

**Global Financial Crisis
&
the Indian Working Class**

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History will record 15 September as the blackest day in the history of globalised capital when market economy collapsed like a pack of cards. The United States of America, the richest capitalist country in the world blatantly, claiming its hegemonistic ambition to dominate the world, engulfed itself in a severe crisis, more powerful than the Great Depression in 1929-30.

There was complete unanimity among economists of all schools of thought that the crisis would be further aggravated and it was bound to be a long drawn crisis. This happened when the country was involved in Presidential elections and President Bush's policies came for all round criticism. Even Democratic Presidential candidate Barrack Obama said that it was not a crisis only in Wall Street but in all streets. He had to give a call for "change" in U.S. policies.

The magnitude of the crisis was so all pervasive that the reform prescription propounded by the World Bank and the International Monetary Fund proved to be utter failure. The bankruptcy of the structural adjustment programme, popularly known as globalisation, clearly became visible to everyone

The champions of globalization are finding its extremely difficult to explain the real causes of the acute financial crisis that has haunted U.S. economy in the recent past. The theory that the market would decide everything without any state intervention

has now come home to roost. They have now become advocates of the concept that the state should intervene to bail out the financial capital out of the crisis created by the policies pursued by the finance capital itself. The advocates of the concept of survival of the fittest expect that the capitalist who are not fittest should go out of market or merged with the surviving capitalists. The U.S. Government has now been asked to pay \$ 700 billion of tax payers money in U.S. to bail out the largest investment banks to save themselves from bankruptcy. The U.K. Government had also taken steps to prepare a package of £ 400 billion to save the financial institutions from becoming bankrupt.

The Government of Iceland had to come forward to nationalize major banks to save them from becoming bankrupt. Several European Governments are also busy preparing nationwide packages to save their banking and insurance companies. Panic is prevailing every where. After spending nearly \$ 1000 billion in the war in Iraq Bush administration was facing a stiff opposition from the common people which resulted in lowest ever ratings of Bush whose policies were supported by only 28 percent of the people in U.S.A. The present financial crisis has made him more unpopular among the people though Indian Prime Minister Manmohan Singh found that all Indian people love Bush very much. The Government of Germany has drafted a bill to acquire right to veto takeover of German firms by foreign companies. It is expected to invest in infrastructure industries, airports, railways, ports, gas and electricity grids and telecommunications. This should be an eye opener to India's policy makers.

JOLT TO U.S. DOMINATION

U.S. imperialist ambition to dominate the world economy and establish a unipolar world has received a serious jolt by the severe crisis haunting the U.S. economy. The crisis reverberated in other parts of the capitalist world where the economy was linked with the U.S. economy.

The fears of U.S. recession were expressed by several economists in U.S.A. and outside. The collapse of Enron gave a warning signal but many ignored it as an isolated phenomenon. The reckless personal benefits cornered by top executives of the Company resulting in its collapse was not considered as a serious phenomenon.

The housing mortgage crisis has led to several investment companies becoming bankrupt while the attempts made by the U.S. Government to solve the crisis were of no avail. The U.S. economic bubble busted when Lehman Brothers owners of the topmost U.S. investment bank, became bankrupt and had no funds to return money to the creditors. The U.S. Government had to come forward to save the company from collapsing. Another giant U.S. investment bank Merrill Lynch also faced bankruptcy which could be saved only when it was taken over by Bank of America. Morgan Stanley and Goldman Sachs were also hit by the crisis and with the Government help decided to merge and function as ordinary commercial banks. The largest U.S. insurance company AIG also faced repayment crunch and it could be bailed out only after the Government injected \$ 85 billions from the U.S. Treasury.

Some of the giant financial companies have turnover more than GDP of some developing countries. The so called liquidity crisis spread to other companies in U.S. which faced bankruptcy if the Government did not bail them out. The meltdown of U.S. economy raised a serious threat of recession in the entire country.

The crisis in U.S. economy soon spread to other advanced capitalist countries and in Europe, Canada and Japan the economy required bail out packages by the Government. Those who advocated non-interference by the state in economic matters and allow market to decide all economic policy issues had to admit that market had collapsed and the state alone could bail the companies from utter bankruptcy.

FAILURE OF G8 PACKAGE

The G8 meeting, without participation of Russian representatives met at Brussels on 17 October 2008, expressed serious concern about the possibility of global recession and tried to find out the method to bail out the economy of respective countries. Despite preparing package of 1.8 trillion Euros. (\$ 2.4 trillion) to prevent further slowdown of the economy, the package is not likely to help the revival of the economy. The stock markets reacted unfavorably to the package and collapsed further after announcement of the package itself. Panic prevailed everywhere and atmosphere of gloom was spreading in all directions.

