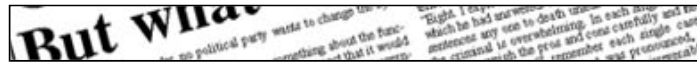




Thursday, March 26, 2009,  
Chandigarh, India





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##### **Congress tries to reach out to the poor**

ALL party manifestos aim for the moon, and dole out plenty of promises. From a ruling party's point of view, the Congress manifesto is a well-thought-out document aiming at the welfare of all sections of society, focussed more on the weaker sections.

#### Sheer arrogance

##### **Mulayam culpable for threatening EC official**

SOME politicians are arrogant even before the elections. Samajwadi Party leader Mulayam Singh Yadav believes that he can do anything and get away with it. That is, perhaps, why he has reportedly made in one of his speeches threatening references against the District Magistrate of Mainpuri, from where he is contesting the Lok Sabha elections.

#### Attack on media

##### **Kerala CPM must check the tendency**

THE frequency and ferocity of attacks on the media are increasing day by day. Goons intoxicated on power think nothing of physically harming journalists whose writing they find inconvenient.

#### • Thought for the Day

### ARTICLE

#### Bailing out the unailable

##### **Only saving the world will help the US**

by Aditi Roy Ghatak

A bus ride in New York costs a dollar and a half; a Citigroup share costs less and that, in a manner of speaking, sums up the state of capitalism in its citadel, the US. The question is being asked whether capitalism, as we have known it, has gone kaput and whether the humungous stimulus packages being offered by the US and Europe to Japan and South Korea can really salvage anything from a mass graveyard of the erstwhile soldiers of capitalism. The question deserves serious consideration because, at best, the stimulus seeks to tweak the system that got it into the state of financial meltdown to begin with; there seems to be no new thinking.

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## **Bailing out the unbailable Only saving the world will help the US**

**by Aditi Roy Ghatak**

**A** bus ride in New York costs a dollar and a half; a Citigroup share costs less and that, in a manner of speaking, sums up the state of capitalism in its citadel, the US. The question is being asked whether capitalism, as we have known it, has gone kaput and whether the humungous stimulus packages being offered by the US and Europe to Japan and South Korea can really salvage anything from a mass graveyard of the erstwhile soldiers of capitalism. The question deserves serious consideration because, at best, the stimulus seeks to tweak the system that got it into the state of financial meltdown to begin with; there seems to be no new thinking.

Approached from the commonsense perspective, it would seem that the answer to the problem and the mass of junk that it has produced clearly lies in demand rather than supply- side management as has been practised for about three decades. Demand management would, in this case, entail creation of employment for it is the salary that the wage earner earns that will finance the demand. In America's case, thanks to the outsourcing of the production base, the wage earner lives in China! This represents the final stage of the three-step prescription provided by the International Monetary Fund in the late seventies, when Mrs Margaret Thatcher ruled supreme in Britain.

Economists had forgotten to put on their thinking caps in those heady days of supply side economics that primarily believed that it was the supply of financial inputs that would oil the entire economy as America emerged as the sole super power; its writ ran all over the world. Thanks to Operation Desertstorm of the 1990s, the war with Iraq — whereby Mr George Bush managed to get the Western world allied with hardly a voice of dissent — and the break-up of the Soviet Union that led to the disappearance of any opposition, whatsoever, it was an unipolar world with a standard economic policy. There was no professional manager that thought otherwise; the West used every communication device at its disposal; the glitzy power point presentations to convert the "nay" sayers. Even the mainline economists and business writers succumbed to the Western propaganda.

America thus ushered in globalisation of the kind that it had devised: free movement of goods and money, but no free movement of employment. It is the restriction of the cheap labour that was confined to the underdeveloped world that eventually led to a crisis of monumental proportions within the developed world. The arrival of Premier Deng of China in the mid-nineties cleared the decks to make China the global production platform and, in effect, the developed world became the distribution centre for such products in a world where everything seemed hunky-dory.

Apparently, things were not so but by then the offshoring, for instance, was making available to the corporates vast surpluses on the labour account and within a matter of years China was the El Dorado of all American businesses and, for that matter, of the rest of the developed world. America had decided that demand management was not a concern because that would mean focusing on creating domestic demand at the current levels of the cost. Thus, on the one hand, the American corporates had surplus funds and, on the other, there was a world of low-cost produce flooding the American market whilst much of the surplus that corporate America produced spilt over into Wall Street for want of any alternative investment channel, once the dotcom bubble went bust. That was the beginning of the dance of the Dow Jones. What happened in America, happened around the rest of the developed world.

There is one simple truth that one tended to forget in those heady days of supply-

side economics: people make up the economy, not primarily money or commodities. The pre-Thatcherite world was largely dominated by a system where money went into production that was sold at a profit that was ploughed back in a balanced cycle of funds within a domestic economy. The globalised world order broke the cycle and led to outsourcing of production as the developed economies chose to become service economies, selling products made overseas. The message was: it did not matter where production was taking place as long as the people at home could afford the commodities in the market. It was inevitable that under such a system the building of surpluses was taking place in China — at the last count it had shot up to \$1.9 trillion at the macro-level, taking both the China and US end — while employment dwindled, leading to a drop in earnings at a micro-level and a virtual collapse of demand.

