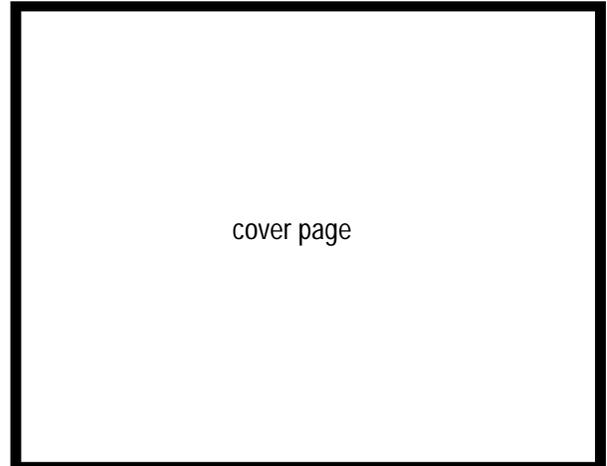
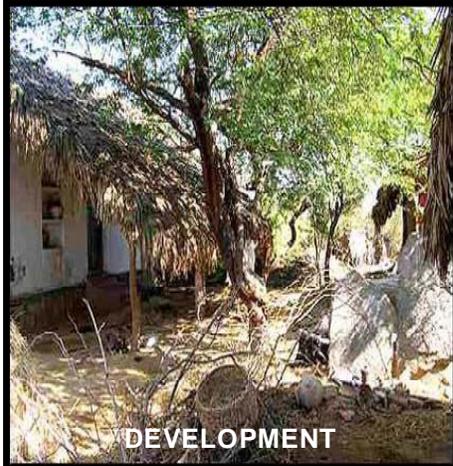


Swadeshi

Vol-14, No. 3, Phalgun-Chaitra - 2066

March - 2009 PATRIKA

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PRINTED AND PUBLISHED BY:

Ishwardas Mahajan on behalf of **Swadeshi Jagaran Samiti**,
'Dharmakshetra', Sector-8, R.K. Puram, New Delhi-22,

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Terror Threat to Economy

Swat Valley of Pakistan and its Talibanisation is the dominating news bulletins everyday everywhere. Threatening images of Radicalised Jihadis and total surrender of the government of Pakistan has on one side exposed the real nature of Pakistan and on the other demonstrated the danger to world as a whole. Humanity has never been at such a grave risk in recorded past.

India in particular is going to be the first and softest target because of its proximity to the nursery of Terrorism. Threat to India is not mere political it is far more graver than perceived by the people. Common people in India are totally misinformed and are hence underestimating the intensity of the danger. People in this country have been breast fed with the idea of centrality of economy in personal life. So they are busy in their economic upliftment. They fail to anticipate that Terrorism is first of all going to hit the economic activity.

There will be no environment to concentrate on improving the economic health of individual or country. Loosing loved ones; business establishment and working hours, so important for wealth creation, will be a common feature in coming days if things continue to be as they are. Because of the fact that when bombs explode and Terrorists exchange fire with security forces no other activity is possible in area.

Inadequacy of Training of our security forces was exposed fully in Mumbai on 26/11. It is time people take charge of their own security and train themselves in required measure. Even the government must seriously consider the idea of making military training compulsory for couple of the years for the youth of the nation.

- Girish Gupta, New Delhi

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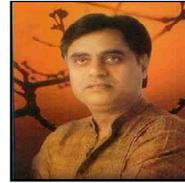
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Quote-Unquote



A.R.Rehman knows nothing about ghazals. Musicians like him just pick up tunes from the west.

Jagjit Singh
Ghazal singer



Those people who violate the rights of society and have no respect for human rights cannot be termed humans.

Arijit Pasayat
Supreme Court Judge



The days of Washington dragging its heels are over. My administration will not deny facts; we will be guided by them.

Barak Obama
US President



I will never endorse tobacco or alcohol.

Sachin Tendulkar
Cricketer

Achieving India

Congress party has wasted no time to claim the success of Slumdog Millionaire at Oscars as part of UPA's achievement. Party spokesman Abhishek Singhvi went several steps ahead and termed Slumdog Millionaire "a film of India, for India, by India" and talked about the "conducive atmosphere with emphasis on good governance contributing to an achieving India". Party is claiming Indo-US nuclear deal, Chandrayaan and near 9% growth as some of its achievement. We understand and accept the fact that it is prerogative of political parties to chart their own manifestos to impress voters for the support in elections. Problem lies with perversion of facts and statement based on wild imaginations. Congress has every right to make "achieving India" as its campaign theme, if it thinks that it can convince people about the transformation of India from what it was to what the party terms as 'achieving India'. It probably has forgotten the 'India Shining' campaign of NDA and the subsequent result in polls held five years earlier.

Problem with political establishment of this country is that they use their vision selectively to focus on the areas that suit them in immediate future. When NDA raised the shining India slogan, which they later credited to media play they were responsible for the same miscalculation. The focus was on a small section of Indian society. Upper layer of privileged few. Their success, achievements and rise was projected as the triumph, attainment and ascendance of India as a whole. Underprivileged and disadvantageous section were hurt and felt humiliated. Their pain was more from the statement of intent in which self proclaimed rulers expressed themselves in such a desolate way telling common man that his problems were not their concern and Common man was not on its agenda. Congress led UPA at that movement of time was able to make the most of this feeling and managed to rope in "Aam Aadmi" by providing him a viable alternative. Result was for every one to observe.

Success of slumdog Millionaire is a proud movement for every Indian, even though there are several people who disagree with the projection of poverty and pessimistic portrayal of the country by an outsider. People also believe it to be British film in India. But congress party thinks otherwise and is repeating the mistake of its predecessor by claiming it as the achievement of UPA. People are justified in asking the role UPA has played in success of the film. And if it was possible because of what party spokesman termed as "conducive atmosphere with emphasis on good governance", what about non performing areas of national life. Where was this 'good governance' when terrorists were hitting us everywhere including the financial capital of the country? Whose failure shall we count when it comes to lack of intelligence accumulating mechanism to envisage the type of terror attacks we have been witnessing? Why limit it to terrorism only? Government has failed badly in predicting the financial crisis that has ruined economies across the world. There were sufficient indications available from early 2007 if not earlier, yet government was in denial mode.

Satyam fraud, the worst ever corporate scam shamed the country during this very so-called good governance. Raju's were cheating the nation for years, yet the government with all its resources including much applauded regulators was not able to find anything messy in the companies run by Raju's. It was the manipulated surrender of Ramalingam Raju that revealed the dark side of corporate affairs. So why shall congress and UPA not take the credit for them also.

If we have a fresh look at the CMP issued immediately after the formation of UPA government and compare it with the achievement after five years result will be self explanatory. Very important persons at responsible positions in the government have been accepting the fact that poverty reduction rate has gone down. Surveys by official agencies have revealed about 46% of all children are underweight; 38% are stunted; 19% are wasted. Similarly calorie intake in both urban and rural India has declined by 4.9 & 2.5 percent respectively. Farmer suicide has touched 182936 by December 2008. Employment generation is almost eliminated and employers are laying off those already employed. Health care is in shambles. Under nourished children are increasing in numbers with every passing day. It is true with every sector of the national life. If UPA still thinks it is achieving India we will have nothing to add and comment.

People will once again realize the extent of disconnect to which rulers in this country are from the ground reality. Those managing the affairs at present are from India for India by India. Bharat and Bhartiya are left out of the entire process. Bharat has become almost a colony of India and is being exploited constantly. Accomplishments of Bharat which it makes possible in spite of Indians are remarkable. But the credit is being snatched and marketed as the achievements of India and nothing is being given in return. It is time Bharat asserts itself and ensures an equal and rightful place for itself.

Interim Budget 2009-10 Empty, Disappointing & Miscalculative

Swadeshi Samvad

Budget speech was like an announcement being made during election public meetings with undue eulogization of the current government.

Interim Budget for the year 2009-10 was tabled in the Lok Sabha by Sh Pranab Mukherjee, the stand by Finance Minister on 16th of February. It is the farewell budget of UPA. While the Budget proposals are surprising for some people, by and large it has been on expected lines. Specific sectors, as usual, have shown disappointment on one or the other count.

Those who expected announcements of some growth stimulating policy measures are clearly disillusioned. But a close look reveals the confusion prevailing in the Congress led ruling combination. There is no doubt that the interim budget was prepared with an eye on the forthcoming general election. No body can deny the UPA or for that matter any party in office the right to influence budget with their own programmes. It is, in fact, the inability to take a definite direction that is baffling the analysts.

Congress Party has attempted to describe the absence of populist announcements as a self imposed idealist restraint. Experienced ones laugh it away. Knowing well the history of the party and its record of fragmenting constitutional institutions, they believe reasons other than tradition or convention for the lack of any heroics in



proposals. While acknowledging that the Indian economy is faced with significant challenges in the financial year ahead, the Finance Minister stuck with the conventions of an interim budget and did not announce any policy or policies that could trigger recovery of the economy from the current slowdown. Speculators are

**It is a much
disappointing
budget to be
produced by the
UPA**

of the view that it was under an intentional effort that ensured the denied prospect and opportunity to Pranab Mukherjee to steal the popularity show.

Eagerness to crown Yuvraj of the party it is believed, is forcing high command to take unusual way to clear presumed impediments, both within and out side the party. The fear that any person more capable and proficient when allowed to become popular is a natural threat to dynastic aspirants. So, no sops in the interim Budget. People in general are of the view that it is a much disappointing budget to be produced by the UPA government before it goes to

election in the coming months. Budget has not taken any concrete step to stimulate economy. It only has tried to indicate intensions and delayed the announcements for a later date.

Opposition parties also have criticized the budget on almost expected lines. "The Interim Budget documents confirm that the UPA Government has grossly failed to live up to the promises it had made in the Common Minimum Programme; that its claims in successive budgets have been, as we have been warning all along, wholly fabricated; and that it is guilty of grossly mismanaging both the economy and governmental finances", said BJP

As far as "education and health" is concerned, the UPA had promised to spend at least 6% of GDP on education and 3% of the GDP on health. It even imposed a cess of 2% on all taxes to collect revenue for education. In fact, the outlays are nowhere near the promised levels. Moreover, the manner in which this money has been spent has remained opaque and apart from continuing with the Sarva Shikshan Abiyan initiated by the NDA Government, this Government has done nothing further in this field.

Communist parties, who were allies of the ruling coalition before withdrawing support last year, also criticized the budget.

-:: Highlights of the Budget :-

- Fiscal deficit seen at 5.5 pct of GDP in 2009/10.
- Revenue deficit seen at 4 pct of GDP in 2009/10.
- Gross market borrowing seen at 3.62 trillion rupees in 2009/10.
- Total plan spending in 2009/10 seen at 9.53 trillion rupees.
- 2009/10 gross budgetary support 2.85 trillion rupees.
- GDP growth seen at 7.1 pct in 08/09.
- Defence expenditure raised to Rs 1,41,703 crore.
- Last year's plan expenditure was only Rs 73,600 crore, thereby providing an increase of Rs 13,279 crore this year.
- Rural job schemes to get 301 billion rupees in 2009/10.
- Rural health spending 120.7 billion rupees.
- Midday meals scheme for schools to cost 80 billion rupees.
- Urban renewal spending in 2009/10 at 118.4 billion rupees.
- Rural sanitation spending seen at 12 billion rupees for next financial year.

Communist Party leader Gurudas Dasgupta said, "Our strongest criticism is that the greatest problem of the country has not been referred to in the budget at all. Not a single sentence has been said about the job loss and the retrenchment. Two million people have lost their jobs in last three months. Finance ministry of this country and a prominent politician representing the Congress party does not recognize the first human problem, that is, job loss."

Communist party of India (Marxist) said the Congress party presented its election manifesto,

which is far away from the reality.

