COMMENT

‘Bail Out’ and ‘Sell Out’

What they call ‘bail out’ IS actually nationalisation by another name. But freemarketeers cannot use the term ‘nationalisation’ because it implies an idelogical import that is contrary to privatisation. The US$85 billion bailout for AIG—the insurance giant—by the US government is the biggest nationalisation in history. Three of America’s top five investment banks have disappeared. The remaining two—Morgan Stanley and Goldman Sachs—are gasping for breath. In the past one year the US treasury has already spent US $900 billion in ‘bailouts’ and yet, markets worldwide are yet to smile.

Despite the unprecedented financial earthquake threatening the very foundation of private corporate world the Congress-led united progressive alliance government is not short of enthusiasm in executing ‘reforms’. Privatisation of banks and further opening up of the insurance sector is on hold for the time being, following the global meltdown. But they have not scraped the idea of disinvesting the remaining public sector units. They are simply buying time.

India’s all nationalised banks were once under private companies, including the big monopoly houses. The late Indira Gandhi nationalised them with a view to scoring victory over her political rivals in the Congress party dominated by old guards and arranging massive resources required for investment in public sector units, with the tacit approval of the then Soviet Union. And the political left of India rallied solidly behind Mrs Gandhi in her crusade against some Congress stalwarts known as ‘syndicate’, who were deadly against any kind of nationalisation. The communist left at that juncture went a step further by virtually equating nationalisation with socialism, of their kind, of course. Increased Russian involvement in India’s burgeoning public sector was hailed as a panacea. With the Soviet Union gone, old muscovites too are now equally trying to woo private capital and discover virtue in multinational capital. They are opposing privatisation of banks and insurance business because of the possibility of losing control over organised sector white collar employees’ unions. Privatisation means reduction in workforce. And they will lose the only leverage they have in their bargaining with the Centre.

The nationalisation of 1960s was in the main a device to accumulate huge funds which the private sector failed to do, to invest in new areas and pumping money into sick units, as a measure of bail out for the corporate world. And the de-nationalisation drive of 1980s was again aimed at strengthening the corporate world at the expense of tax payers’ money.

The game of nationalisation (bailout) or de-nationalisation (sell out) is essentially ‘‘privatisation of profit and socialisation of losses’’.

But more they talk about bail out more they expose the hypocrisy shrouding the success of the market economy. The omnipotent market cannot sustain itself without government intervention. And yet India’s crisis managers continue to aggressively hawk further ‘reforms’, involving dismantling of government stakes in public sector enterprises. □□□