Crumbling Old Order

The Old Order is crumbling. But fire-fighters throughout the world are in no mood to create a new one. They are trying to save the situation by way of state intervention which they oppose in principle. Unlimited deprivation. Unemployment higher than people have seen in a generation. Skyrocketing poverty. Massive bankruptcy. No doubt the last global recession in 2001 was mild. This one won't be—a point on which George W Bush agreed with his fellow travellers at the 15 November. G-20 meet. While addressing the G-20 government heads Bush was at least pragmatic enough in stating the reality that the global economic crisis did not develop overnight. As a result it won't be solved overnight. What Bush did not spell out was how America and international financial institutions controlled by it were responsible in the first place in distablising third world economies, developing or not so developing.

But Bush is irrelevant, weak and unbelievable even to his own party colleagues. His audacious attempt to bail out Wall Street with $700 billion in the American taxpayers' money got flak even from some reactionary Republicans. Many see Bush's final act as 'a historic swindle that rewards the villains at the expense of the victims'. India's prime minister Manmohan Singh, being an ardent admirer of Bush described the G-20 meet as very successful. But the 15 November get-together of free marketeers was utterly vague about the future. And his finance minister P Chidambaram pinned too much hope on fiscal measures that the corporate tycoons refused to implement. He asked some sections to cut prices only to get negative response from auto majors, reality big shots and the like. Instead they asked the government to make loans cheaper to their customers, as if the US sub-prime crisis was not enough for them. Promising excise relief in some sectors and seeking 'uncertain' price-cuts in areas dominated by the wealthy is not going to ease the situation because India's economic structure has undergone a fundamental change over the years.

The much-touted and yet less verified, 'impressive growth rate of 7 to 9 percent' cannot resolve the basic problem of Indian economy. The unemployment situation is worsening and worsening. So is inequality in income. Around 22 percent of the population still lives below the official poverty-line which, in all fairness, mocks at what they call 'inclusive growth'.

With agriculture and allied sectors now accounting for only 18 percent of GDP, the services sector contributing 60 percent, gets all the priority. But India still lives in village because 60 percent of the labour force continues to depend on primary sector. In plain words productivity cannot be anything but low. Growth bubble through tertiary sector may burst anytime soon. Indications are that tertiary sector in major third world economies would be severely affected under a protectionist scheme in America and Europe. For third world leaders who assembled at G-20 dinner party, it was all about an occasion to urge Bush and his aides not to indulge in protectionism. But in another three months Bush won't matter in deciding the future course of world economy.

Deregulated finance is taking its toll. Then the persons in power are more interested in widening the gap between rich and poor. While asking G-20 leaders to have patience, Bush continued to derive comfort from the divine faith re-iterated by the G-20 club in free market capitalism. But the recent meltdown and American effort to tide over the crisis suggests among other things that free market euphoria is vanishing very fast even in America where many conservatives think ‘it is dead for all intents and purposes’. □□□···· *20-11-2008*