Senior CPI (M) leader Bindra Karat said, "The Congress party wants to feed the rats in the country? People's kitchens are empty because they have cut 73 percent allocation for APL (off take of subsidized grains people above property line) for the states. So what are these claims? It is an election manifesto and that also very far removed from the actual reality."

Former Governor of Reserve Bank of India (RBI) C. Rangarajan said some more relief could have been given in the budget.

"They are going to be able to maintain employment level only by enhancing the growth but there are specific sectors where I said some relief could have been made," Rangarajan said.

Lalu Prasad Yadav, Union Minister for Railways, on the other hand was very clear in his Interim Railway Budget for the first four

(Continued on page 26)

-:: 2008/09 Data :-

- 2008/09 fiscal deficit seen at 6 percent of GDP.
- 2008/09 to end with revenue deficit of 4.4 percent of GDP.
- 2008/09 revised estimate of spending 9.9 trillion rupees.
- 2008/09 revised estimate of extra non-plan spending 1.1 trillion rupees.
- 2008/09 revised estimate of tax collection 6.28 trillion rupees.

How SJM saved Tirupur from Forex derivative losses

As I understand from Tirupur, the bait was first to 'allow' these exporters to make easy money in the first few transactions entered by the banks with the corporates. Invariably exporters bet on small amounts and tasted success. Exporters, emboldened by such initial success, were further encouraged by banks to take bigger bets. And when their bets went awry, exporters were stuck with massive losses. This is the crux of the issue. What is interesting to note here is that these transactions were not only undertaken by the foreign and private sector banks, but also by various nationalised banks, who were known for their prudence. But remember Gresham's law – when the bad circulates with the good, the bad drives out the good.

"Double one-touch options" are not from the latest Madonna album. "Option legs" need not necessarily be associated with Mallika Sherawat. "Tokyo Cut" is not the latest cricketing shot invented by Kevin Peterson. "Knock In and Knock" out are not terms associated with boxing.

In fact, all these terms are from the arcane world of finance, notably Forex derivatives. Possibly, they could well be Greek and Latin to many readers even in downtown Mumbai, the Mecca of high end finance in India. But that is not so in distant Tirupur, a small town in interior Tamil Nadu. And the price Tirupur has paid to understand



The exporting community of Tirupur which was a beneficiary of the continuous depreciation of the Rupee faced a huge crisis when the Rupee began to appreciate rapidly vis-à-vis the USD. Surprised, stunned and stumped the exporters of Tirupur were scouting for antidotes to this financial Tsunami that hit them virtually from nowhere.

This was when the exporters of Tirupur approached the SJM for guidance. Understanding the official apathy and anticipating the lackadaisical approach of the government and RBI on this matter, the SJM immediately moved the Parliamentary Committee on Finance.

The SJM was able to impress on the Hon'ble members on the illegality of the contract and how and why these contracts could not be enforced in any court of law. Detailed report has been prepared by MR VENKATESH.

these terms and crucially their debilitating impact – an estimated Rs 400 crores as on date.

Tirupur – an introduction

But before I proceed to explain the devastation caused by

Forex derivatives in Tirupur a brief introduction about Tirupur itself would be in order. Tirupur is an extraordinary success story. And like all success stories about India, it has been held back as a secret by the establishment, media, intelligentsia and of course academicians from our own people. After all, aren't we a nation of sceptics?

It is for these very reasons and despite its remarkable success, no B-school or management institute has undertaken an in-depth analysis of the success of Tirupur. Why, in fact many educational institutions in the neighbouring Coimbatore did not know about its success. And one of the primary contributors for the success of Tirupur has been the existence, functioning and domination of castes – yes castes – which urban Indian loves to hate, abuse and ridicule.

When the World Bank conducted its study a few years back about Tirupur it came to a conclusion that this remarkable growth of Tirupur was due to the coordinated efforts of the Gounder community, many of whom were not even matriculates. It is often commented that the Bumble bee as per the established laws of Physics should never fly. Yet it flies. And the only possible explanation for this is that the Bumble bee does not understand the laws of Physics! For, should it understand Physics it too could be burdened by the laws of Physics and explanations of physicists, never even attempt to fly.

Likewise the lack of education in Tirupur was a blessing in disguise for it turned employees,

for want of clerical opportunities, into employers. And such employers, because of caste and



community affiliations turned their factories, not only to produce goods but also into an open air university which would in turn endlessly produce entrepreneurs. This in brief is the remarkable story of Tirupur.

Consider this -

It is in this connection that the World Bank commented "Since 1985 Tirupur has become a hotbed of economic activity in the production of knitted garments. By the 1990s, with high growth rates of exports, Tirupur was a world leader in the knitted garments industry. The success of this industry is striking. This is particularly so as the production of knitted garments is capital-

**Rise of Tirupur
was because of
its ability to
manage its
affairs by itself.**

intensive, and the state banking monopoly had been ineffective at targeting capital funds to efficient entrepreneurs, especially at the levels necessary to sustain Tirupur's high growth rates."

So what was behind this story of unprecedented growth and development of Tirupur? How was the capital, skill and technology available to people, who were as already pointed out, mere matriculates and in many cases much less. It is here that the World Bank analysis becomes crucial. Pointing out to the emerging frontiers of economies that are able to develop, regulate and sustain themselves, the World Bank suggests that the rise of Tirupur was because of its ability to manage its affairs by itself, raise capital from within and inspire others within the community to become entrepreneurs.

It is here that Dr Sharad Chari's meticulous research titled *Fraternal Capital: peasant-workers, self-made men and globalisation in provincial India* (Stanford University Press), tracing the rise of most entrepreneurs of Tirupur who belong to one community — Goundars — becomes instructive. Further, what is interesting is that he points out that only two-thirds of the entrepreneurs in Tirupur are matriculates or less, with only a third having been to college, and none — yes none — professionally qualified. This paradigm — lack of education on one hand and continued entrepreneurial spirit on the other — is central to his study of how castes and community in India are able to arrange themselves on their own, without any help from the government.

Likewise the World Bank's conclusion was stunning and much as it was forthright. It concluded that "The needed capital was raised within the Gounder community, a caste relegated to the land-based activities, relying on community and family network. Those with capital in the Gounder community transfer it to the others in the community through long-established informal credit institutions and rotating savings and credit associations. These networks were viewed as more reliable in transmitting information and enforcing contracts than the banking and legal systems that offered weak protection of creditor rights"

It was a product of liberalisation too

Tirupur was a product of its own discipline as much as it was a product of the liberalisation process. It may be noted that the rise of Tirupur coincided with the new economic policies adopted by the Indian government in the early 1990's. Crucially as the Rupee was steeply devalued, Tirupur acquired global competitiveness. It was its first brush with the global markets which in turn had a positive snowballing effect. Thanks to a liberalised regime, Tirupur quickly acquired newer technologies, adopted modern management techniques and of course leaner manufacturing practices. In effect, it was a classical case in convergence of the best practices in the Far East and the West.

Remember all this was achieved by people who were not schooled in high-end management institutes. Rather, they began to

employ the products of these very institutes, Chartered Accountants, engineers and other professionals! All this meant that the exports



from Tirupur grew from Rs 15 crores in 1985 to close to Rs 12,000 crores in 2007! The un-stated yet official policy of the RBI to keep the Rupee weak to facilitate exports since the 90's helped Tirupur to grow from being a small dusty town into a bustling export centre of India. Put pithily, the continuous depreciation of the Rupee Vis-à-vis the USD since the early 90's till mid-2001 in more ways than one propelled the rise of Tirupur.

As the Rupee depreciated to almost 49 in early 2001, exporters of Tirupur virtually took out the exchange rate movements, importantly the Rupee appreciation out of their calculus. But linearity rarely works in life, much less in economics. Nevertheless, when the

Rupee began appreciating since mid 2001 till early 2007 against the US Dollar, it was so minimal and gradual that the exporters were even then able to adjust to this new phenomenon without recourse to any financial or Forex experts.

Paradoxically, what was the propelling force behind the rise of Tirupur, quickly turned into its Achilles heel. When the Rupee began to appreciate rapidly vis-à-vis the USD in the second quarter of 2007, [from a level of Rs 44 in January 2007 it reached a peak of almost Rs 39 per USD in January 2008] the exporters of Tirupur faced a huge crisis. This loss was twofold – on one hand it was erosion of profits resulting in gargantuan losses. More importantly, it was erosion of competitiveness for which the exporters off Tirupur which lead to significant loss of opportunities and markets in the first place.

Thus, the exporting community of Tirupur which was a beneficiary of the continuous depreciation of the Rupee was completely unprepared for this and was perplexed at the sudden turn of events. Surprised, stunned and stumped the exporters of Tirupur were scouting for antidotes to this financial Tsunami that hit them virtually from nowhere. This is where the story gets murkier.

Exports from Tirupur grew from Rs 15 crores in 1985 to close to Rs 12,000 crores in 2007!

Derivatives a weapon of mass destruction?

Before I proceed to deal with the banks, their role and the manner in which they have lured these exporters into exotic (or is it erotic) derivative contracts, its debilitating impact on the economy of Tirupur and various questions



of law and violation of the RBI guidelines that it raises, an introduction the world of derivatives itself would be in order. Most economists begin by explaining as to how a farmer who has a wheat crop expected to be harvested in say April enters into a contract with a banker in February or in March to deliver a fixed quantum for a pre-determined price. It is further argued by proponents of such outlandish ideas that it is a win-win situation to both the farmer and the banker even when the prices of wheat rise or falls! Do not get fooled by such simplistic arguments, naïve illustrations and crude assumptions. The fact of the matter is that no farmer- repeat no farmer – ever sells his wheat in the futures markets. And even if he does no banker does buy it there.

Where is the question of selling in futures markets when normal banking channel is out of bounds for three-fourths of our farmers? As per the Economic Survey published by the

Government of India, most of our farmers are even unaware of the Minimum Support Prices (MSPs). Yet they are supposed to sell their products in the futures markets! Most of these proponents of the futures markets in commodities do not even understand that many of the farmers are illiterates. And those who are literate do not have computers. And those who have computers do not have electricity to operate. Yet the standard assumption is that forward markets help farmers in “discovering prices” for their produce.

In short, whether these markets help our farmers or not, these are gambling indulged by

**No farmer -
repeat no farmer –
ever sells his
wheat in the
futures markets.**

finance professionals, couched in jargons, aided by technology and sanctified through an elaborate process of law. No wonder less than 2% of the trades in any of these derivative markets are settled through otherwise then by actual delivery. Yet the standard explanation has been than a bit of speculation helps in ensuring liquidity of the markets. Is it a case of ninety-eight percent wagging two percent or is it the other way around? Either way, one fails to understand the underlying logic that drives the purpose of these institutions and instruments especially in a country like India.

Whatever be it, it would be surprising to note that Warren Buffet calls derivatives as Weapons of Mass financial Destruction (WMD). Noted Chartered Accountant and eminent columnist, Gurumurthy, calls derivatives as Intercontinental Ballistic Missiles (ICBMs) after the recent spate of credit derivatives originating from the US hitting financial institutions across the Atlantic in Europe.

And this is not without reason. It is in this connection readers may recall that the Black-Scholes Model for determining the value of options was published in the eighties. The net consequence was that many financial institutions involved with derivatives were employing mathematicians and physicists to design ever more sophisticated financial instruments! And when economics marries physics with mathematics acting as the priest, the results have often been a disaster.

What is further interesting to note here is that Merton and Scholes, were awarded the Nobel

Prize in economics in 1997 for developing a formula for the valuation of stock options. And within a year after Merton and Scholes received the Nobel Prize for their 'pioneering work,' their firm, Long Term Capital Management (LTCM), faced the dubious distinction of going belly up, merely because they could not handle derivatives. Surely, it was far easier to device a model and be awarded a Noble

Prize rather than handle the same in real life. In fact, their firm had to be rescued at a cost of USD 3.5 billion by the US government as it was feared that its collapse could have had a disastrous effect on financial institutions around the world.