As pointed out by recent Nobel Prize Winner economist Paul Krugman, “now the housing bubble has burst in turn, leaving the financial landscape strewn with wreckage. Even if the ongoing efforts to rescue the banking system and unfreeze the credit markets work – and while its early days yet, the initial results have been disappointing - it is hard to see housing making a comeback anytime soon. And if there is another bubble waiting to happen, it is not obvious,” (New York Times News service) Some U.S. economists have openly stated that the country is not realizing the seriousness of the crisis which is likely to worsen and be a long drawn one.

Several economists in U.S.A. are not confident that \$ 700 billion bail out package would really revive the U.S. economy. They note that the troubled assets in the U.S. exceed \$ 3 trillion and the package would cover only part of them. They have expressed fear that the U.S. economy would continue to be dogged by the phenomenon of bankrupt, mergers and acquisition. In the process, monopoly giants may take advantage of the situation but the revival in the near future does not appear to be visible.

The bailout Bill was, in the first attempt, defeated in U.S. Congress by 228 – 205 votes. Those who voted against consists

of 60 percent democratic party representatives while one third were from the Republican party. Some opponents argued that its was totally unjustified to use the taxpayers money for the manipulations done by the financial tycoons which has brought this chaotic situation in U.S.A. The salary of some CEO was as high as Rs.300 Crores per annum in addition to the hefty share of profits. Many U.S. congressmen sharply criticized the irresponsible behaviour in some CEO's in the name of "economic innovations". In another U.S. company which become bankrupt, the Chief Executive was enjoying salary and commission equivalent to Rs.2500 crore in a year.

The IMF in its recent Report on World Economic outlook characterized the present Global Financial Crisis as "the most dangerous financial shock in mature financial markets since the 1930s".

FAILURE OF DEREGULATION

After the introduction of new liberal economic policies dictated by the World Bank and the IMF the state was asked not to play any role in regulating the economy. Privatization of all state economic undertakings became the order of the day. Deregulation of economy became bedrock of financial globalization and market was expected to decide every aspect of economic activity. Naturally concentration of capital and consequent growth of monopoly capital became the main thrust of the structural adjustment programme. In absence of any regulation the finance capital resorted to several manipulations in share market and what is known as "casino economy" occupied a key position in the growth of unreal economy.

President Bush never bothered to think about the impact of his bankrupt economic policies on the people of U.S.A. U.S. public debt had doubled during his regime reaching a colossal figure of \$ 10.3 trillion. His unjust war in Iraq had cost over \$ three trillion to the U.S. exchequer. Moreover, the current account deficit in U.S. budget increased from \$140 billion in 1997 to

\$880 billion in 2006. It is likely to exceed \$ one trillion this year.

According to estimates made by the U.S. budget analysis the financial crisis in U.S.A. has resulted in loss of \$ 2 trillion of American workers' retirement savings which were deposited in the pension funds. Sharp decline in the value of assets by over 20 per cent in a short period has brought such a big loss to the workers.

There is no wonder that inequality in U.S. had grown sharply during the recent past. One percent of the rich persons own more than 20 per cent of the total income in U.S.A. while bottom 50 per cent of the U.S. population account for only 12.8 per cent of the total income in the country. In the richest capitalist country in the world 5 crore workers do not enjoy any social security benefits whatsoever.

As early as in 1982 George Bush Sr. when he was Vice President of U.S.A. brought out a new banking legislation providing for (a) The usury ceiling on what bank charge on loans was repealed, (b) The lending limits for unsecured loans by banks to a single borrower were increased, (c) Commercial banks were allowed to buy weak banks, thus taking a step towards creation of Super Banks, (d) Commercial banks were permitted to create a category of loans and investments called "off balance sheets liabilities" which transformed into today's \$600 trillion derivatives market. In the year 1999 the U.S. Government passed the Financial Services Modernization Act which gave complete freedom to financial institutions to go by the mechanism of market economy.

A sub-prime loan or mortgage is a deal by the bank wherein the capacity of the borrower to repay the loan is not verified.

The phenomenon of growth of sub-prime mortgage was noted in 2004 by E.M. Gramach Governor of Federal Reserve Board, "One of the key financial developments of 1990's was the emergence and rapid growth of sub prime mortgage lending.

