

# Global Economic Mayhem

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The ongoing crisis in the global economy is by no means a bolt from the blue. Nor is the location of its epicenter something unanticipated. True to the inherent logic of imperialist capitalism the crisis started with hitting the apex sector of finance capital triggered by enormous bad debts in the housing finance sector, and when the collapse of the speculative apex sector becomes serious enough the next in line is the producing sectors including the industrial and agricultural ones. The cascading effect can be faster or slower depending upon the quality and quantity as well as the efficacy of the ameliorative measures followed by the national governments and their central banks. But, by the simple fact that the US economy occupies prime position and is the largest vector in the global economy of today no national economy can hope to escape completely unscathed from the ongoing crisis. The Indian economy, which is not yet subject to full convertibility of its currency and hence not fully integrated in the web of the global financial system [the result of what is called vestiges of 'conservative' economic policies], is also not immune as is being well proved by the current developments. In fact, a time tested method of coming out of the crisis for the imperialist metropolises is to try their best and all their economic clout to transfer the impact to the shoulders of dependent, structurally weak economies like that of India. It is precisely because these economies are viciously dependent on the imperial economies that such transference comes natural. The steady depreciation of the rupee vis-a-vis the dollar is a case in point.

Apart from the collapse of big financial empires which will automatically result in generalized credit crunch and absolute increase in unemployment levels throughout the globe certain fundamental methodological questions concerning understanding the dynamics of capitalism in its imperialist phase is underscored by every crisis that besets it from time to time. Monetarism of the brand of Milton Freedman and the conservative side of US politics, which has its apologists everywhere stands discredited with every crisis. The neo-liberal economic regime of imperialist globalization promised the world that the unbridled opening up every sector of national economies to global capital was expected to convert the poor countries into lands flowing with milk and honey. Presided over by the International Monetary Fund and World Bank and now the World Trade Organization the development model prescribed is the homogeneous model based on free trade and all round liberalization. But now what people are seeing is the very reverse of this much touted panacea. The US treasuries as well as the apex banks of other advanced capitalist/imperialist countries are pumping in trillions of dollars as blood transfusion to prop up the global financial system. This is absolutely the reverse of what they were shouting from the rooftops until yesterday. That means that when the crisis hits home 'free trade' can be dumped and protectionism for corporate capital at the expense of the tax payers' hard earned money can be shamelessly resorted to. This vulgar opportunism is being easily excused on the pretense of saving the world economy from utter collapse. There is growing resentment against this opportunism from the masses in all these countries.

During the 1970s a phenomenon known as "begging bowl syndrome" became very popular in major parts of the world including South Asia, entire Africa and South America. Countries facing credit squeeze went to the IMF and World Bank with begging bowls for aid and loans to service the debts owed to international commercial banks. The super bankers were ready to advance loans which in effect salvaged international loan sharks. Incidentally, it was a well reasoned and forceful statement of Fidel Castro in 1976 asking the debt trapped third world countries to unilaterally refuse to honor debts which rattled the international commercial banks and made

them run to the super banks asking them to extend credit to the indebted countries. But IMF and WB did not give out loans just like that. Very strict conditions stipulating the so-called austerity measures and liberalization of the national economies as a whole was an inextricable part of such loans, it was these conditions that made the term "IMF riots" popular. Now again, many countries [e.g. Pakistan and Bangladesh in South Asia] are getting ready with their begging bowls. India is weighing options. It is anybody's guess what sort of conditions the super bankers are thinking of imposing under the present conditions.

In this context a side information may also be relevant to expose the capitalist business ethics. The chief executives of the bankrupt corporations grabbed as much as they could knowing full well that their corporations are facing the wall. In fact, this unscrupulous greed can only accentuate the crisis. This is clearly happening in the upper echelons of US economy. The severe resistance to suggestions of cut backs in the fabulous pay packets to executive chiefs whose pay packets are in terms of billions and not millions shows this ethics only. Any pruning of expenditures has to be at the cost of the workers and the fact that numerous corporations are implementing pay cut backs and retrenchments clearly delineate the trend. Moreover, doctoring the accounts to create false images to artificially hike up the capitalization value is a common practice among big corporations. Enron and World.com are early illustrations. This is a globally recognized blatant economic crime but nevertheless practiced widely. Manipulating the stock markets on the basis of false projections is the order of the day rather than an exception. Only when the crash comes because of unsustainability and non-feasibility the ordinary share holders and the employees recognize the fraud that was being practiced on them by a handful of financial speculators which includes the top bosses of the global corporations. When any stock market crashes the resultant loss is notional for the corporations as such but can be real for the multitude of small investors.