The lessons from the fall of LTCM cannot be dismissed by any intelligent person or nation. Crucially, if Noble laureates have failed in handling these instruments, what can be expected of lesser mortals? Importantly, no one can master them, not even their inventors. It may be noted that Enron — till then hailed as an aggressive user of many of these exotic products — had made extensive use of energy and credit derivatives. Subsequently, it suffered huge losses and became one of the largest American firms to go bankrupt in history after systematically attempting to conceal huge losses. But in this entire melee, what has been forgotten is the fundamental characteristic of these contracts. What is trading in index numbers if not a wager? Instead of the derby it is now taking a bet on the movement of numbers? Is it not speculation per se packaged in sophisticated language, exotic



terms and backed by legislation, regulators and sanctified by the government?

Banks promising to play Santa turn into villain

The weatherman who predicts the weather is no different from the parrot astrologer who predicts your future who is no different from the financial experts who claims to have the necessary expertise to predict the gyrations of currencies in the Forex market. And a confused exporter community in Tirupur, benumbed already by the huge losses on account of the Rupee appreciation, lent itself to become a sacrificial lamb to the banks which professed to have the necessary expertise to deal with the extant situation. It is not all. Bankers have even warranted to their clients, i.e. exporters in Tirupur that they

would not only prevent future Forex losses but in some cases have assured these clients that they could even recoup past losses.

Like drug peddlers encouraging users of drug by providing easy and cheap drugs to students, some of these banks have lured exporters to enter into what is popularly called 'exotic derivative contracts.'

As I understand from Tirupur, the bait was first to 'allow' these exporters to make easy money in the first few transactions entered by the banks with the corporates. Invariably exporters bet on small amounts and tasted success. Exporters, emboldened by such initial success, were further encouraged by banks to take bigger bets. And when their bets went awry, exporters were stuck with massive losses. This is the crux of the issue. What is interesting to note here is that these transactions were not only undertaken by the foreign and private sector banks, but also by various nationalised banks, who were known for their prudence. But remember Gresham's law – when the bad circulates with the good, the bad drives out the good.

In the process experts opine that these banks have violated many of the well-intentioned guidelines issues by the RBI on these matters. In the process the business community of Tirupur has charged the bankers of mis-selling these products to them. The issue now hinges on the suitability of these contracts to the exporters. After all, why should an exporter who normally bills his exports in USD, take a position in Japanese

**When the bad
circulates with the
good, the bad
drives out the
good.**

Yen or the British Pound. It is not all. According to some of the exporters who have been at the receiving end of these transactions:

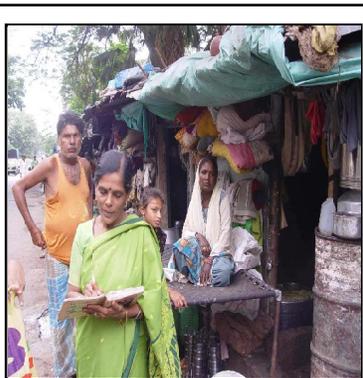
Bankers have advised exporters to buy diverse kinds of Forex derivative products ranging from forward contracts which included intra-day speculation on currency movements to complex products which is difficult for even the best financial minds to fathom. These contracts, as they are not backed with appropriate underlying, violate the RBI policy on the extant issue.

When the exporters expressed their inability to understand these complex financial products, these banks took upon the role of financial advisors and repeatedly assured the exporters that they were experts in the field having sufficient experience in handling these products. These bankers even suggested that the exporters could try out sample deals on the basis of their advice and thus convinced the exporters to enter into these transactions. Invariably these transactions resulted in profits to the exporters.

The banks had thus positioned themselves in a fiduciary capacity vis-à-vis these exporters purporting to offer risk management and cost reduction services. The exporters, after having sampled the profits from these deals began trusting the bankers to the hilt. Naturally, they lapped up every subsequent suggestion of the bankers without understanding the product being offered. It would be pertinent to note that after gaining the confidence of the exporters, these banks had pushed through products which were grossly

inappropriate and unsuitable. In fact, these products exposed the exporters to unlimited risks instead of mitigating risks as they were originally intended in the first place. It may be noted that these assurances of bankers were built on past history of currency movements and no one could ever warrant on their movement.

In fact, most of these financial products were marketed not by regular bankers but by bankers who had nothing to do with the regular businesses of these exporters



Bankers have advised exporters to buy diverse kinds of Forex derivative products

Being a strange and unfamiliar deal, the onus of necessarily and repeatedly explaining the complexities of the contract as well as its suitability would certainly rest squarely on the bank and to ensure that the client has understood the essence as well as the associated risks in the deal before taking his acceptance as a valid one.

Further, the banks acted as an

advisor, in a fiduciary capacity as well as a party to the transaction and as a beneficiary under it, thereby violating the commonly accepted banking and professional ethics.

Most of the exporters from Tirupur are Small and Medium enterprises [SMEs]. The policy on who could sell derivatives to SMEs was well captured by Ms Shyamala Gopinath, Dy Governor Reserve Bank, at the Euromoney Inaugural India Derivatives Summit, 2007, Mumbai on 24th October 2007 when she stated "In order to ensure that SMEs understand the risks of these products, only banks with whom they have credit relationship are allowed to offer such facilities. These facilities should also have some relationship with the turnover of the entity." The bankers who sold the derivatives to the exporters of Tirupur totally acted contrary to this declared policy and sold derivatives to exporters who were not their clients at all. More, the turn over on derivatives exceeded the export turnover of the many exporters by several times.

Further the Dy Governor added "The critical importance of 'suitability' and 'appropriateness' policies within banks for derivative products being offered to customers (users) have been underlined." The banks also violated this crucial prerequisite.

Given these scenario, the exporters of Tirupur had collectivised themselves as FOREX Derivative Consumers' Forum [FDCF] under the guidance of Swadeshi Jagran Manch and approached the RBI.

The FDCF demanded that the RBI immediately set up a high

power committee to investigate the entire class of derivative contracts that were entered into by Banks with various Indian exporters across the country in complete violation of the RBI circulars and submitted a petition with the following prayer:

- To instruct the bankers to arrive at an amicable solution so as to save the industry
- To instruct banks not to debit the resultant loss in the regular account of a customer but to keep it in a separate account pending the outcome of such investigation by the high power committee
- To instruct the bankers not to classify the account as NPA consequent to non payment of derivative losses debited to the exporters' account
- To request the RBI and keep the proposed draft Guidelines on Off-balance sheet items of banks in abeyance because it is too premature and the real gravity of the problem is not yet fully known. If one account is classified as NPA, then all the accounts of that exporter will automatically become NPA thereby causing major disturbance to the running businesses resulting in closure and possible loss of employment to thousands of employees.

The essence of this Memorandum submitted by FDCF on July 4th 2008 is that RBI should constitute a Committee to receive all relevant material from the exporters and to secure the materials from the respective banks

both disclosed and undisclosed and to suggest / devise ways and means to solve the dead lock in such a manner that the industrial activity in Tiruppur is not brought to a grinding halt on account of the derivative losses.

Exporters of Tirupur are not the sole victims of Derivatives. It is reliably learnt that many export centres in the country too has been devastated by such financial instruments. And in every case it has virtually followed the Tirupur pattern.



**SJM's
stand is
comprehensively
vindicated**

Subsequently as RBI, perhaps given the magnitude of the issue and also the fact that many corporates had gone to the courts on the same issue was in fact dithering. Subsequently, when the then Governor, Mr. Reddy, demitted office in September 2008, things again came to a standstill.

This was when the exporters of Tirupur approached the SJM for further guidance. Understanding

the official apathy and anticipating the lackadaisical approach of the government and RBI on this matter, the SJM immediately moved the Parliamentary Committee on Finance under the chairmanship of Shri Ananth Kumar Ji. The Hon'ble committee was gracious enough to provide early hearing on the matter.

The entire matter was represented in the Committee by a team from SJM led by Shri S Gurumurthy in October 2008. The entire presentation was marked by numerous clarifications by the Hon'ble members of the committee. This meeting was attended also by the representatives of RBI as well as Finance Ministry. The SJM was able to impress on the Hon'ble members on the illegality of the contract and how and why these contracts could not be enforced in any court of law.

Further, explaining the moral dimensions of the entire contract, the SJM team provided the necessary arguments even for the RBI to come out with a circular in late October 2008 virtually acceding to the prayers of the Tirupur exporters. At this point in time, this circular of RBI virtually provides a stay to banks from collecting the necessary losses from all exporters, especially SMEs.

In effect, the SJM's stand is comprehensively vindicated in its approach in repeatedly warning the nation that the sophisticated global financial architecture is not suitable to a country like India. Yet, successive government, notably the UPA government has chosen to ignore the well-intended advice of the SJM at their own peril. ❖

Death is Humbling but; not Synonymous with Bravery

The highest bravery awards must only be bestowed for exceptional bravery and for no other reason. The sanctity and aura attached to these highest level gallantry awards that the nation bestows on the bravest of the brave must not be allowed to disappear even if some political leaders desire it for extraneous reasons, cautions **LT GEN VIJAY OBEROI.**

An unprecedented eleven Ashoka Chakras were presented by the Rashtrapati on the 60th anniversary of the Republic. That the numbers are exceptionally high may not be an issue, as bravery of the most exceptional order cannot and must not be constrained by numbers.

However, the highest peace-time award must only be bestowed for exceptional bravery and for no other reason. There is a question mark on whether the awards this year were given only to the exceptionally brave.

In writing this piece I am aware that I am touching a sensitive issue, especially as it is about the death of four highly regarded police officers. To that extent, I am guilty of being politically incorrect, but there are times when one has to speak one's mind, however unpalatable it may be. This is one of those exceptional occasions. My aim in doing so is not to denigrate the sacrifices made by these officers but to caution the national leadership not to succumb to political expediency when considering such weighty issues as conferring of the highest bravery awards.

*The writer is a former Vice Chief of Army Staff (VCOAS).



We Indians are highly emotional when it comes to death, but emotions have no place when it is a question of recognising valour. The highest recognition for exceptional bravery is the award of

Hasty and irrational decisions taken by the Government devalue the awards, besides creating embarrassment.

Ashoka Chakra in peace time and that of the Param Vir Chakra in the face of the enemy during war. These are the only two awards that are bestowed publicly at the Republic Day Parade and for good reason, so that the bravery of the awardees is fully appreciated by the entire nation. All other awards, for bravery as well as for distinguished service, are presented by the Rashtrapati on investiture parades held at Rashtrapati Bhavan.

In accordance with the official website, Ashoka Chakra is awarded for most conspicuous bravery, or some act of daring or pre-eminent

act of valour or self-sacrifice otherwise than in the face of the enemy. All ranks of the army, the navy and the air force, members of the nursing services of the armed forces or of any of the reserve forces, the territorial army, militia and of any other lawfully constituted forces are eligible to receive this medal. Civilian citizens of either sex in all walks of life, other than members of police forces and of recognised fire services are also eligible.

Soon after the terrorist attack in Mumbai, where a number of senior police officers had lost their lives within a few hours of the terrorist strike, an analyst had termed them "Innocent Casualties". In amplification he had stated that these three officers, along with a few policemen had been surprised, waylaid and butchered without getting a chance to use their weapons. Perhaps their lack of training did not permit them to anticipate and react with operational swiftness. Their dear ones do deserve our deep sympathy and heartfelt condolences, as well as care and compassion, but do they meet the criteria of "the most conspicuous bravery"? The same applies to another police officer who was unfortunately killed in an earlier incident in Delhi.

