Infrastructure and Prosperity

By Sam Vaknin, Ph.D.

Infrastructure and Prosperity

by: **Sam Vaknin, Ph.D.**

In the past, if you mentioned the word "infrastructure", the verbal reflex would be: "physical". Infrastructure was roads, telephone lines, ports, airports and other very tangible country spanning things. Many things were added to this category as time went by, but they all preserved the tangibility requirements - even electricity and means of communication were measured by their physical manifestations: lines, poles, distances.

Today, we distinguish three additional categories of infrastructure which were unbeknownst to our forefathers:

Social infrastructure - laws, social institutions and agencies, social stratification, demographic elements and other social structures, formal and informal.

It is amazing to think that previously no one thought of the legal codex as infrastructure. It has all the hallmarks of infrastructure: it spans all the country, it dynamically develops on the basis of a previous strata, without it no goal oriented human activity (such as the conduct of business) is possible. A foreign investors is more interested in the answer to the question whether his property rights are protected under the law - than in the availability and accessibility of electricity lines.

He can always buy a generator and produce his own electricity - but he can never enact his own laws unilaterally. A local citizen is bound to encounter the law (or resort to it) sometime in his life - even if he never travels a road or uses a telephone.

The second category of infrastructure is the human infrastructure. What is the mentality of the people? Are they lazy, industrious, submissive, used to improvise, work in groups, individuals, rebellious, inventive or stifled and so on? Are they conservative, open to the world, xenophobic, ethnically radicalized, likely to use brute force to settle disputes? Are they ignorant, educated, technologically oriented, consume information or reject it, trustful and trustworthy or suspicious and resentful?

An educated workforce is as much an infrastructure as any phone line.

The last category of infrastructure is the information infrastructure. It is all the infrastructure which tackles the manipulation of symbols of all kinds : the accumulation of data, it processing and its dissemination. Words are symbols - but so is money and computer bytes. So banks, computers, Internet linkups, WANs and LANs (Wide and local area computer networks), standardized accounting, other standards for gods and services - all these are examples of the information infrastructure.

The development of all these infrastructures is intimately linked. They usually develop almost concurrently. They form feedback loops. The slow or hindered development of one of them will disturb all the others.

This is really quite easy to understand. If the workforce is not educated, it will not be keen on the manipulation of data and symbols. It will buy less computers, use the Internet less, bank less and so on. This, in turn, will reduce the need for phone lines, office buildings and so on. There seems to be an "infrastructure multiplier".

This multiplier is a two way street: an increase or decrease in each type of infrastructure adversely or positively influences the others.

The West is in dire need of infrastructure itself. Its infrastructure is either old and crumbling - or overloaded and crumbling. Roads in large parts of the USA are in poorer condition than roads in many countries in Africa. America-On-Line, a major Internet provider was unable to provide services to its customers in the last few weeks because communication lines in the USA were totally blocked. Certain places in Israel could receive television signals only in the last few years, as infrastructure reached them. Infrastructure is a universal problem.

No surprise that the West invests in the infrastructure in developing countries in two venues only:

Through international finance organizations (such as the World Bank and the European Bank for Reconstruction and Development). The terms and conditions of this kind of financing are very lenient. Those are really grants more than credits.

The implementation of these infrastructural projects is awarded to contractors through international tenders, wherein bids are submitted from the world over.

Rarely, a local firm outbids its better financed, better equipped and better motivated first world rivals. Local firms usually have the lower hand.

The other possibility is that multinational firms get involved. But this kind of financing comes with a lot of strings attached. The multinationals expect to get back both their investment and a reasonable return on it. They come heavily subsidized by the governments of their countries. Their contribution to the local economy, during the construction of the infrastructure, is fleeting, at best. They prefer to employ their own crews and equipment. They do not trust the locals too much or too often.

But whichever way the infrastructure is created, problems arise to the host country.

International, multilateral, finance organizations inevitably think on a global scale.