Because of regulatory changes (i.e. deregulations) the desire for increased profits and liberalization in some government mortgage support programmes lending institutions began extending credit to million of borrowers.”

The journal “Thought” published by Forum of Scientists, Engineers and Technologists (FOSET), Kolkata, while pointing out the growth of sub-prime mortgages noted: “In 2001, the share of sub-prime loans in total mortgages originated in a particular year was 7%, it rose to 11% in 2004 and to 20% in 2006. But simultaneously the volume of sub-prime loans outstanding jumped from \$140 billion in 200 to approximately \$350-400 billion in 2006. In 2000 only about 15% of sub-prime loans were undocumented having no documental evidence of place of work, income level etc. By 2006 the share of undocumented sub-prime loans increased to 45-50%”.

The crisis in U.S.A. is likely to be further accentuated in the near future, when the credit card bubble is likely to be busted. According to a report, average debt per credit card in U.S.A. is about \$9000. Many of the credit card holders may not be able to pay the amount for the goods purchased by them through the credit card. It should be noted here that U.S. credit card debt increased from \$211 billion in 2002 to \$ 915 billion by the end of 2007. During the deregulated regime banks have liberally issued credit cards to crores of persons, even without making a request by them. The U.S. Govt. will find it difficult when millions of card holders will not be able to make the payment to banks.

FRAUD GALORE

The deceit and fraud by the financial tycoons in U.S.A. was witnessed in the most glaring manner when the former Chairman of NASDAC, an agency which works out the share price index in U.S.A. was arrested by Federal agencies. Bernard L. Madoff considered to be a financial wizard in U.S.A. had been charged with allegedly running “Ponzi Scheme” which

has now been exposed as a scheme fraudulently offering unusually high returns, with early investors were paid off with money from later investors. The total fraud of \$50 billion has now been exposed while the investors have lost their money. He was also involved in running a hedge fund racket and defrauded several investors. If found guilty, he will be imprisoned for 20 year and the huge fine.

Several scandals of this type are coming to light which underline the extent to which a capitalist system is operating to fulfill the greed for money by handful capitalists. Some economists in U.S. have pointed out how the princes of Wall Street are trying to profiteer even from the global melt down.

IMPACT ALL OVER CAPITALIST WORLD

Globalization has facilitated the concentration of capital on an international scale. Naturally, the crisis in U.S. spread rapidly in other capitalist countries, which was already suffering from a global recession.

The organ of the advanced capitalist countries in the world known as organization of Economic co-operation and Development (OECD) in its report has observed that Gross Domestic Product (GDP) in the European counties has declined in second and the third quarter of 2008. It also showed that it would further decline in the fourth quarter of the year. The study pointed out that in Japan too the GDP declined in second quarter of the year, which would also fall in the fourth quarter.

The GDP growth in the OECD countries declined from 3.1 per cent in 2006 to 2.6 per cent in 2007 and 1.4 per cent in 2008. It is projected to fall by 0.4 per cent in 2009. The OECD report noted that the unemployment rate which increased from 5.6 per cent in 2007 to 5.9 per cent in 2008. It is estimated to increase the rate to 6.9 per cent in 2009 and 7.9 per cent in 2010. These estimates are likely to increase as the global crisis further engulfs the capitalist world.

The scenario in production also does not show a bright picture. In 2006 industrial production in the world increased only by 4 per cent which came down to 3.5 per cent in 2007. In 2008 the projection indicate a fall in production by 0.5 per cent while the same projection indicate a further fall of 1.5 per cent in the year 2009. If we take into account about 10 per cent rise per annum in China's industrial production the worldwide situation becomes more grim.

Speculation in capitalist country have reached alarming proportions. During 2007 the total volume of speculative trade in commodities was five times larger than the total trade in stock market and 10 times bigger than the world GDP. Commodities such as food grains and food products, fertilizers and oil have been the main sector of the global speculative activities. Knowing fully well the phenomenon the capitalist governments were allowing this since speculators were making money with the help of money. Regarding the oil industry the price of oil in world market had no relation with the cost of production. It rose upto \$147 per barrel which has now come down to \$40 per barrel. One can just imagine the extent of speculative gains made by the unscrupulous capitalists by manipulation of prices.

Referring to the present measures taken by the leading capitalist countries to bail out the financial institutions Fidel Castro in an article in Granma has pointed out : "these measures will bring more inflation, more devaluation of the national currencies, more painful losses of the markets, lower prices of the export commodities, more unequal exchange". He further noted that the crisis would bring more knowledge of the truth, more consciousness among the workers, more rebellions and more revolutions.