By all accounts, all four police officers were highly efficient, dedicated and exemplary officers. Their devotion to duty needs to be recognised and honoured, but this is not the way of doing so. There is a vast difference between gallantry awards and awards for distinguished service. A large number of military personnel, especially from the army, lay down

their lives or lose limbs fighting terrorists in various parts of the country, nearly on a daily basis. Their sacrifices are for the country. Yet most of them do not qualify for earning gallantry awards, even of a lesser category. Let me cite my own example. I lost my leg during the 1965 Indo-Pak War and became permanently disabled, but I did not get any award. Neither did I ever think that I should have been given one. The same is the case with the large number of soldiers and officers who are killed or disabled in wars or warlike situations. That is how it should be.

There is a vast difference between gallantry awards and awards for distinguished service.



In the army, grant of gallantry awards is an elaborate process, where commanders at successive levels give their recommendations after evaluating all facts. Eventually, a committee presided over by the Vice Chief takes the final decision. During this process, the operational staff briefs the committee about all facets of the relevant operations. It is only when all members of the committee are fully satisfied that the award is approved. In the case of higher level of awards, the cases also need the Chief's approval and later that of the Minister of Defence.

The trend of bestowing

gallantry awards merely because officers had lost their lives in terror-related incidents goes back to the death of two senior officers in Afghanistan in a terrorist incident, who were awarded Kirti Chakras, the second highest gallantry award not in the face of the enemy. The two, one a brigadier from the army and the other an officer of the Foreign Service, lost their lives as they were driving in when an explosive device was exploded by terrorists at the embassy gate. Surely there was no bravery there. The government must take all actions to help the

next of kin monetarily and for subsequent rehabilitation, but it must not be done by bestowing high level gallantry awards. Such hasty and irrational decisions taken by the Government devalue the awards, besides creating embarrassment.

My concern in this piece is that if we persist in this type of populous largesse, the sanctity and aura attached to these highest level gallantry awards that the nation bestows on the bravest of the brave would disappear. Surely, the nation does not want this, even if some political leaders desire it for extraneous reasons. ❖

Dealing with harmful consumption?



Consumption, the base of modern economics, does not necessarily lead low welfare of masses.

DR BHARAT JHUNJHUNWALA

Consumption is the base of modern economics. The theory of utility states that increased consumption leads to welfare, happiness or, in economics' jargon, 'utility'. This is seen to be true. One eating ice cream or traveling in a new car is seen to be happy. But opposite is also seen. The poor are seen sleeping blissfully on railway platforms. Such peaceful sleep is rare for the rich. Or, a monk undertaking fast is seen happier

than the rich man eating a seven course meal. Psycho-somatic diseases like BP, asthma and skin disorders are mostly seen among the well-off. Thus, oftentimes high consumption and low welfare go together. Conclusion is that consumption leads to welfare in some circumstances and not in others.

The relationship of consumption and welfare appears to be determined by one's inner self or the unconscious. Man has

The relationship of consumption and welfare appears to be determined by one's inner self or the unconscious.

two levels of consciousness—the conscious or the mind, and the unconscious or the heart. Say, the heart's desire of a monk is to undertake penance on the banks of the Ganga. He happens to come in contact with a hip youth. He also develops the desire to dance in the disco. He enjoys the lights and loud music of the disco too. But, in the process, his heart's desire of undertaking penance is suppressed and this desire continues to smolder within. His conscious mind and unconscious heart become disjoint. In due course he develops psycho-somatic diseases like skin disorders etc. Consumption of the mind has thus provided him with pleasure in the short run but hit at his welfare in the long run.

All religions espouse this principle. Islam says one should follow the will of Allah. God should here be seen as speaking through one's heart. Hindus say one should keep his senses in control and do the bidding of the Atman. Jain and Buddhists generally negate the material world. Christianity promotes celibacy—which is opposite of consumption.

The rich are not happy with this teaching of religion. If people follow the religious teaching of

Established religions failed to combat the theory of 'personal religion'.



abstaining from the disco and undertaking penance on the banks of the Ganga, then the businessman will not be able to make profits from the disco and the politician will not be able to make money in giving license for the same. The heart's desire of the businessman is to earn lots and lots of money. It is necessary that people consume evermore for him to make these profits. The clerk should work 12 hours and then use the money to go to the disco. This provides double profits to the businessman. First the clerk works 12 hours and makes profits for the businessman and then he pays for the disco. Such would not happen if he were to enjoy a walk along the banks of the Ganga instead. The businessman promotes a culture of consumption in order to fulfill his heart's desire of making money. He converts rest of the society into a consumption machine. He makes advertisements and TV programmes that ensure that the heart's desire of the clerk to walk on banks of the river is suppressed and he develops the desire to go to the disco. The

businessman suppresses the heart's desires of others in order to fulfill the desires of his own heart.

There exists a conflict between the heart's desires of the businessman and the monk. It is the role of religion to resolve this conflict. All religions have done this by making rules of what the businessman may do what he may not. For example, trade in alcohol is prohibited in almost all religions. The politicians and businessmen did not like this social role of religion. They, therefore, invented the idea that religion is a matter of the individual and has no social bearings. The individual was set free. The advertisements to promote consumption were made legitimate because it was for the businessman to define his personal religion. Thus we have before us a situation in which consumerism runs rampant, human beings are

The businessman promotes a culture of consumption.

morose and beset with many psychosomatic diseases.

This situation has developed because established religions failed to combat the theory of 'personal religion'. The priests failed to combat this ideology of the politicians and businessmen. The priest did so because he had become disjoint with his own heart. He was drawn by the pleasures of the mind and was purchased by the politicians and businessmen. He was willing to accept their employment in order to fulfill his own desires of consumption. The priest could not oppose the running of the disco because he was employed by the disco owner to undertake worship in the temple. He did not oppose the adharma of the politician and businessman of promoting consumption because he was himself engrossed in that same adharma. Rather the monk was more interested in renting out the premises of his ashram to a disco owner. Religion's control on society has collapsed not because of social evils. Religion was made to control this very social evil. Rather, religions control over

society has collapsed because the priests have failed to follow their own dharma of connecting with their heart and controlling their mind. One result of this is that the politicians create rift between religions. Priests of various religions bicker with each other because that helps them fulfill their desires of consumption.

Solution to this problem will be obtained from internal cleansing of the religious priests. They will have to connect with their hearts. Then they will spontaneously connect with the priests of other religions just as two unknown passengers wanting to travel by the same train spontaneously become friends and assist each other in carrying their baggage. The main

problem is not conflict between religions. The main problem is that priests of all religions have disjointed with their own hearts. The inter-religious conflict is merely an outcrop of this deeper malaise.

Creating goodwill and cooperation among religions is absolutely necessary. But this will not happen until the priests first connect with their own hearts, i.e., undertake penance. Trying to create goodwill among religions will fail to create good social order just as friendship between two thieves does not control thefts.

Indeed, friendship between priests of different religions, who are all engrossed in consumption, will make things worse. With

mutual conflict pervading their discourse, they at least expose the consumption of the other. Even this will stop. Cooperation between the state and religion, or construction of a theocratic state, will likewise make things worse. The materialist politician and materialist priest will together wreck havoc on the society as Christian crusades, Hindu cleansing of Buddhists and Islamic Jihad have done.

The only solution is for the best of society-priests and otherwise-to undertake penance and connect with their inner self, their soul or their heart. Then they will be able to oppose adharmic consumption and also make true friendship with other religions. ❖

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'INDIA NEEDS A SWADESHI DEVELOPMENT MODEL'

— L. K. ADVANI

The next parliamentary elections are so close that we can almost hear their footsteps. A hallmark of the future is that it is uncertain. But there can be no uncertainty about one aspect of the coming Lok Sabha elections. People's will will prevail. And the world will see that this great country of 1.13 billion people and a zillion diversities has once again effected peaceful transition of power through a grand celebration of democracy.

In January 2008, the BSE Sensex had crossed the all-time peak of 21,000. And some speculators were predicting that the Sensex would rise to 27,000 in the first half of 2008. It has now fallen to below 10,000. This represents erosion in the market value of listed Indian companies to the tune of Rs 40 lakh crore (Rs 40 trillion).

In recent years, many greed-driven financial instruments came into vogue. Such undependable devices of the free market economy cannot be the basis for building a truly prosperous nation. They have caused meltdown of the financial system in America and other western economies.

The past decade has demonstrated that the growth that unfettered capitalism produces usually culminates in a bubble. However, when the bubble bursts, the pain and havoc it causes has uneven impact on different sections of society.

Therefore, I am less worried by the fact that the phenomenal family wealth of some of the



Sh.L K Advani, Bharatiya Janata Party's prime ministerial candidate and leader of the Opposition in Lok Sabha, addressed the 81st annual general meeting of FICCI on Thursday February 12, 2009. In his speech, Advaniji made a strong case for Swadeshi, creatively redefined, as a model of development to benefit Bharat, and not just India. Following are excerpts of his address.

richest Indians has shrunk by several thousand crores. What worries me more is that India's real economy is shrinking, labour-intensive employment down and with it the modest incomes of millions upon millions of poor and middle-class Indians is shrinking.

But as someone who has been constantly moving around the country, I can tell you that the BPL population of India has become FPBPL — Further Pushed Below Poverty Line!

Millions of ordinary Indians have lost their jobs due to the sharp downturn in the economy, and many more are experiencing the

torment of likely loss of livelihood

Development historians know that the Soviet model inspired Nehru's belief in the public sector occupying the commanding heights of the economy. Throughout the '50s, '60s, '70s and '80s, true entrepreneurship in India was curbed by the license-permit-quota raj. The ones that did flourish, did so by state patronage or crony-capitalism.

This stunted India's growth and necessitated the economic reforms of the early 1990s. However, in the past nearly two decades, India has swung to the

other extreme by trying to imitate the American model of free-market capitalism. As a result, agriculture, the informal sector and labour-intensive manufacturing sectors of the economy, which create maximum employment and self-employment opportunities, have suffered prolonged and systemic neglect.

The shame of thousands of farmers committing suicide that we experience today is a direct result of the new imbalance created since liberalization and globalisation. The rich-poor and urban-rural divide has become wider than ever before in the past two decades. This has given rise to many undesirable consequences.

Swadeshi, re-interpreted creatively, is the answer

The Bharatiya Janata Party is committed to addressing this dangerous imbalance. We believe that the new as well as the entrenched developmental challenges before India cannot be met by carrying the influence of either free-for-all capitalism or freedom-killing communism.

What India needs is a robust, self-confident Swadeshi (nationally-oriented) model of development, which is rooted in the ideals of democracy, equality, justice and integral human progress.

The concept of Swadeshi should neither be discredited as archaic or outdated, nor interpreted by its proponents in a narrow sense. India has never clung to ideas and ideals that are stagnant and impervious to the needs of changing times.

The basic philosophy of all-round human development has

been enunciated by all our great thinkers. Mahatma Gandhi did so with deep insight and firm conviction in the 20th century.

My own ideological guru, Pandit Deendayal Upadhyaya, articulated this philosophy persuasively in his treatise, *Integral Humanism*. He had warned us in the 1960s that although the Soviet Union and China could not be the model for India (for that is what the Leftists used to say those days), we should not think that American-style capitalism is the model India should follow.

If I were asked what a creatively re-interpreted Swadeshi would stand for, I would

**India needs
a robust,
self-confident Swadeshi
(nationally-oriented) model
of development.**

enumerate the following five points:

(1) Swadeshi means that national priorities must override policies that have benefited only a minority and largely excluded the majority in the nation's progress.

In other words, just as the centre of gravity of the world economy is shifted from the West to Asia, the centre of gravity of our national economy must shift from 'India' to 'Bharat' — to agriculture, revitalization of our villages, small and medium enterprises, and unorganized and informal sector of the economy.

Bharat includes not only the

rural population but also the urban poor and middle-classes. Swadeshi does not believe in an antagonistic relationship between 'India' and 'Bharat'. The two are interdependent and integral parts of our nation.

