

GOING GLOBAL

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Economic depression having its origin in USA is spreading globally. Housing Finance is accused as the standalone factor for the origin of crisis but not global Finance Capital. It is accepted that surplus value created by labour can be taken away legitimately by the owners of equity or capital owners as a corporate body—owners alone by private limited company or share holders in a public limited company—as a reward for entrepreneurship and also being risk taker/s in business initiative. So income disparity is an endogenous process of capitalist economies causing socio-economic disparity everywhere it exists. In a democratic political system, the role of the state is to provide some subsidies to the deprived lot acting as a social balancing factor between intriguing capitalists and victimised labourers. But obviously the delicate order bursts beyond a limit causing business cycles. Blaming the real estate sector solely for a mammoth global depression is like elephant observation by blind people.

US economy was a net gainer of two world wars, supplying war materials at enormous profit but itself never being a victim of war injures of any kind in two world wars. Not a single bomb was dropped on USA state territory. Thus Britain became a net loser of wars while its capital city London was mauled by severe bombing and subsequently USA emerged as the most affluent economy out of big business of weapons in the world wars. USA emerged as a superpower replacing Great Britain in the post-world war period.

For a long time since then, USA was considered as Mecca for careerists of all hues, as a land of enormous opportunities. Talented persons of all countries flocked into USA, Indians being among the major immigrants. It has flourished using liberal immigration as the strategic policy of cashing in on foreign talents without any grooming cost, or cost of basic and advanced training/learning, which occurred in academic foundations at enormous cost out of Indian tax payers' money - world class centres of excellence like Indian Institute of Technology and Indian Institute of Management and the like. Thus two World wars enhanced exploitation to higher volume and value.

The market economy which is the synonym of capitalist system showed its best form in globalisation, exhibiting inherent evolution of global and local economic disparity. Ex-colonies obtained in most cases only national flags and anthems signifying nothing in terms of optimum and equitable internal and global economic development and welfare of the masses while new colonialism went on en route more sophisticated plundering.

While the capital owners in market economy suck the major portion of the produced honey, the working class is deprived of any portion of the honey called surplus value. A highly skewed income distribution pattern is enforced on the working class by several weapons of contractual employment vulnerable to periodic renewal at the mercy of employers. If there is a public

sector, mixed economy being a camouflage of state sponsored pseudo-capitalism, income disparity pattern in public sector (IDP) is similar to private sector. If this is the picture of the organised sector, IDP is much more in the hell named unorganised sector. Wages are inverse in proportion to the size of the unorganised sector, a cesspool of displaced workers mixed with the uneducated labour segment born in underprivileged families who could never qualify to get a job in the organised sector.

Increasing subtly the variety of consumer goods, stoking impulses of consumption and earmarking ownership of consumer goods as status symbols, the consumption basket is inflated cumulatively, plunging the common man into the quicksand of neck deep loan. Since residence is the most bulk-priced conspicuous status symbol, the finance sector promotes sale of shelter as commodity, as the best bulk investment of its loanable funds, assuming that real estate can only escalate for natural and emigrational growth of population - this last arises from ambitious diaspora coming to USA, the land of opportunity, to make true dreams of earning wealth by way of self actualisation.

Wealth being the indicator of a person's social status, there is an innate compulsion to acquire and display wealth, because neighbours and relatives and casual visitors would see the material possession but indebtedness to bank and NBFC would remain a well preserved secret. This is a perverted mode of reducing inter-personal disparity by sowing the seeds of financial anarchy and penultimate depression.

Banks' desperate thrust to enhance loans portfolio has distorted people's rational propensity to consume according to disposable income. In several surveys conducted in western countries, most respondents answered that they wish to go up the ladder of social status two or three steps in one generation.

Pro-active role of the state of the USA must be taken into account. Since the world wars, the American economy has become a war economy, enjoying an astronomical profit margin in ammunition manufacturing. The state itself being the customer, payments at high volume had been regular. At the same time, the state could spend less on primary education and health which really had a strong influence on economic disparity.

But endogenous increase in income due to industrial production not being in tune with economist Piero Sraffa's production of commodities by means of commodities, the multiplier effect of income becomes less than optimum, because war products do not contribute to production of any other commodity onward in Sraffa's chain of production. Potential growth of national income across the globe and people's welfare suffered.