An immediate political fallout of the present recessionary trend will be the hiking of fascist tendencies which are already well rooted in the advanced capitalist countries. As the number of jobs available dwindles, competition for jobs will become more intense and the accusing finger will be pointed at the migrant workers. Fascist slogan-mongers will blame the migrant workers for taking away the bread from the mouths of their own citizens and this is certain to sound credible to the less politically conscious sections. This was how Hitler did the trick in Germany and exterminated the Jews. This will be a totally unjust development because the migrant workers had played a major role in the prosperity years. Relatively speaking, they were providing cheap labor thus enhancing the profitability of enterprises. This is especially true with countries like Germany [Turkish migrants] and the US [Asian and Hispanic migrants]. As a rule, the migrants perform the most hazardous and cheapest jobs available in the employment market and there also they are discriminated against. In countries where racist thinking is already built-in even the short run consequences can be quite ugly.

The US economy is the most debt ridden economy in the whole world. The high standard of living, illustrated by high consumption rates, is based on the incredibly high ratio of debt/consumption to savings which means the prosperity will be pricked airless when a full scale recession sets in. A zero or negative savings and a per capita credit card debt of \$ 9000 clearly points out that the high consumption levels were maintained on debt only. Incapability to pay back interest and principal on housing mortgages and the resultant crash in real estate prices was the first manifestation of the present crisis which made the real estate sector tailspin which in turn is driving financial institutions into bankruptcy which in its turn is threatening the survival of all sectors of the economy. In this scenario the only alternative is to intervene from the top and pump in liquidity into the financial institutions which may cushion their fall. The theoretical bankruptcy of monetarism, Reaganism, Thatcherism and all other related *isms* and the tiger/miracle/elephant economies they created and lauded stands

self exposed. The present crisis brings out in a forceful manner the basic ignorance of the managers of the global economy on how the system they are presiding over works in reality. It is curious to note the renewed interest in the writings of Karl Marx and to a lesser extent of John Maynard Keynes, Michael Kalesky and neo-Keynesians. Feverish efforts are going on in Europe and the US to reprint the writings of Karl Marx. The only difference is that this time it is not the Marxists who are doing it but the bankers and those who were babbling about 'end of history', 'end of work' etc!

This renewed interest in Karl Marx is curious in yet another way too. The collapse of the Soviet bloc and the whole-hearted adoption of neo-liberalism in China were the two events that gave the neo-liberal intellectuals the opportunity to condemn Marx into the dustbin of history. But in reality Marx never wrote anything about the socialist or communist social and economic system which he said will replace capitalism due to the inherent contradictions of the capitalist system itself. He is totally innocent of giving any blueprint for the future society. What he did was to give an extremely rigorous analysis of capitalism in terms of its laws of dynamics and this analysis was never foreclosed to further developments and changes. It was the so-called Marxists sponsored by the Soviet Union and the apolo-gists of neo-liberalism that condemned Marx, the first as an icon and the second as moribund. Both have been proved absolutely wrong by actual historical develop-ments. This is, to say the least, a positive fallout of the crisis of the neo-liberal regime sought to be imposed on the whole world by imperialist capital. Fresh investigations into the dynamics of imperialism and genuine alternatives are bound to fructify through such structural crises. Karl Marx and the more recent Mao can very well be the basis of such investigations. Such crises need not be a bad thing at all.

#### **INDIA AND THE PRESENT CRISIS**

During the 1990s when the Indian economy was formally opened up to the forces of liberalization and globalization there were strident demands to abandon all caution and open all doors wide for global capital. By the early years of this century this process of opening up has been achieved to a significant level both qualitatively and quantitatively. The growth rate started showing tenden-cies of reaching a double digit mark on par with that of China. In fact, it was China that provided a ready made model for India. This is so whether it is the case of launching sovereign foreign enclaves in the name of Special Economic Zones or opening up vital sectors like insurance and banking. The rupee was made partly convertible and it is possibly the structural scope and space for dissent [unlike China] that prevented the government from enforcing full convertibility along with maintaining certain caps that prevented hundred per cent integration on the terms of foreign capital. Even then, the inflow of direct foreign investment continued in force resulting in high growth rates. This clearly shows that the high growth rate achieved is mainly the high growth rate of foreign capital and its profits and not that of the economy as a whole. That is why in spite of 7-8% macro growth rate for a number of years there is a remarkable downswing in manufacturing and agriculture which is the only resort of the overwhelming majority of the people. In fact, both these important sectors have registered highly negative features for the last many years illustrated by the large number of farmers' suicides and collapse of good number of traditional industries. And this is a continuing trend with no symptoms of any break-through in the near future.