(2) Similarly, it sees no conflict between the public sector and private sector. There is no place for dogmatism in favour of or against either, since both have to be strengthened.

In view of the recent global experience, the public sector needs to be further strengthened in the financial system and in core sectors like energy.

(3) Swadeshi is not antithetical to cooperation with the international community, just as the concept of Swaraj was not.

Nevertheless, its cornerstone is national pride and the belief that the India of our dreams has to be built only by our own genius, with our own efforts, and principally with our own natural and capital resources. India's

problems need Indian solutions.

(4) Swadeshi wholeheartedly embraces the knowledge and products of modern science and technology. It holds, however, that our country should revive its own rich and diverse knowledge traditions and emerge as a major contributor to global scientific and technological progress, instead of remaining mere consumers of outside knowledge.

(5) Swadeshi affirms that business and economy should serve as a means and not an end in themselves, and the higher possibilities of human progress should not be sacrificed at the altar

of acquisitiveness, consumerism and environmental destruction.

The time has come to further enrich the meaning of Swadeshi by incorporating the learnings of India and other countries in recent decades, and especially taking into account the fact that the world has become smaller and nations have become more inter-dependent than ever in history. I appeal to all thinking Indians to participate in this endeavour.

Today the entire world is groping for answers to the multi-dimensional crises facing humanity. The world rejected communism emphatically. Now the ravages of unbridled capitalism have come to the fore, forcing even America and other western countries to rethink their development philosophies.

The cover feature in the latest issue of *The Economist* magazine is on the theme: *The world economy: The return of economic nationalism*. In a way, the rest of the world is also turning 'Swadeshi'.

Clearly, there is an urgent need in India to do course-correction. My party, if elected to office, will do it with the cooperation of the business community and all other sections of society.

Our agenda: Good Governance, Development and Security

Friends, my colleagues in the party and the NDA are currently engaged in preparing our Agenda of Governance. The three pillars of this agenda are Good Governance, Development and Security.

It will be our endeavor to replace the pervasive mood of

despair with a strong sense of optimism. For this, we shall do so by doing what a government ought to do: Govern. And govern well.

(1) The days of weak and compromising leadership will be over. India demands strong leadership today. No more will the office of prime minister be devalued, as has happened in the past five years in which 7 Race Course Road has become subservient to 10 Janpath.

(2) We shall adopt an approach of zero-tolerance towards both terrorism and corruption. Institutions of governance will not be misused to protect either one's own or target rivals, as has happened brazenly in the past five years.

**It will be
our endeavour to see that
every school in India has
Internet-enabled
education.**

(3) You can expect the most ambitious push since Independence in the rapid development of every infrastructure sector — power, energy, roads, railways, ports, airports, and rural and urban infrastructure. Shri Atalji's dream project will be completed by ensuring that there is not a single bad road anywhere in India, because every good road connects every Indian to a brighter future.

(4) The river-linking project will be taken up for implementation in all feasible cases.

(5) The central objective of everything we will do in economy is creation of employment, more

employment and still more employment. Therefore, any enterprise that creates employment opportunities will receive priority attention and incentives.

(6) I have already indicated that our approach to reforms is fundamentally different from that of the Congress. We believe in structural reforms aimed at giving agriculture, small and medium enterprises and the informal sector their rightful place in the future growth strategy, and not in reforms that are aimed at creating bubbles in stock markets and speculative investments or making a handful of Indians billionaires.

The present economic tumult only underscores the imperative not only for investment in the infrastructure lifelines of the economy but also for checks and balances that ultimately only the state can and must provide.

7. I have repeatedly stated our collective vision should be to make the 21st century India's century. This vision can be realized only by recognizing that India's most precious resource is its people, especially its children and youth.

This resource cannot be enriched and energized without best-in-the-world quality of education. We are committed to a massive enlargement in the opportunities for affordable and quality education for our young population.

It will be our endeavour to see that every school in India has Internet-enabled education, and further that the entire sum total of the world's knowledge is available to every child in India, in his or her own language, 24&7, free of charge. ❖



Farmer's suicides is on increase, rate of poverty reduction has worsened, Gini Coefficient' (a measure of inequality) has escalated, so are the levels of undernourishment.

percent per annum, agriculture was lagging behind with an average growth of only 2.5 percent in the last 5 years.

Industry is growing almost equal to the rate of growth of GDP and growth of services surpass all limits and as such the contribution of services sector to

Declining Villages in Shining India

Despite unprecedented growth experience per capita production and availability of food grains, pulses and edible oils is declining. Figures imply that poor have fewer claims on GDP growth of which the rich have taken the bulk of the benefits. It is an alarming signal for times to come counsels P. MURALIDHAR RAO.

It is the fact that India is one of the fastest growing economies of the world. Gross domestic product (GDP) grew at the rate of 9 percent during the year 2007-08. In the previous two years growth rate had been 9.4 percent and 9.6 percent respectively. Despite the fact that the world is facing deep recession, we may still achieve a growth rate of about 7 percent.

Agriculture Lagging

Government pats its back for the so-called unprecedented growth experience. What does GDP mean to an average person

living in this country? If we have a look at the composition of GDP, it includes agricultural products including food grains, industrial products and services. On the one hand more of GDP should mean more of wheat and rice, more of cars and two wheelers and other industrial goods. It also means more of transport services, electricity, telecommunication etc. If we try to look into the factors leading to increase in GDP, we find that agriculture does not contribute to this growth experience. Whereas rate of growth of manufacturing and services had been above 10

GDP jumps from 45.80 percent in 1997-98 to 54 percent in 2005-06, whereas gain of services is the loss of primary sector, contribution of which dips from 26.50 percent to 18 percent during the same period. Consequently, per capita production of food grains, pulses and edible oils show a declining trend. According to Economic survey 2007-08 availability of food grain per capita per day, which was 458 grams in 2002, declined to 412 grams in 2006 and pulses from 35.4 grams to only 32.5 grams during the same period. Per capita availability of edible oils declined



from 9.0 kilograms in 1999-00 to only 7.2kg. in 2002-03 and after that government deemed it fit not to publish these figures in the Economic Survey.

Consequent Farmers' Suicides

Farmers' suicides in the country since 1997 has now touched 1,82,936 by December 2008. It seems there is no end to miseries of the farmers. So called progressive states during the green revolution like Maharashtra, Andhra Pradesh, Karnataka and Punjab are some of the worst affected states. Relief package of rupees 5000 crores by the Prime Minister could not mitigate the problems of farming community of Maharashtra. This state again has crossed 4000 suicides mark for the third time in 4 years according to National Crime Record Bureau. In all 16,632 farmers have committed suicide in the country in 2007. For the 6 years from 2002, the annual average of suicides has increased to 17,366.

Poverty and Under Nutrition

Under these circumstances how can we imagine any better position for poor living in rural areas? National Family Health Survey conducted by Ministry of Health and Family Welfare also supports the hypothesis that vast majority of population is still reeling under poverty. The survey says that 46 percent of all children are underweight and 38 percent are stunted (too short for their age) and 19 percent are wasted (too thin for their height). National Family Health Survey conducted for three times in the past 15 years, concludes that some of these indicators have actually worsened over the years.

**Protein intake
in rural areas
is down by
5 percent.**

According to National Sample Survey Organisation, nutritional intake of India is declining. NSSO says that during 1993-94 and 2004-05 calorie intake in both rural and urban India has declined by 4.9 and 2.5 percent respectively. Protein intake in rural areas is down by 5 percent. More than two-thirds of rural Indians and 70 percent in urban Indians are reporting that they don't get a full intake of 2,700 kilo calories, defined to be a minimum norm. The percentage of people reporting that they don't get two square meals a day is still relatively large. The levels of undernourishment and malnourishment continue to be shockingly high as per the NSSO data.

Jobless Growth

The paradox of galloping growth and with deepening poverty in the country is explained by the phenomenon of jobless growth. No doubt GDP is rising and rising at a fast pace, but not enough jobs are being created. This

has resulted in rising rate of unemployment in the country both in the rural and the urban areas. We note rate of unemployment, which was 7.3. percent in urban areas and 7.2 percent in rural areas (males) in the year 1999-2000 as per 55th round of NSSO, which increased to 7.5 percent and 8.0 percent in urban and rural areas respectively. Similar is the condition with regard to females where rate of unemployment increased from 9.4 percent and 7.0 percent in 1999-2000 year as per 55th round of NSSO to 11.6 percent and 8.7 percent in the years 2004-05 in the urban and rural areas respectively. The rise in joblessness in the urban areas should be taken as an extension of the rural displacement. Employment in the organized sector shows a decline from 172 lakhs to 164.52 lakhs. Much hyped organized private sector also shows only a marginal increase from 84.32 lakhs to only 84.52 lakh jobs during 2002 and 2006. This clearly implies that casualisation of employment is on rise. Even the much-trumpeted National Rural employment Guarantee Programme could not produce any desired results. Vice Chairman of Planning Commission has conceded this.

Poverty Reduction Slowing Down

We witnessed a high rate of GDP growth in the post 1991 period, which is claimed to be a big argument in favour of economic reforms. But, even the most vocal supporter of economic reforms Montek Singh Ahluwalia also

concedes that reforms have not resulted in desired level of poverty reduction and decline in poverty is less than what the government had perceived. His confession is supported by the findings of NSS 61st Round data, which clearly speaks out that in the post reform period the pace of poverty reduction has not only been much lower than the official assessments made after NSS. 55th Round, it is



also less than the actual pace of reduction recorded during 1970's and 1980's. Thus, it is ample clear that the high rate of growth of GDP recorded in the post reform period has not made lives better for poor in the same proportion. Rather, in the post reform period inequalities have accentuated as

Reforms have not resulted in desired level of poverty reduction.

shown by higher 'Gini Coefficient' (a measure of inequality), which shows an increase in 'Gini Coefficient' from 28.6% in 1993-94 to 30.5% in 2004-05 for Rural India and an increase from 34.4% in 1993-94 to 37.6% in 2004-05 in Urban India. Most notable is the fact that it is a reversal of the trend seen in the previous decade (1983 to 1993-94). These figures imply that poor have fewer claims on growth and rich have taken the bulk of the benefits from the GDP growth. These figures are not only true for all India, but are applicable for almost all states except a few. If we go on riding this high growth- pro reform phenomenon, it is an alarming signal for times to come.

Loan Waiver: No Solution For Distress In Agriculture

In the Union Budget 2008-09, the government announced a scheme of loan waiver for the farmers. With subsequent extension of loan waiver, a total of rupees 70,000 thousand crores were allocated for the purpose. But despite this scheme, condition of agriculture and poor agriculturists is still not improved. In fact this scheme is applicable to loans dispersed by the banks and other institutions only. Mostly poor farmers don't have access to such formal institutions. The government has so far not made any effort to address the problems of the farmers like provision of cheap credit, minimum support price for most of the agricultured products and other agricultural inputs at cost effective prices. ❖

The unprecedented material progress achieved through scientifically developed human consumption and comfort giving goods and services, disease treatment medicines and surgery and sophisticated defense weapons and armaments has immensely improved the quality of human life and national defense at the cost of

It is time to manage and reshape the development before it is too late.

irremediable losses of land, water, natural vegetation and finite mineral and oil wealth. In view of the environmental pollution induced global warming, climatic changes, low, erratic and uncertain rainfall, shrinkage of river head glaciers and decreasing river flows, greater attention and emphasis must be laid on efficient rain water

Promote Life Style Compatible to the Productive, Regenerative and Assimilative Capacity of the Nature



Unproductive and un-sustainable development needs to be assessed, examined, managed and reshaped for control and remediation of physical, economic, social and internal non-material human peace problems, says
SH BANWAR DASS BITHU.

long term global physical, environmental and non-material losses. However, the slow but certain devastating future losses have prompted the planners and developers to assess, examine, manage and reshape the development module to control the confronting evils of plundering nature beyond its regenerative and assimilative capacity, environmental pollution and financial and social crises. Therefore, it is time to awaken to face the formidable future crises and manage and reshape the development before it is too late.