So war-lords' gain is loss of economy as less production cycle implies less income, causing less domestic consumption, which means less multiplier effect. It is thus a leakage of potential income pulling down effective demand. Highly advanced technology in production of war materials provides employment to the top layer of the salaried income community, thus

aggravating the already skewed income distribution of the American community. Thus war economy wages war against its own economic order.

Public welfare deserves the primary concern of the state as opposed to the vicious circle of production for super profit and conspicuous consumption . Purchasing behaviour is broadly divided between instinctive and impulsive consumption. Instinctive behaviour is dictated by primary needs of living like food, shelter, clothing, medicine, necessities of survival in order to carry on professional life in good health. Education, though not indicated in instinct, is a vital factor to keep the working people productive and employable. Hence in developing economies, to keep pace with developed economies, government directly intervenes in the public distribution of basic necessities. Quite often government fixes prices, profit margins and availability of commodities to one and all.

Now looking at the impulsive purchase scenario, neither rationality of the individual nor acts or rules of government determines the quality or quantity of transactions. There being no preventive measures imposed by self or external body, private strategists in marketing field bend the rules of the game to attract the consumer beyond rational behaviour. 'Neighbours' envy owners' pride, the mantra is preached through subtle techniques of advertising in mass media, blurring the margin of necessity and conspicuous consumption.

The kind of residence someone lives in is considered the prime indicator of the concerned family's social status. Equated monthly instalments, popularly known as EMIs are stretched to even 25 years in order to dispose of real estate beyond one's current and uncertain future purchasing power. While it reduces EMI to an affordable level, the interest component becomes higher in EMI the longer the repayment period. Bank earns more from long term housing loan accounts while customers enjoy more material comfort in bigger and better housing units. Both bank and borrowers consider increase in value of real estate, the former having the right to take back in case of default, and the latter considering it their prudence to beat inflation using conspicuously steep real estate prices.

But no one factorised business cycles, its precise probability. In an open economy, innumerable factors are involved affecting movements of economies of individual countries, under the commanding and contagious influence of global economic factors.

It would be simplistic to expect that a liberal monetary and banking policies can reduce socio economic disparities within sustained economic growth, because market economy, more precisely capitalist economy is antagonistic to distributive justice.

The champion of Welfare Economics Dr Amartya Sen is conducting continuous surveys under two trust bodies set up, one in India and another in Bangladesh. These studies are exposing prevailing and growing inequalities, particularly in health and education amenities which are the main factors involved in developing a healthy and educated/skilled work force in a country. This is the core process of human resource development. Government has allocated huge funds to different projects for development of the urban, suburban and rural poor, but the chain of

corruption (Graft, in the latest terminology) from top to bottom, comprising the bureaucracy inside and politicians freewheeling outside with lesser accountability, go on making hay while the sun shines. Cell phone spectrum allocation is only the tip of the iceberg. Gunnar Myrdal's 'Asian Drama', the famous book on the inherent problems of developing economies, marked a chapter on 'Economics of Corruption' to show, four decades ago how mixed economy indulges in the worst aspects of capitalism and socialism, just opposite to what was conceived. Corruption vigorously accentuates socio-economic disparity.

Effective demand is a function of disposable income. Productive employment in rural areas under National Rural Employment Guarantee Scheme would be generating disposable income for rural people below the poverty line(BPL) as soon as it is started. It serves two purposes.

First, infrastructure essential for connectivity of rural areas needing all weather two way transport roadways is built up. It provides industrial products to enter rural areas. Second, Generating purchasing power through NREGS allows rural people to purchase industrial products, essential consumer goods in continuous flow as against through the weekly rural 'haat' (market opens once or twice in a week). Rural people would sell agricultural and rural products and purchase cheap affordable varieties of several industrial goods once or twice a week. Now regular transactions are coming up of agricultural and industrial products in rural areas, instead of weekly haats. People's welfare helps growth of trade and commerce everywhere.

Once a cold chain is operated over all weather transport roadways, agricultural goods, in particular perishable products like flowers and green vegetables, can go to urban wholesale markets or bulk purchasers like retail chain shopping malls, generating liquid cash income everyday for agriculturalists. Economy can grow simultaneously in urban and rural areas supporting each other.