They invest in infrastructure only if and when it services - or has the potential to service in the larger scheme of things - a cluster of neighbouring countries.

Clear benefits to regional groupings of countries has to be unequivocally demonstrated. Such finance organizations will forever prefer to invest in a cross-border highway. They will neglect, overlook, or outrightly reject an investment in a much needed local road, for instance. The benefit to the domestic economy of the local road could be appreciatively more sizeable. Still, the international fund would encourage the cross border highway. This is its charter - to promote multilateral investments - and this is what it does best. The interests of the host country are a secondary consideration.

On the other hand, the private sector invests only in countries with well developed infrastructure in all the aforementioned categories. That this is a tautology, no one seems to notice. If the infrastructure is already developed - an investment is not needed. When it is needed, the private sector will not supply it, unless it is already developed. The result is that proper investments of the private sector - not subsidized, not partial, not correlated by international funding - is limited to the developed, industrial world.

Research discovered four disadvantages of countries with under-developed infrastructure:

Such countries suffer from interminable bottlenecks in all the levels of economic activity, especially in the production phase and in the transportation of raw materials to the factories and of finished products from them to the marketplace.

This adversely affects the availability of the domestic product both in the domestic and in the foreign markets. Agricultural produce is most affected but, to a lesser extent, so are industrial goods. If the infrastructural problem is with lines of communication, the service sector is harmed and cannot provide its products (the services) to its customers.

A second issue is the distortion of the price mechanism. Prices are heightened due to the resources wasted on trying to overcome problems in infrastructure. Prices are supposed to reflect inputs and values and thus to assist the markets to optimally allocate its resources. If the prices reflect other, unrelated, issues - then they are distorted and they distort the economic activity.

The third problem is that a disadvantage of a country - is an advantage to its competitors, rivals, neighbours and enemies. Other countries, with better infrastructure benefit : they attract more foreign investment, they conduct more business, they export more, they have lower inflation (cheaper prices) and their economy is not distorted by irrelevant, ulterior, non business considerations.

The fourth - and maybe largest and longest term - handicap is when the country's image is affected. Infrastructure is much easier to fix than a country's image. If the country acquires a reputation of a mere transit area, an underdeveloped, inefficient, non productive, hopeless case - it will suffer greatly until this is amended. This - the image - has the gravest possible consequences: repelled investors, reluctant financiers, frightened bankers, disgusted foreign investors. All this amounts to an ex communication of the country.

There are eight known solution to the problems of a country with underdeveloped infrastructure:

It can start by privatizing its infrastructure (commencing with its energy and telecommunications sectors, which are the most attractive to foreign and domestic private investors alike).

Then, it can allow the business sector to operate parts of the national infrastructure. The usual arrangement is that the business sector invests in creating the infrastructure and then collects a fee for operating and maintaining it. The fees collected are large enough to cover both the investment and the maintenance costs. The most famous example are toll roads which are constructed by private sector firms.

Another way is to commercialize the infrastructure (to collect fees for using the telephony network, or highways) and to ploughback the proceeds exclusively into projects of infrastructure. Thus, all the income generated by cars passing in a highway will be dedicated to the construction of additional highways and not be funnelled to the general budget.

The fourth method is to adapt the prices of using the infrastructure to the real costs of constructing and of operating it. In most developing countries, consumers pay only a fraction of these real costs. Prices are heavily subsidized and the infrastructure is left to decay and rot away. This, obviously, is a political decision to be taken by the political echelons. In many countries it could create social unrest and have severe political ramifications.

The country could condition investments in multilateral infrastructure projects upon investments in its own, local infrastructure. A multinational firm wishing to invest in a highway (thus reaping considerable cash rewards) - should invest a portion of the future profits in local roads and other forms of infrastructure. A multinational fund which is interested to invest in a telecommunications project connecting three countries, must oblige itself to a "local investment" clause, a "local content purchase" clause or an "offset" (the purchase of local goods against any import of goods connected to the project to the country) clause.