Development

People have been blinded by the dust caused by the fast moving

chariot of the development in the developing countries. It is time now to pause and think what this development, for whom it is and how long will it last? The present day development dominantly aims at maximization but not sustenance of the production with inadequate attention to environmental protection and preservation and maintenance of the regenerative and assimilative capacity of Nature just to glut human being providing them with excessive consumer goods and physical comforts. The populist half baked and unproductive development works with inadequate attention to quality and useful long term performance are almost non-performing works. The inevitable result is slow but

harvesting, rainfall enhancing measures through forestation, organic cloud seeding and other nature friendly methods, preservation of land productivity and protection and preservation of land, water and natural vegetation resources including natural forests and plantations. The need of the day is to adopt compatible and sustainable development within the regenerative and assimilative capacity of the nature fulfilling the need but not the greed of the people ensuring good health, proper civic, medical and educational facilities for all and salubrious natural environment with adequate attention to self sufficient rural development. The fore most national requirements of

food self sufficiency through dominantly organic farming and self sufficiency in defense armaments are also to be provided through environment and people friendly compatible measures.

Urbanization

The centralized and concentrated human consumption and comfort giving hardware dominated development leads to very difficultly manageable urbanization with rural people migrating to cities and big towns leaving behind the sustained agricultural and pastoral livelihoods and agriculture based cottage industries for better work and employment avenues in the cities. The inadequately managed cities suffer from environmental pollution and ground water depletion and contamination. The flight of rural people to cities to avail of the centralized educational, medical and other civic and administrative facilities tends to cause decrease in agricultural and livestock production and consequent evaporation of national food self sufficiency. Therefore, development of self sufficient rural villages like Kibbutz in Israel, is more economical, sustainable and environment and people friendly than development of mega cities.

Industrialization

Environment friendly industrialization generates good employment and wealth. But in many cases environmental pollution, ground and river water contamination and industrialization and urbanization induced social uprooting of the rural poor result in severe human



health deterioration. The human comforts and luxury goods and services dominated industrialization causes long term socio-economic problems and deterioration of internal human peace. Apart from decreased food production and social uprooting of the rural people, the global climatic change induced decreasing rainfall, factory effluent contaminated and toxic river flows and social and internal non-material human peace problems cause drought, surface and ground water pollution, famine, human health deterioration, unemployment and social disintegration. Therefore, environment friendly industrialization dominantly for agriculture and agriculture based

industries, nature friendly light and small mechanized equipments, goods and services providing necessary national defense equipments and armaments should be adopted.

Credit Spree

The spurt in unbridled start of industrial and trading centers followed by increased production of luxury and human comfort increasing goods and services, inadequately ethical and intensively advertised sale promotion on electronic and print media and availability of easy low interest bank loans cause un-satiated lust for luxury and human comforts goods and services. The working system and life style of large number of people much dependent on increased production of luxury and human comfort giving goods and services, their intensified sale promotion advertisements and availability of easy bank loans on demand create unabated public spending on luxurious and excessive human comfort giving consumer goods

The inadequately managed cities suffer from environmental pollution and ground water depletion and contamination.

and services and financial crisis when demand decreases and bank loans are not paid back in time. If people are educated, public spending is economized and ever increasing consumerism is minimized, excessive and pollution causing industrial production and concomitant environmental pollution can be controlled and social disintegration and financial crises can be minimized. The abundant bank loan and consumerism heavy way of human life may not give much sought after happiness and peace of mind. Therefore, bank loan availability and public spending should be for

natural human necessities and safe gaseous, liquid and. solid waste disposal in consonance with what Nature can give and assimilate.

Consumption

Notwithstanding the necessity of human consumption of goods and service aids for survival and good quality of human life, over consumption and over accumulation of luxury and human comfort giving goods and services lead to deterioration of human health, long term degradation of the natural assets of land, water, forests, wide spread environmental pollution, decreased

agricultural and livestock production, social disintegration and uprooting of the rural people, exploitation of the people by the elite people and decreased internal non-material peace of the human being. Excessive use of consumer goods and comfort giving services can neither give good human health nor peace of mind. Therefore, the un-satiable lust and demand for aggressively publicized and marketed luxury and human comfort giving goods and services should be curtailed compatible to the productive, regenerative and assimilative capacity of the nature. ❖

(Continued from page 5)

Interim Budget 2009-10 Empty

months of the financial year 2009-2010 presented on 13th February. with an eye on the upcoming Lok Sabha elections, he made many populist announcements.

Lalu announced 43 new trains and an across-the-board two per cent cut in fares of ordinary and AC class.

While making the Budget speech, Lalu said that the 43 new trains will start in 2009-10. Fourteen trains have been extended and frequency of 14 others increased. He also announced the introduction of a bullet train between New Delhi and Patna.

He also announced reduction in the fares of ordinary passenger trains by Re one for fares upto Rs 50 for journey above 10 km.

He also announced that railways are looking to increase efficiency of passenger and goods wagons. "Passenger trains will have 22 per cent more capacity," said Lalu. ❖

Interim budget underestimates fiscal : CAG

The official auditing watchdog Comptroller and Auditor General (CAG) pulled up the government for understating fiscal and revenue deficits for financial year 2007-08 in the interim budget. "These deficits (fiscal and revenue) have been understated in the Union Budget presented on February 16, 2009," said a CAG report on the government's accounts tabled in Parliament .

Fiscal deficit, which is a shortfall of the government's revenues over its expenditure, was shown as Rs 1,26,912 crore for 2007-08 in the interim budget, while it should be Rs 1,64,962 crore, according to CAG.

Similarly, revenue deficit, which is the gap between current expenditure and current revenue, stood at Rs 52,569 crore for 2007-08 as per the interim budget, whereas, according to CAG it should be Rs 85,435 crore.

As such there is an understatement of Rs 38,050 crore in Fiscal deficit and Rs 32,866 crore in revenue deficit. CAG's remarks came even as fiscal deficit of the Centre is projected to more than double to 6 per cent of GDP in the current fiscal against earlier projection of 2.5 per cent. For the next financial year, fiscal deficit is projected to stand at 5.5 per cent of GDP.

The perils of the new Foreign Direct Investment Policy

The United Progressive Alliance government's proposed policy on foreign direct investment (FDI), which seeks to allow the backdoor entry of multinational giants like Wal-Mart into the retail sector in India, gravely prejudices national economic and social interests.

The Commerce Minister's admission that the policy may enable global retail giants to get into multi-brand retail by investing in Indian companies shows how shamelessly the government is seeking to smuggle them into the crumbling indigenous retail sector. This policy subterfuge by a lame-duck government that does not have a clear majority in Parliament, just before the announcement of national elections, violates accepted democratic conventions and political norms. It is also in breach of the Common Minimum Programme that binds the UPA coalition.

Since retail trade is not just a business but a community undertaking in most parts of India,

// Retail trade is not just a business but a community undertaking in most parts of India. //



SJM will Resist Backdoor entry of multinational giants like Wal-Mart into the retail sector in India, gravely prejudices national economic and social interests.

the move carries a high risk of causing social unrest. It is intriguing why this measure is being undertaken during a year the global capital flow is expected to be just 20 per cent of last year's and the West particularly is short of capital and is printing currency and borrowing money from all including India to sustain themselves.

Traditional base

The unorganised retail trade in India represents the traditional, community-centric, low-cost and employment-intense retailing that includes, but is not limited to, kirana shops, owner-run general stores, paan-beedi shops,

convenience stores, and hand-cart and pavement vending. In this model a whole family works in one shop and a whole community is engaged in the trade in a defined area.

Social capital

It is collectively almost an unincorporated enterprise formed by relationship-based communities that are now increasingly regarded as social capital. It is this model that has enabled the Patel community from Gujarat to leverage their social capital to outmanoeuvre organised corporate motels in the U.S. and Canada and turn corporate motels into community "Potels." Most advocates of

corporate retailing and foreign retail firms in India seem to ignore the critical contribution of the present model of retail trade to the Indian economy and society.

First, as its very structure and its reach from the main metros to the remote hamlets testify, such multi-layer retailing is the most decentralised economic activity in India after agriculture. Second, it constitutes almost 98 per cent of the total trade with an estimated 12 million outlets. In contrast, organised trade accounts for just 2 per cent.

Largest provider

Third, it is the largest employment provider after agriculture, employing an estimated 40 million people. In contrast, the world's largest retail chain, Wal-Mart, employs just five lakh persons. Fourth, being self-employed, most of them are engaged in the trade along with their families, and so the work and livelihood of some 120 million people depend on this sector.

Fifth, the retail trade in India is run by community-centric social capital, not unrelated individual traders. Sixth, consequently, it is an open-air community B-school for retailing that continuously generates, by sharing knowledge and experience through relations, huge community-based entrepreneurship.

Seventh, it contributes over 14 per cent of India's GDP, while the share of all companies in the BSE 500 Index put together is some 4 per cent. Eighth, the unorganised retail segment has been growing at an average rate of over 8 per cent a year for the last eight years (1999-00 to 2006-07).

This is second only to the construction trade that grew at the rate of some 10 per cent.

There is more. The retailing experience of the non-Western world has not been factored in by the policymakers. Japan has intensely protected its retailing, which is also family and community-led and social capital-driven. In contrast, countries such as China, Malaysia and Thailand, which opened their retail sector to FDI only in the recent past, have retracted and enacted new laws to check the prolific growth of foreign malls and hypermarkets to control their ill-effects on the economy and employment.



Unwelcome move

In sum, the new policy is an attempt to replace through corporate-led retail the social capital-led retail in India, while in the motel business in the U.S. the reverse has taken place with Patel social capital replacing the corporates. The present Indian retail model is an efficient delivery mechanism for rural India where the corporate mechanism too cannot reach except through the traditional model.

But if the social capital link to retail trade is unsettled, the entire distant and remote supply chain will suffer over a period, disturbing the social equilibrium and the

organic social links that have evolved over the centuries. Before this ill-advised move fails (as it is bound to), it will lead to tectonic changes and cause tremors and tsunamis in the social capital-led retailing in India. It will displace millions of people from their places and jobs and undermine the generation of new entrepreneurship and disturb the social order.

Slogan?

Lastly, it mocks at the UPA's slogan of "inclusive growth" as the proposed FDI policy tends to replace the OBC and minority communities in the retail trade by foreign retail giants.

The Swadeshi Jagaran Manch urges the government to withdraw, in the larger national interest, this pernicious policy announcement. If it does not, the SJM will fight this sinister measure tooth and nail and organise the communities that are engaged in the retail trade to resist it. The SJM will take this issue to the people and ask them to vote against the ruling parties if they persist with this measure.

SJM plan

The SJM will approach the Opposition parties, including the BJP and its NDA constituents, and the CPI(M) and its third front partners, and ask them to give a commitment to the nation to overturn this policy if they get the needed authority from the people in the coming election. The SJM sees this as a test of the BJP's commitment to nationalism and the CPI (M)'s. ❖

S. Gurumurthy, all India joint convener, Swadeshi Jagaran Manch, has issued the following statement.

MARX AND MARKET EVALUATED

Major difference between the Marxism and Market Capitalism, the seemingly opposite thought processes is that while market relies on the State as the arbiter and regulator while handling the management of all material resources, communism relies on the socialist-state as the sole owner and allocator of all material resources writes S GURUMURTHY.

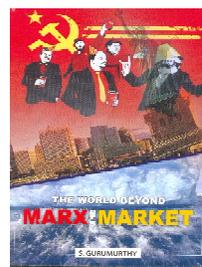
● G. RAINA

The title "The World Beyond Marx and Market" rhymes easy. But it is not easy to speak or write on it. It is a complex and, in part, even an abstract, subject. Going straight into the heart of the topic, we should understand that it is partly historical and partly futuristic. It prognosticates a world that is not only "post-Marx" and but also "post-Market" as one understands today.

