes in a non-linear manner in deciding how far boats are lifted with rising tides.

The detailed analysis, which is to follow shortly, will essay the feedback loops of the mentioned industries and attempt a deeper understanding of how the Maldivian economy works and where real growth needs to be attempted in order to nurture the larger economy and anchor real development in the country.