It is laughable when the finance minister or the prime minister repeatedly "assure" the people that India is relatively immune from the fallouts of the global crisis. Both of them along with the planning commission vice-chairman are the principal proponents of neo-liberal economic policies and they set out and implement the domestic economic policies. On what basis they are claiming immunity remains very vague. Stock markets have already tumbled and volatility remains the hallmark. The rupee has depreciated considerably and there is significant outflow of foreign capital

resulting in downward revision of the actual and projected macro growth rate. What it means is simply that the chief policy makers and executives are only trying to fob the gullible people. Every sector that is exposed to foreign capital is bound to be affected badly and there will be spread effects on the whole economy. Chidambarams and Manmohan Singhs know only too well that they are incapable of reversing the fall-outs of the integration with global capital. What people are witnessing now in the country is the price that they are paying for opening up the economy to global capital and there is no way to avoid paying it both in the short and long run. All other talk is only hoodwinking. The apex bank itself is clear on the fact that it can perform only cosmetic adjustments like cuts in the credit ratio. Cosmetic adjustments for structural maladies cannot be any solution at all. Morbid obsession with double digit growth rate is the declared goal and hence the main culprit. And this obsession is based on a growth model that serves the corporate sector and them only. And now they are out to grab huge chunks of land from the farmers following the 21st century model of the English East India Company. This certainly will have serious implications for food security, national sovereignty, further impoverisation of the already impoverished farmers, and all round deprivation and conflicts. The future looks ominous.

India is also contributing its might to save the US economy. An example is the Indo-US nuclear deal. Though Indian policy makers were playing hide and seek on the deal the American leaders were candid. For them the deal is primarily meant to save the ailing nuclear industry. A minimum of \$100 billion will flow from India to the US and European nuclear industry during the coming ten years and that was why George Bush was in a hurry to settle the deal at the earliest. And even while recessionary tendencies are becoming more marked India has decided to open up the insurance sector to allow 49% direct foreign investment and more such measures are on the anvil including FDI into the media and legal sectors. Recession or no recession, there seems to be no let up in the opening up process. Actually, the possibility of furthering the opening up process is very much there. A modern form of Giffon's paradox. When there is mounting pressure through withdrawal of dollars due to increasing global demand for dollars the solution to arrest the downswing in the corporate growth rate can be inviting more inflow by offering even greater concessions and opening up more sectors for FDI. This sort of an approach will be in fine tune, with the guidelines of IMF and WTO. The depreciation of the national currency makes it even more vicious. Indian people are in for more such doses of patently perverse economic logic.

Globalization was always projected by its apologists as an inevitability, the only means to achieve development and growth, the only means that can catapult the country into the position of an economic super power, and the only means to generate sufficient employment. All these assumed parameters together constitute their development model and catch phrases like percolation of the benefits of globalization downward were conveniently added as spices to make it palatable to the masses. All the mainstream political parties, whether left, right or center, implicitly believe in this panacea and so it became very opportune to dub all those who oppose globalization as 'anti-development' and backward looking. It will be naive to expect them to reverse this simplistic paradigm because these forces are firmly committed agents of globalization and they stand to gain by following this model and they constitute the ruling class. Any crisis such as the one currently going on will also be dismissed as an inevitability produced by the cyclical pattern etc.

True, capitalism is inherently subject to anarchy of production. But what is happening now is not simply the result of the anarchy of production. More appropriately, it is speculative capital reigning supreme in the finance capital sector that is producing the crisis through sheer inhuman greed. This greed is multidimensional though centered on the single point of maximization of super profits at any cost, even at the cost of the survival of the planet itself. This greed is resulting in reckless attempts to consolidate the strategic resources [which includes land] of the

planet into a few hands. It is this greed that is fueling wars resulting in ever intensifying misery for the people of the world. The two World Wars were the direct results of this greed only. A possible Third World War, if it ever happens, also will be the result of the very same greed. But the global corporate capital is certainly wary of a Third World War and hence the attempt is to control and possess the resources of the world mainly through the market mechanism, especially through dominating the finance market. It is precisely this attempt at manipulation, control and domination that is currently taking a battering through its own internal contradictions. □□□