A caveat at the outset. This critique of Marx and Market is essentially from the perspective of that part of the world – the non-Western world and particularly, its non-Anglo-Saxon part – which has not been experienced, understood or factored in by Karl Marx or his adherents or by Adam Smith or other free market thinkers. That part of the world has also not fully accepted either of the two socio-economic thought as conceived and prescribed by their respective protagonists. Yet this critique is relevant for all considering that the historically 'perfect' Marxian thought has, in the 1990s, let down those who were its loyal adherents and, now, the invisible, all-powerful, and all-knowing God of free Market seems to be failing those who had blindly believed in it.

I. The Post-Marx World

Marxism stormed the West over hundred years ago as part of the continuing and painful socio-religious, and socio-political and socio-economic melting process within the Christendom. Like the concentration of religious power in the hands of the Catholic Church had led to the Protestant movement within Christendom, with large industrialisation leading to the accumulation and concentration of economic power in the hands of a few and exploitation of the large body of weak masses, the stage was set for a protest movement within the materialist domain.



Title: THE WORLD BEYOND MARX AND MARKET"

Author: S.Gurumurthy

Year of Publication: December, 2008

Publishers:

Swadeshi Jagaran Manch Tamil Nadu

And that protest came from Karl Marx and through his interpretation of the material world based on, and from within, the religious, philosophic and social constraints of Christendom. It is noteworthy that Karl Marx did not propose his thought as an alternative to the emergence of the capitalist world order, but, as an eventual and final evolution out of the very process of capitalism. His material world view was based on historic evolutionary process theorised by Marx in which the emergence of capitalism was a necessary context. His protest in the materialist domain was very much like that of Martin Luther, who led the Protestant movement within Christianity, in the religious domain in Christendom. Luther also did not propose an alternative to the Christian faith but only revolted to secure a different model for seeking Salvation within Christianity. Likewise Karl Marx had prognosticated the capitalist evolution ending, by the very process of historic evolution, in Communist revolution within the same materialist paradigm as the one on which capitalism rested.

Karl Marx theorised this historic process occurring through a dialectic model of resolving the contradictions within capitalist order by a process of synthesis which Georg Wilhelm Friedrich Hegel, a fellow German philosopher senior to Karl Marx, had expounded and articulated. Hegelian philosophy had become fashionable in Germany during the formative years of Karl Marx. Even though the Marxian world view was more a protest against, rather than an alternative to, the materialist idea of capitalism, the advent and progress of Communism brought about intense changes in the capitalist world view. With the cleverer capitalism in the economic domain and the humane democracy in the political domain combining to contain the vigour and rigour of Communism and meet its demands, the Marxian protest considerably weakened in the industrialising West.

And more. The inherent contradictions within the Communist philosophy and practice began to emerge and finally ensured its collapse. This was totally contrary to theory of Marx that the inherent contradictions within the capitalist order would bring about its downfall. With the result, in less than a century after its explosive advent in Russia and spreading out to China and elsewhere, Communism is today part of the museum and archive of historical thoughts and systems. But how did this happen?

Marxists made Karl Marx, a prophet; his work, a holy text; and his philosophy, a religion

Many agree that the world now is post-Marx. This view gains force because many erstwhile Marxists have given up Marx and his thoughts. So, Marx is a historic event that the world has passed by. But, like every historic phenomenon that has impacted on the world and changed its ideas and history, Marx too has powerfully impacted on the world. He has particularly impacted on the market-driven capitalist world and compelled it to present, if not acquire, a more human, and less exploitative, face. But, ironically, the Marxian thoughts, which are perceived to be humane, are also perceived to have made the communists more violent and less humane, if the experience of Marxism in the communist world were to be bear any witness. Yet Marx, according to most observers, belongs to an irretrievable past. He is outdated; an antique figure, much like the statues of Lenin and Stalin.

In my view, Marx became outdated not so much because of Marx himself as due to Marxists, who

turned Marx into a prophet and his work into a sacred text; and credited textual inerrancy to his book and words, like the sacred books of the Abrahamic Faiths. What the Marxists had failed to realise is that, however great Karl Marx may be as a thinker, his work was not valid for all times, and surely not for all cultures. Over time, all works need updating and modification. But Marxists made Marx a prophet, and his work a Bible, and turned Marxism into a religion. This was because Marxism was born in Judo-Christendom, contained Judo-Christian DNA and therefore, followed the Judo-Christian models.

See the effect. First, the text of Marx, like the holy texts in Judo-Christian religions, was considered inerrant. Second, Marxists' interpretation of Marx, like Judo-Christian religious reviews, had to be in conformity with Marx, even if the conditions were entirely different. So the need to conform to the text, regardless of the context, a characteristic of the Abrahamic Faiths, proved to be the undoing of Marxism and Marxists. Third, the Marxists not only believed that Marxism, like the Abrahamic Faiths, was valid for all times, they also believed that Marxism was valid for all people of all religions, cultures and histories. But evidently Marxism became the Judo-Christian religion on the material plank that had completed its evolution right at birth.

The more efficient Market capitalism won against the less efficient socialism in a war between materialist philosophies.

But the decline of Marxism has made the Market, that is market capitalism, the clear winner - even in the minds of the ex-Marxists. Even the most hardened of the communists, the Chinese Communist Party, began to speak of Socialist Market! So, free market capitalism seems to have emerged, as Francis Fukuyama would proclaim, as the victor today. Not only as the victor now, but also, as he would further emphasise, as the eternal value, along with freedom of the individual and democracy, to form the very basis of human life on this earth now - and for ever hereafter! Today, the world swears by free market and free market capitalism. Free market is seen as the engine of growth, development and distribution, and also as the agency that brings about revolutionary changes - changes that the earlier revolutions, aimed at social engineering, had failed to bring about. But, unlike Francis Fukuyama, who sees free market

capitalism as the eternal value of the world, the present discussion proposes to prognosticate free market capitalism as yet another passing phenomenon, like Marxism.

But, is free market a passing phenomenon? At the outset I would say and expand later, that it is, and bound to be, a passing phenomenon, because free market is not viewed as just an instrument of trade and commerce. It is viewed as an all-purpose agent that substitutes formal contracts for all forms of human relations – families, communities, neighbourhoods, and even the larger society, and nations. While market relies on the State as the arbiter and regulator while handling the management of all material resources, communism relies on the socialist-state as the sole owner and allocator of all material resources. But, in this regard, there is no difference between Marxism which has fallen by the way side, and free market capitalism, which is perceived to have felled it. Marx and Market have many things in common.

What are the factors, which are common to both Marx and Market? Both aim at restructuring the society, replacing all traditional relations and bonds between the people by new “relationships” based on contracts – “free” contracts in Free Market Capitalism and “enforced” contracts in totalitarian Communism. In both, the traditional institutions of family, community etc., of an organic social order, are largely if not entirely undermined and rendered irrelevant. While market capitalism believes that this would happen naturally by the very operation of the market forces, communism would seek to expedite it through revolution. Communism seeks to work out a new form of social order that seeks to disregard and destroy all traditional relations; it seeks to institute new “relations” based on common ownership of property and material resources vested in the socialist State. Market capitalism, on the other hand, seeks to work out new “relations” between individuals, based on legal contracts that rest on, and also enforce, individual connectivity and interface and their emotional relations and property and business rights.

Free Market is the mechanism for exchanges based on legal contracts. Here, the Market is not, as normal dictionary meaning goes, just a place for trade. Nor is it just a platform for commerce. It becomes the very basis of life, founded on contracts, in disregard of all other relations. The world today is

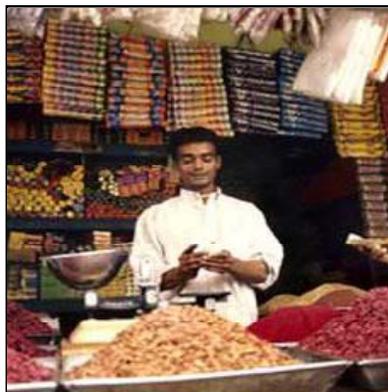
largely viewed as a market; it is the global market, global finance, global trade and global investment that constitute the ruling idioms. Even non-economic dimensions of life, like religion, are seen as driven by market. The main difference between Communism and free market Capitalism is that while the latter celebrates individual ownership of property, the former mandates social ownership. Otherwise, philosophically, there is no material difference between the two seemingly opposites; both of them are founded on Godless materialism and look upon human beings as just a bundle of desires and wants.

Why then did free market capitalism emerge victorious in the competition with Socialism? Simple. Free market capitalism was more efficient, as it harnessed the power of the individuals’ enterprise, initiative and the acquisitive motive to possess more, while socialism was less efficient because of the limitations of collective effort. So, in the competition between the two, the more efficient model of materialism succeeded. In a socialist system no one worked for the collective, as well as he would work for himself in the capitalist system. In short, while capitalism could produce capitalists, communism failed to produce communists!

The builders of the Berlin wall, themselves felled it

If one looks back, till the day communism actually collapsed, there was no clue that it was due to collapse as rapidly and as irretrievably as it did. Volumes have been written on why and how communism collapsed. How did a world that was standing on two poles, free market capitalism and the state-led socialism, suddenly and overnight become unipolar – and how did the other pole, socialism, just vanish? And in fact, once I had discussed this subject with my friend Arun Shourie. He told me “Guru, I saw all its (Communism’s) potentialities to collapse; but I never thought it would collapse so suddenly.” I asked him “what was the potential for collapse that you perceived”. He said, “The intent of the Berlin wall betrayed its weakness. It was built to see that nobody from East Germany crossed to the West, not the other way round. And it was not built by the West, but by the East to keep their adherents in their own country. This showed the potentiality that it was to collapse at the initiative of those who had built it.” Yes, it was those who built the Berlin Wall who felled it. ❖

Retail prices of essential items jump up to 40%



The government has accepted that the retail prices of 23 essential items, including onions, washing soaps, match boxes and masur dal, rose by up to 40% in the second half of 2008.

According to the data placed before Parliament, barring eight items, including potato, wheat, gram dal and mustard oil, prices of 23 commodities surged in the range of 1-40% during August-December 2008.

The maximum price rise was seen in onion, which rose by 40% to Rs 218 from Rs 155.6 a 10 kg during the period under review, the analysis of the data showed.

Fast moving consumer items like match boxes rose by 13.94% to Rs 1.32 per 37 sticks, washing soap by 15.47% to Rs 17 per piece, and soft coke by 2.23% to Rs 18.7 per 500 gram.

The data on 31 essential commodities were provided by minister of state for consumer affairs Taslimuddin in a written reply to the Rajya Sabha.

In food items, goat meat and fresh fish became costlier by 5.69% and 5.76%, respectively, while prices of pulses like masur saw an increase of 12.26%, arhar by

4.54%, moong by 1.56% and urad by 1.57%.

Tea prices saw a steep rise of 9.97%, while milk also rose by 3.78% to Rs 17.4 per litre in the second half of 2008, the data showed.

The data has been compiled on retail price index numbers in respect of 31 essential commodities collected from 78 important industrial centres under Consumer Price Index Number for industrial workers for August 2008 and December 2008.

Former Union Minister Sukhram convicted in DA case



Former Union Communications Minister Sukhram was convicted by a Delhi Court for amassing Rs 4.25 crore of disproportionate assets that included seizure of Rs 2.45 crore from his residence in New Delhi.

Special CBI Judge V K Maheshwari held the 82-year-old politician from Himachal Pradesh guilty under various provisions of the Prevention of Corruption Act.

The quantum of sentence against the former MP would be pronounced on 24th February. The maximum sentence for the offences he is convicted for is

seven years.