IMPACT IN CHINA AND SOCIALIST COUNTRIES

The worldwide recessionary trends in the capitalist countries adversely affected the exports from China to these countries.

However, the Government of China has taken steps to increase the domestic consumption and overcome the shortfall of exports. The Chinese Government prepared a package of \$500 billion to develop infra-structure industries and has taken steps to improve the standard of living of the people so that the recession does not hit the Chinese economy.

The Government of China has taken special measures to boost the rural economy so that great potential of developing rural market are utilized properly. Special projects of rural development have been taken to reduce the differential in the standard of living in the urban and rural areas. The remunerative prices of agricultural products have been suitable enhanced so that consumption in rural areas will increase.

Though the possibility of growth of short term unemployment in some sector is not ruled out, the Government of China has generated new avenues of employment through official spending in employment generating projects.

The other socialist countries like Vietnam, Cuba and North Korea have also taken steps to increase the public spending and protect the national economy from the impact of the global financial crisis.

IMPACT IN INDIA

Union Finance Minister P Chidambaram made several statements highly under- estimating the impact of the global crisis on Indian economy. “Fundamentals of Indian economy are strong and India is likely to continue as second largest growing economy in the world” was the pet theme of his statements. He claimed on several occasions that Indian economy was insulated from the world financial meltdown. He was unnerved even when the growth rate of industrial production during August 2008 was only 1.3 percent compared to almost 10 percent in August last year. “We must banish fear” he repeatedly called upon the Indian investors. It was only

Prime Minister Manmohan Singh who first admitted that the global crisis would also affect the Indian economy.

On instructions from Finance Minister, the Reserve Bank of India cut Cash Reserve Ratio [CRR] of the Bank to 7.5 percent of total deposits to be kept in the RBI. The statutory liquidity ratio [SLR] was also reduced from 25 percentage as compulsory investment by banks in approved securities. These two measures are likely to inject about one lakh crore rupees in the economy to meet the present liquidity crisis. However, this will lead to further inflation in the economy and consequent rise in prices of commodities in the market. Already people are suffering in India due to high price rise and the additional dose of inflation will only result in reduction in standard of life of people. It will further throw more persons in the country below the poverty line.

The former Governor of the Reserve Bank of India, S Venkatraman however, does not share the views of P Chidambaram. In his article in the Hindu he clearly noted, “the U.S. financial crisis has had its reverberations on both developed and developing world. It is not possible to insulate Indian economy completely from what is happening in the financial systems of the world.”

Explaining the reasons why the financial crisis will not completely affect our banking system he says, “the Indian banking system is basically owned by the Public Sector. The State owns many of the banks and financial institutions in the country. There is greater confidence of depositors in a state-owned bank than in a private sector bank”.

Due to the strong opposition of the Left parties and the trade union movement the Union Finance Minister could not privatise Indian banks or hand them over to the foreign MNCS. The Banking Bill to give effective control over Indian Banks could not be passed in Parliament due to opposition of left parties and frequent strike action by the united movement of the bank

employees. They also opposed privatization of the Pensions System and move to put the workers' provident fund money in share market. The left parties did not allow the Pension Regulatory Authority Bill to be passed in parliament. After withdrawal of the support of the left parties P. Chidambaram announced his intention to get these measures adopted. If it would have been done, the country would have faced serious crisis after the U.S. financial debacle.

According to survey conducted by Federation of Indian Chambers of Commerce and Industry (FICCI), the global economic slowdown has adversely affected Indian manufacturing sector. As reported by Business Standard (10 December 2008) the survey noted that textile, leather and metal were expected to clock a decline of 3.9 per cent, 1.3 per cent and 30 per cent respectively for the month of October 2008.

The survey further noted that manufacturers of some of the major sectors like textiles, metals and metal products, machinery and equipment, leather and chemicals had reportedly planned cuts in their production ranging from 10 to 50 per cent between November 2008 to March 2009 due to fall in demand in the wake of global economic crisis. As a result, growth of manufacturing sector could further slow down in the coming months.

The survey further indicated severe downsizing of employment in the range of 10 to 30 per cent was expected in leather and leather products sector followed by metal and metal products, textile and gems & jewelry in the next few months. In other sectors of economy too downsizing of manpower was coming in a big way making the conditions of these workers most miserable. Already leather exports have declined by 62 per cent while textile by over 10 per cent.