The beneficiaries of such a system, as long as the going was good, were the large corporates — that primarily soared on the wage differential — the US government that enjoyed the benefits of Chinese reserves being pumped into government securities and Wall Street bankers, that stood to gain in a regime in which money did not have to go into domestic production and could easily be pumped into Wall Street operations.

The state of balance of payments was disrupted on the one hand and, on the other, the government — under the watchful eye of Alan Greenspan — chose to direct all spending towards a mortgaged housing system even as the top Wall Street bankers conspired to create a world of toxic assets that have been much written about. In effect, the American economy was left with anything between \$11 trillion and \$13 trillion in the mortgage market with a still undetermined amount having gone toxic.

Worse, the ordinary American was left with very little real money though much of the US was holding huge volumes of junk bond. Overnight people who considered themselves to be comfortably placed were shoved into the realms of penury and debt even as the producers of American goods — the car makers, companies like GE and other such towering figures of capitalism were left tottering. At the last count the American insurance giant AIG was in the red by \$61.7 billion for the final quarter of 2008. No American corporation had ever reported such a huge loss, the annual deficit being around \$100 billion.

The government's response was that the insurer was "too big to fail" as it extended to AIG another \$30 billion in new capital in addition to the \$150 billion in new equity and loans that was provided last year.

What about the US government? Uncle Sam, on its part, is even deeper in the red but is left with no option but to pump in paper money — estimated to go up to around \$3 trillion — to transfer the bankruptcy noose from the necks of the Wall Street bankers to its own. The grateful Jeffrey Immelt, boss of General Electric, made appropriate noises around the crisis resulting in the global economy and capitalism being "reset in several important ways" with the government becoming a "key partner" to business even as its shares tumbled and the top credit rating came under threat.

To get back to the original question, can such a stimulus help? It would be worthwhile to follow this logic: the stimulus package can only apply to the domestic economy. The truth, though, is that the domestic economy in the West, from the US and the UK to Germany, the Netherlands along with much of Japan, South Korea and Taiwan has virtually outsourced the real economy. The question then is: on whom will the stimulus be applied as far as the real economy is concerned? Will a bankrupt country bail out the unbailable for, as far as the financial economy is concerned, banks in most developed countries are virtually bankrupt; their funds are lost in a toxic maze of shadow banking. The European banks have become a spent force, having put in funds into East European reconstruction. For the US, saving America will only be possible if the world is saved, but nobody is looking beyond his nose around the stimulus spend.

In India, given the current shape of demand and the real economy — construction, automobile, personal credit — the damage is still to be assessed and divulged. Clearly, the government cannot afford to disturb the fragile balance in a pre-election period. Come June and the skeletons are bound to come out of the cupboard. The developing food and energy shortage should gradually become full-blown. That is when the shit will hit the fan. There can be no polite way of making this point.



## Virtual time by Harish Dhillon

Time once gone never returns. This idea has been the refrain of so many songs, and poems that it remains deeply etched on our minds all through our lives. Our parents, too, tell us to make the most of each moment because it is never going to return, no matter how much we may want it to. Yet, my own experience tells me that time does sometimes return and visit us again, moments from the past come back totally unbidden, in a virtual kind of way.

It was 1972, my second year in school as a teacher, and I had been assigned the stage management of the school show "The King and I". Mr B Singh, Mucho, the director, insisted that I be there throughout rehearsals right from day one. The props, both stage and personal, had to be provided weeks before the dress rehearsal so that the actors knew how to handle them without any awkwardness. I knew every word, every movement of the play and I knew all the cast and crew as if they were members of my family.

It had been gruelling work but I had enjoyed every moment of it and for months afterwards I would find myself humming one of the songs. But over the years the experience faded away and was completely forgotten.

In 2003, in YPS, "The King and I" was taken up as the annual play. Apart from a passing comment, "We did this in Sanawar in 1972", the situation did not evoke any memories or bring that magical performance back to me. Then one day, while on a round, I heard young, ethereal voices practicing the song "Getting to Know You". Time slipped away. It was 1972 again. My heart missed a beat and I felt blind panic. I was late for rehearsal and Mucho would kill me. I rushed as fast as I could and as I ran I worried about all the things that could have gone wrong. Butch was always fidgeting with the vase I had borrowed from Mrs Sawhny, he might have knocked it off its stand and broken it. Ashish was constantly pulling the cotton snow from the roof of Uncle Tom's cabin to make moustaches. He could have taken it all off. Perhaps Jyotsna had not been able to get the fan from the property box in time for this scene.

I came finally to the rehearsal and in a flash 1972 was gone and I was in 2003 again. There was no Barne Hall, no Mucho, no Jyotsna, no Ashish, no Sanawar. For a moment I stood there, my mind a total blank, unable to cope with the rapid time-transit. Then I turned and walked slowly back to my office. This was not a mere stirring of memory, I had actually been in 1972 and lived through that magical time again.

Time is not irretrievable, moments do not go away, they remain a part of us as long as we live.