The court said that Sukhram acquired assets worth Rs 4.25 crore which were disproportionate to his known sources of his income between 1991 to 1996.

The former Minister was not present in the court to hear the verdict as he was appearing in another criminal case pending in the Rohini District Court and his counsel pleaded before the special CBI judge for exemption from personal appearance.

Plea to withdraw cotton export sop

The Southern India Mills' Association (SIMA) has appealed to the Union Government to withdraw the five per cent incentive announced for export of raw cotton. The Centre has announced five per cent duty credit scrip for raw cotton exports with effect



from April 1, 2008 to July 1, 2009. The benefit has been granted under the Special Agriculture and Village Industries Scheme (Gram Udyog Yojana).

Association chairman K. V. Srinivasan has said in a release that the export incentive for cotton was a blow to the domestic textile industry. Under this scheme, cotton exporters were entitled for

duty credit scrip equivalent to five per cent freight on board (f.o.b.) value of exports.

The Government had increased the minimum support price by nearly 45 per cent for cotton this year. The domestic textile industry suffered additional costs towards transport and State levies too. The Government was encouraging export of raw cotton and not value added products, he said.

DoT for amending TRAI board selection criteria

With just under two months remaining for the current telecom



regulator's tenure to expire, the Department of Telecom has proposed to amend the criteria for selecting the Chairperson and the members of the Telecom Regulatory Authority of India.

The DoT is also preparing a comprehensive proposal for the Union Cabinet seeking approval for more operational freedom for TRAI. The regulator had earlier suggested various measures to improve its own working. This included extending the Chairperson's tenure from three to five years and giving powers to impose penalty on operators violating its orders.

While the DoT is planning to take operational issues of the regulator to the Cabinet, it has tabled a TRAI (amendment) Bill 2008 in Parliament for the purpose of changing the eligibility criteria.

The DoT has suggested an amendment in the TRAI Act 1997 to allow non-Government experts to apply for the posts. At present, only those Government officials who have held the post of Additional Secretary or Secretary or any equivalent post in the Central or State Government for a period of three years are eligible.

RBI tightens norms for online credit card use

The Reserve Bank of India has asked banks to provide additional information to customers on the usage of cards from August 1 this year in a bid to enhance security in online credit and debit card transactions. The central bank has asked banks for



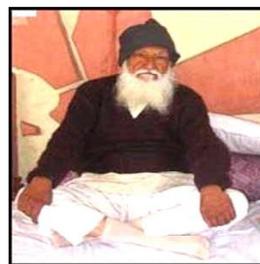
providing additional information for 'card not present' transactions to customers. 'Card not present' transactions are deals where neither the card nor its holder are present at the point of sale — i.e. use of cards in internet transactions. It said there should be a system of providing for additional

authentication/validation based on information not visible on the cards for all online 'card not present' transactions, except IVR transactions. The RBI has also asked banks to give online alerts to customers.

Navy chief warns of nuke attack from sea

Indian Navy chief Admiral Sureesh Mehta has warned of a potential nuclear threat from the sea route. Nuclear weapons may be smuggled into India in a cargo container, said Admiral Mehta. The statement comes after sources revealed that the Taliban have plans to attack western cultural centres in Indian cities. However, no specific intelligence inputs on the nature of the threat, the specific target, the timing or the group have been received.

Prof. Aggarwal Breaks Fast, Govt Blinks



Revolutionary environmentalist and Prof. D.D. Aggarwal broke his fast after government accepted to halt the 600MW hydro electrical project.

Prof. Aggarwal was on indefinite hunger strike on the issue. A lot of people including Swadeshi Jagaran Manch had pledged their support to the noted environmentalist. Government in a letter to Professor has promised to halt the project forth with.

Obama signs stimulus package



US President Barack Obama signed into law the USD 787 billion economic stimulus package, which according to him would rejuvenate the American economy and create as many as three to four million jobs in the next two years.

The stimulus bill was passed by the US Congress House of Representative and Senate.

Obama cautioned Americans not to immediately expect miracles with the passage of the bill, as the US has a long way to go in reviving its economy.

Terming it as the sweeping economic recovery package in the US history, Obama said: "What makes this recovery plan so important is not just that it will create or save three and a half million jobs over the next two years.

It's that we are putting Americans to work doing the work that America needs done in critical areas that have been neglected for too long work that will bring real and lasting change for generations to come."

The money would be used to not only save and create three to four million jobs, but also would result in mega investment into

modern infrastructure projects, funding projects which would help the US become energy independent, education and push more funding into scientific research.

Middle-class families will get tax cuts and the most vulnerable will get the largest increase in assistance, in decades, he said.

GM seeks up aid, to cut jobs

General Motors Corp, presenting a dire outlook for the future, said it may need USD 30 billion in total govt financing to weather the economic downturn and would cut 47,000 jobs worldwide and shutter five more US factories in a massive restructuring plan.

The automaker is already surviving on USD 13.4 billion in federal loans and said in a plan submitted to the US Treasury Department that it would seek an



additional USD 16.6 billion if economic conditions worsen, but it could achieve profitability in two years and fully repay its loans by 2017.

The US automaker presented its turnaround plan to the Obama administration as it worked to win concessions from the United Auto

Workers union and bondholders to dramatically resize the company.

Unemployed could surge by 23 million: ILO

The number of people out of work in Asia could surge by 23.3 million this year as the global financial crisis continues to batter the region's economies, according to a study.

The crisis could also force rural-to-urban migration to slow down, with many facing the prospect of returning to low paying agricultural sector as factories and firms slash jobs, the International Labour Organization (ILO) report said.

"A dramatic increase in working poverty of more than 140 million people by 2009 is projected under this scenario, representing regression of the Asia and Pacific



region to a working poverty rate of 2004," the study said.

"These projections are not just numbers, they carry with them a real risk that children may be forced to withdraw from school in order to work and support their families," it said.

It said the region's robust growth in the past was not matched by "broad-based gains in real wages," leading to sharp inequalities in many countries.

"The substantial growth slowdown taking place is likely to lead to stagnant or falling real wages, with the potential for increased incidences of wage related disputes," the study said.

Cost of protecting Japan govt debt hits record high

The cost of protecting Japanese government debt against default has risen sharply as political uncertainty and worries about the nation's fiscal position grew after data highlighted the depth of recession in the world's second-biggest economy.

Five-year credit default swaps on Japanese sovereign debt climbed to a record 130 basis points, equivalent to a cost of \$130,000 a year to protect \$10 million of debt, traders said. The rate is triple the level of 43 basis points traded in late January." The recession is very deep, and uncertainty about the political situation may continue to support this widening trend," a fund manager at a Japanese asset management firm said. But traders say the market is quite illiquid and dominated by foreign investors such as hedge funds.

Japan's public borrowing amounts to nearly 800 trillion yen (\$8,679 billion), about 1.5 times its



GDP. Japan's economy shrank 3.3 per cent in the final three months of 2008, its worst quarterly contraction since the 1970s, dragged down by a reliance on exports and by soft domestic demand.

Food prices may increase 30-35% in next ten years: UN

A top UN agency has warned food prices may increase upto 30-35 per cent within the next ten years, forcing those living in extreme poverty to spend 90 per cent of their income on it, if major



changes are not made in food production and processing system.

A new report, released by the UN Environment Programme (UNEP), has noted that changing the ways in which food is produced, handled and disposed of across the globe - from farm to store and from fridge to landfill - can both feed the world's rising population and help the environmental services.

The report also underscores the fact that over one-third of the world's cereal harvest is being used as animal feed and by 2050 the ratio will rise to 50 per cent. "Continuing to feed cereals to growing numbers of livestock will aggravate poverty

and environmental degradation," UNEP warned.

Among the key points in its plan, the report suggests that recycling food wastes and deploying new technologies, aimed at producing biofuels, to produce sugars from discards like straw and nutshells could be a key environment-friendly alternative to increased use of cereals for livestock.

US tycoon's \$8 bn fraud

Sir Allen is a US businessman and a cricket promoter Texan billionaire and cricket promoter Sir Allen Stanford has been charged over a \$8bn (£5.6bn) investment fraud, US financial regulators say. The Securities and Exchange Commission said the financier had orchestrated "a fraudulent, multi-billion dollar investment scheme". The SEC said the fraud was "based on false promises and fabricated historical return data".

English cricket bosses have pulled out of sponsorship talks with Sir Allen.

The charges against Sir Allen, three of his companies and two executives of those companies followed a raid by US marshals on the Houston, Texas, offices of Stanford Financial Group.

A US judge has frozen the assets of Sir Allen and the other defendants as well as those of the Stanford Group, its Antigua-based subsidiary Stanford International Bank (SIB) and another subsidiary, investment advisor Stanford Capital Management. A receiver has been appointed to "preserve assets for investors", the SEC said.

Trade liberalization and global financial crisis

Since its previous Trade Policy Review, Japan has introduced measures aimed at further liberalizing its trade and investment regimes. Japan has not introduced new trade measures to protect its market since the onset of the global financial crisis in September 2008. Indeed, it has subscribed to commitments taken at the highest political level in the context of the G-20, APEC and the summit meeting between Japan, China and Korea to refrain over the next 12 months from raising new barriers to trade and investment, imposing new export restrictions, or implementing WTO inconsistent measures to stimulate exports, according to a WTO Secretariat report on the trade policies and practices of Japan.

Trade Policy Reviews are an exercise, mandated in the WTO agreements, in which member countries' trade and related policies are examined and evaluated at regular intervals. Significant developments that may have an impact on the global trading system are also monitored. For each review, two documents are prepared: a policy statement by the government of the member under review, and a detailed report written independently by the WTO Secretariat. These two documents are then discussed by the WTO's full membership in the Trade Policy Review Body (TPRB). These documents and the proceedings of the TPRB's meetings are published shortly afterwards.

Farm talks consultations

Chairperson Crawford Falconer told members on 12 February 2009 that he has started consulting various coalitions and individual delegations, and will continue over the next few weeks in order to find out what issues members want to discuss. If a clear agenda of issues develops then he would propose reconvening "Room E" negotiations among about 30 representative delegations, he said. He was speaking in the first agriculture negotiations meeting of the full membership since the new year and since he circulated his latest version of the draft "modalities" on 6 December. The meeting lasted 15 minutes and no delegate spoke. This was an informal

agriculture negotiations meeting of the full membership, officially an "Informal Open-Ended Special Session" of the Agriculture Committee.

WTO again strikes down US practice of "zeroing"

The Appellate Body of the World Trade Organization on 4 February handed down another ruling — again holding that the United States had acted inconsistently with its obligations under the GATT 1994 and the Anti-Dumping Agreement in its continued application of the "zeroing" methodology in calculating dumping margins in periodic reviews of certain specified anti-dumping measures that it has maintained against the European Communities.

In a ruling handed down last year, and adopted by the Dispute Settlement Body in April, the Appellate Body had reversed a panel ruling (in a dispute raised by Mexico against the US on anti-dumping duties on stainless steel imports) that in effect allowed, "zeroing" in some instances.

"India will not dilute its stand at WTO"

India has said it would remain firm at the World Trade Organisation (WTO) with regard to protection for the Indian farmers and continue to safeguard its domestic economy notwithstanding international obligations.

"There is no dilution in our stand at the WTO, which has been seeking a global deal for the last seven years. The last major talks for resolving the deadlock on the Doha round for an international trade deal in July and December ended without success as India in particular insisted that the level of protection for the Indian farmers could not be diluted at any cost," he said, in reply to a question and during supplementaries on foreign trade during question hour in the Lok Sabha.

Against the backdrop of the global economic meltdown, Mr. Ramesh said the government was making effective use of the anti-dumping measures to protect the interests of the domestic industry. "We are effectively using anti-dumping measures and other safeguards for protecting the interests of the domestic industry," he said and cited imposing safeguard duty on chemicals.