According to former President of India Abul Kalam Azad, when villages would have similar infrastructure like road, electricity, telephone and internet connectivity and above all health and educational amenities like the cities, the disparity of city and villages would obviously reduce. The potential of increase in economic activities in rural areas is enormous, but remains restrained by infrastructure. So infrastructure can work as a magic wand in order to promote potential of economic development everywhere.

After liberation in China, the model of economic growth "was walking on two legs," i.e. industry and agriculture were given equal growth opportunities. Miniature steel plants in rural areas came up. Rural economies started evolving away from age old agriculture and agro-based industries for livelihood. When industries come up in villages, the migration of rural people toward urban centres can be reduced. Due to lower cost of land with lower wages / salaries and other allowances in rural areas, small and medium scale industries are more viable here than in city centres. Increase in economic activities has its chain reaction to primary, secondary and tertiary sectors in backward zones. The classical city centric economic growth model is not a sacrosanct model in blind imitation of west.

Just now, in order to reduce overhead cost, the most advanced new generation of industries i.e. information technology is moving away from big cities to small towns. Sustained power supply and telecommunication would have made it possible for local people to get viable jobs at lower salaries, because working from home economises rent and related establishment costs. Everything is costlier in cities.

Where IT sector is successful, other industries belonging to secondary sectors follow suit. In the British Period when waterways were the dominant form of transport and communication, Calcutta, Bombay and Madras were centres of growth. But after independence, with central and state governments' initiatives in transport and communication, and a steady growth of modern infrastructure all over the country, proximity to ports had ceased to become so important. Port-centric industries faced competition from newly emergent domestic industries. But competition did not mean adversity only, but had good aspects as well. It provided wider income and employment opportunities.

East India was the most industrialised region. Not all enterprises were essentially owned by British entrepreneurs. Prominent among enterprising Indians were the Tagore family and some other families who took initial initiatives for making primitive accumulation by early bird advantage. Palatial buildings in North Calcutta are witness to those nouveau riche families who made their primitive accumulation as initial trade partners of the intruder British East India Company.

Rabindranath Tagore was against all sanctions restricting liberal thinking, even competition among Indian enterprises or international. He favoured an open mind despite all odds that may come in an initiative, an onward drive. The visionary said 'storm may come, rain may drench us, the boat may be on the brink of capsizing, but we must not stop sailing the boat. The journey ahead must go on'.

Modern capitalist thinking in the renaissance period revolted against the chains of feudalism, as seen by Tagore. Contradictions inherent in capitalism burst into two world Wars bringing in communism. What he did not see was communism degenerating into autocracy, lumpenised by vested interest groups.

LPG i.e. Liberalisation, Privatisation and Globalisation was imposed upon India by the World Bank in 1990. India succumbed to the 'Structural Adjustment Programme'. Japan did not accept LPG while taking the same loan, because it takes away sovereign independence of a nation and makes it subservient to international finance capital and its dictates. Since then a High-Tech jobless growth model has had its way, increasing inequality.

Lenin whose leadership brought revolution in USSR was very vocal against the subtle mechanism of finance capital which would rule the earth after independence of colonies. Sovereign power of state should not have been compromised by Manmohan Singh who was finance minister under Rao, and, then Prime Minister of India. Such mousetraps of international finance capital having captured India, the long term interests of the nation were ignored in

order to solve a short term financial crisis. However it was not a personal myopia, it was an illusion manufactured by the comprador lobby that ruled India.

Subcontinent India's super large domestic market if properly utilised by selling Indian goods by import substitution, now that NREGS and other schemes are improving income and employment in the rural areas that constitute the major portion of India, one can generate a high gross national income, as against Manmohan's export oriented economy model which is vulnerable to global economic fluctuations.

Contradictions inherent in unrestrained capitalism which generate and aggravate inequality, justify exploitation, cause dwindling of the economy in the norm and lead to the practice of policies ensure that the rich will be richer, and the poor poorer, the two will never reconcile. Since selfishness is spontaneous/injected in majority of human beings, even socialism as a system degenerates into bureaucratic capitalism, not being dictatorship of the proletariat but dictatorship of party bigwigs' dictatorial rule for self aggrandizement. Which is the way to social justice? This still remains an open question. □□□