The country must open its markets to domestic and foreign competition by de-regulating itself. It must dismantle trade barriers : tariffs, quotas, restrictions, anti-investment regulations, restrictive standardization and so on. Competition will both lower the costs of the infrastructure and improve its quality, as rival firms will strive to supply more value at less price.

An important condition is that the country does not promote one kind of infrastructure over another. All categories of infrastructure should be simultaneously and similarly stimulated. This will carry favour with the international business community and is bound to alter the image of the country for the better. It will also create a positive feedback loop whereby an improvement in one category of infrastructure will yield improvements in all the others.

Last - but far from being least - the country must promote international agreements which will facilitate reductions in the costs of cross-boundary transport of goods, services and information, packaged no matter in which form. Less documentation, less one sided fees, less bureaucracy - will reduce the costs of businesses and the total damage to the national economy. The less encumbered by red tape - the more a country tends to prosper.

Sam Vaknin is the author of "Malignant Self Love - Narcissism Revisited" and "After the Rain - How the West Lost the East". He is a columnist in "Central Europe Review", United Press International (UPI) and ebookweb.org and the editor of mental health and Central East Europe categories in The Open Directory, Suite101 and searcheurope.com. Until recently, he served as the Economic Advisor to the Government of Macedonia.
His web site: http://samvak.tripod.com

Reminding Yourself of Prosperity
by: **Stephanie Yeh**

Have you ever heard the phrase, “Thoughts are things and words have wings?” This phrase is the perfect expression of the principle of prosperity. How you think about and talk about your level of prosperity is what actually manifests in your life. How many times a week do you wistfully say to your companion, “Oh, I’d love take a break and go to Mexico, but it’s too expensive and I’ll never be able to afford it”? Or how many times do you sigh enviously when you see someone else who has what you want?

Well, guess what? Every time you indulge in that kind of envious or hopeless thinking, you’re sealing your own fate! According to ancient teachings on prosperity, everything that we say, think or feel is recorded in the akashic records, and then manifested into our lives. If you think about your level of prosperity as a barometer, every time you feel hopeless or depressed about your lack of prosperity, you slide down the scale a notch toward poverty. On the other hand, every time you say, “Well, I’m not there yet, but I will be able to go to Mexico soon,” you zip up the scale toward prosperity.

We always think that our level of prosperity depends on outer circumstances such as a promotion, winning the lottery, getting a better job, or some other stroke of luck. Wrong! Our personal level of prosperity always, always starts inside, with our thoughts, feelings and words.

Old habits, especially old habits of poverty, can be really hard to break, so here’s a quick way to remind yourself to be mindful. Each day, do something different to create a “prosperity reminder” for yourself. For instance, if you normally wear a ring on your middle finger, wear it on your index finger. The foreign sensation of the ring on a different finger will catch your attention and remind you that you’re supposed to be conscious of something. When you notice the ring, notice where your thoughts are. Are you depressed about your boring job or are you looking forward to something prosperous in your life, no matter how far away it may seem? You can also put a small stone in your pocket, put a rubberband around your wrist or wear a silver chain under your shirt. It doesn’t matter how you do it, as long as you create a noticeable “prosperity reminder” for yourself. We recommend you practice this exercise for at least 40 days to really set that prosperity framework firmly in your life. Have fun!

Stephanie Yeh and her partner have helped many other people achieve and experience prosperity with the help of a strong 15 year network marketing business. Her current project, the Journeyman Wealth Program, is aimed at helping 15 people a year fully achieve their dreams. Stephanie’s Prosperity Abounds website works on the basic principle that “You are the creator of your own reality!”. Get more details on her website at http://www.prosperity-abounds.com.

info@prosperity-abounds.com

Related eBooks:

Reminding Yourself of Prosperity
Appreciation Attracts Prosperity
Learn About The Traditional Chinese Sailing Ships
Mental, Emotional and Physical Prosperity
5 Key Ways to Attract Abundance and Prosperity