

# EMERGING NEW ECONOMY

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The present recession may be mankind's first step towards a new political and economic order. The present thinking revolves around respect for a country's sovereignty. This principle is enforced by the Security Council which is controlled by America and Europe. Countries opposing this principle are punished by these countries such as Iraq was punished for invading Kuwait. These countries will not have remaining such power after the present recession. Obama's commitment to withdraw from Iraq comes because the American economy is not able to bear the costs of this war. The incapacity of the Security Council to enforce this rule will lead to the development of many independent centers of power such as China, India, Australia and Brazil. These countries will become regional policemen. There will remain no Security Council which can prevent these regional powers from violating sovereignty of other countries.

The suspension of the principle of sovereignty has some harmful consequences like India being exploited by the British. But it also has a positive aspect. Presently, countries that are not able to govern themselves are deprived of the good governance that could be provided by a neighbouring country. Kautilya advises the king to ever strive to expand his kingdom. The idea was that a good king would win and provide good governance to the vanquished people. People of countries like Rwanda and Somalia would be much benefited if these countries were invaded by better-governed neighbours. This principle is likely to be reestablished. The challenge here is to give equal rights to the people of losing country. The problem with invasions in the past was that the vanquished people were not given equal rights. England did not give equal rights to Indians and America does not give equal rights to countries that come into her security umbrella. The present recession provides an opportunity for reestablishment of the principle of allowing invasion as long as equal rights are provided.

The idea that population is a liability will also undergo change. Present thinking stands on the idea that human beings are a drain on the economy. The error of this principle will become self-evident soon. Countries with low population will fall while those with large populations will prosper. A 2007 report by Ernst and Young speaks of the burden of ageing in the developed countries. They do not have young people to earn and pay taxes for the social security benefits of the old. The cost of production in these countries will be high because scarcity of labour will raise the level of wages, countries like India and Bangladesh, on the other hand, will emerge victorious. Wages will be low in these countries because mothers here have produced large number of children and workers are available aplenty. This proves that population is an asset rather than a liability. Just as growing of plants in a forest nursery is considered to be 'production', similarly giving birth to children should be considered 'production'. Indeed, production of human being is more beneficial for economic growth. A human being consumes two rotis and produces Rs 500 worth of goods in a day. Human beings will bring more economic growth than trees of the forest. The present recession will make this fact plainly visible. Countries with low wages and high population will continue to grow while those with low populations and high standards of living will continue to sink. More humankind will henceforth be seen as a gift of God rather than a curse.

The engine of economic growth will be redefined. Present thinking holds that investment is the engine of economic growth. Countries like the United States that invested heavily in highways and power stations in the last century also led in rates of economic growth, till now at least. But thought was not given to generation of demand for consuming this ever increasing production. Famed economist Keynes said "Ancient Egypt was doubly fortunate, and doubtless owed to this its fabled wealth, in that it possessed two activities, namely, pyramid-building as well as the search for precious metals, the fruits of which, since they could not serve the needs of man by being consumed, did not stale with abundance. The Middle Ages built cathedrals and sand dirges. Two pyramids, two masses for the dead, are twice as good as one; but not so two railways from London to York." Keynes repeatedly stresses in his writing that investment will cause more problem in the next cycle.

Keynes' prophecy will become plainly visible in the coming years. The recession will deepen in countries that increase investments to overcome the crisis. Countries that provide purchasing

power to their common man will move on the path of sustained growth while those that push investment will land into greater recession.

The purpose of economic growth will also be redefined. Present belief is that increased consumption provides happiness to the people. Nobel Laureate Paul Samuelson explains: A person who eats two bananas is happier than one who eats one banana. The hollowness of this principle will become plainly visible in times to come. The rich countries with high levels of consumption will see a decline in their standards. There will be a surge in social evils of violence, alcoholism and the like even though their consumption will be much more than that of people of India despite the present recession. Surveys have said that people of Bangladesh and Nigeria consider themselves happier than Americans. Reason is that consumption does not beget happiness. Such surveys are not given due attention at the present because it will hit at the interests of the capitalists who thrive by converting human beings into mere consumption machines. People are subjected to advertisements that push them into less peaceful, less enjoyable but more consumptive life styles. The present global recession will make it impossible for the rich countries to continue with this strategy. Their people will not be able to even maintain their current levels of consumption. This will lead to much social distress which will push to forefront a reexamination of this basic premise. It will become clear that Western countries have created a violent society in trying to increase consumption at any cost. This will lead to redefining the purpose of economy. Instead of saying that economy should provide for ever increasing levels of consumption; it will be said that economy should provide for lower levels of wants. The crux lies in matching wants with available goods. A person who wants one banana and has one banana is happy. One who wants five bananas and has two is unhappy. Happiness can be created by lowering wants as much as by increasing consumption. This twofold approach will gain ascendancy and the 'consumption only' approach will be relegated to the past. The coming times will be very exciting, it seems. □□□