

COMMENT

In a Bind

EUPHORIA OVER OBAMA'S NOT so emphatic endorsement for a permanent seat for India in the Security Council seems to be subsiding, notwithstanding the introduction of a resolution in the US House of Representatives urging the UN to consider the special case of India in view of what they call India's 'Commitment to global peace and development of the South Asian region'. But China and its allies, for obvious reasons, lost no time to ridicule Obama's exercise as handing 'the Indians a cheque that cannot be easily cashed.' What about Germany and Japan—or for that matter Brazil? They are no less vocal than India in demanding reforms of UN, long overdue.

In truth Barak Obama's India tour and his promise to Manmohan Singh to back India's aspiration to be a permanent member of the UN Security Council is a desperate bid to get out of the trouble he is undergoing. When Franklin D Roosevelt came to the White House, poverty and unemployment had engulfed the country. Roosevelt started a process of recovery by means of large-scale public works projects, banking reforms, progressive devaluation of dollar in relation to gold and some sort of social compromise leading to a few concessions to workers. Roosevelt's New Deal yielded some results, but it was not until the outbreak of the Second World War, which made allied forces purchase huge amounts of war materials from the USA and at the same time vastly enhanced the domestic military requirements, that the crisis was fully managed. After his assumption of power, Obama came to the rescue of the business classes and financial institutions of his country from bankruptcy by means of an easy credit policy. But this has hardly proved a viable solution to the problem of unemployment. His reported deal with the Government of India providing for increased US imports into India is fraught with many possibilities. It may create some jobs in the USA, but that is only a drop in the ocean of unemployment. The Indo-US nuclear deal may create some employment in the USA's defense sector, but it is gravely doubtful if the USA's trade deficit with the rest of the world will be wiped out. Unless the people of the USA can shake off their reliance on imported consumer goods this mightiest capitalist power is unlikely to be able to get rid of the crisis, which is not only economic, but political as well.

Outsourcing of business processes was one reason for the rise of unemployment beyond the 'natural' rate even before the current recession broke out with all its latent venom. Obama's measures against outsourcing have not yielded expected results, but it is true at the same time that even if he manages to put an end to it, this will on the other hand reduce the profitability of the USA's homemade goods and services and/or lessen their competitiveness in the world market. What can save Obama and the US economy from having to the position as the leader of world capitalism? The basic malaise lay not in the burst of the housing bubble. The USA, for a long time, lost her comparative advantage in almost everything, high-technology products, banal manufactures, agricultural commodities etc. The only sector in which she has been able to retain her pre-eminence is production of armaments. Hence she has to pin her hopes on war among other nations—this may boost up arms purchases from the USA—or naked colonialism. Barak Obama's efforts to persuade the Chinese to appreciate the value of Yuan is patently an admission of the fact that the USA can no longer afford to think that the rest of the world should produce and the USA should consume. □□□