The Economic Times (10 December 2008) reported that Indian Shipyards would loose 15 per cent of their orders amounting to Rs.3750 crores due to global recession. As noted by

Chairman of Shipping Corporation of India, S. Hajara, “Many speculative shipping business had ordered vessels. These companies are no longer interested in business”. Domestic air traffic in India declined by 21 per cent in November 2008 compared to the traffic one year ago.

Industrial production in October 2008 fell by 0.4 per cent, the lowest performance in the last 15 years. In October 2007 the industrial production rose by 12.2 per cent according to official statistics. Chairman of the Indian Prime Minister’s Economic Advisory Council S. Tendulkar had to admit, “The situation is much graver than expected”.

BAIL OUT FOR WHOM?

The crisis in aviation industry was a creation of Government which granted permission liberally to private airline operators to do business without taking into account market requirement and finding out the source of funding of these companies. At one stage there were 54 flights each way every day between Mumbai and Delhi. The private sector companies were not paying dues to the airport authority and to public sector oil companies for providing aviation fuel. Due to excessive number of flights some air companies faced difficulties. In the name of bailing them out, the Government allowed them delayed payment of airport charges to Airport Authorities putting it in financial difficulties. These aviation companies were also allowed to delay the payment of oil companies. Prices of aviation fuel were brought down 5 times in a year making it cheaper than even diesel. An office going employee is paying more for his fuel than the aviation fuel. In spite of these concessions the civil Aviation companies by not reducing the airfare amassed huge wealth at the cost of public sector.

The reduction of Central value added tax by 4 per centage points will alone will not increase the market unless producers pass on the benefit to the consumers. If the cut in tax does not lead to more production it, does not help in stimulating the

economy.

The exporters were given credit by the Government with subsidized rate of interest but exports cannot be increased by mere credit facilities since due to economic recession the foreign countries would give less emphasis on imports.

The withdrawal of export duty on Iron ore would only help the exporters of Iron ore. When national steel industry is facing shortage of adequate supply of iron ore, this step may not be helpful to the growth of our steel industry. Imposition of higher import duty on steel products would help to some extent our steel industry but production of indigenous steel industry is likely to come down sizably in the forthcoming period due to shortage of demand.

The concessional interest given to the housing would mainly help the estate developers who are making huge profits out of construction activity. The loans given to individuals for housing ultimately go to the coffers of estate developers.

Different bail out packages are offered to various industries who have amassed huge wealth in a period of globalisation. They enjoyed huge tax concessions during the last 2 decades. UPA Government ignored all suggestions given by the left parties to raise resources for giving relief to the poor but they were all rejected by the Government to protect the interest of corporate tycoons. There is no wonder that among the ten richest persons in the world 4 are from India while only 2 from Japan, whose per capita income is 50 times that of India. The stimulus package offered by the Govt. will mainly help these elements in the country.

As Dr. Jayati Ghosh has observed, "In such a situation, reducing interest rates does not solve the basic problem of tightened credit provision, even though it may marginally reduce costs for those who are able to access bank credit. Some of the measures seemed to be more designed to push up the stock

market than to revive the real economy.”

BURDEN ON THE PEOPLE

The small and medium industries, traditional industries get only symbolic assistance. They still continue to starve for credit and get adversely affected by liberal import policy of the Government.

The rural poor and migratory labour are the worst hit due to the global crisis. The small and medium peasant is to-day finding it difficult to manage his economy. Quite often farmers annual expenses on agriculture are more than what they earn after harvesting. The forward trading in essential commodities have made the conditions of the small and marginal farmers most miserable. In the winter session of Parliament the Government had admitted that 17,000 farmers committed suicide last year. The debt relief offered by the Government of India has not helped the loans taken from private money lenders. The Government has not taken any step to cancel to usurious loans given by private money lenders in villages. There is no provision for any bail out for these peasants and agricultural workers who are the victims of slow down of the economy in India.

More than 5 lakh workers have lost their jobs in three months due to retrenchment and partial or total closure of export oriented industrial units. In Tirupur hosiery industry alone there is large scale massacre of jobs. However no bail out package has been offered for the affected people. There is no relief for the unemployed as a result of the present economic crisis. Labour Ministry is considering only a symbolic relief for the unemployed.

Employers are imposing wage cuts and giving effect to deteriorated working conditions on workers. Kingfisher has already announced wage cut. Tatas have decided to close their automobile plant for 3-4 days in a week without any wages

for workers. Air India declared that their employees should take 5 years leave without wages. The Government has not put a condition that bail out package would be available only to those industries who would not reduce manpower or would not unilaterally reduce working conditions of workers. 12 hours work day is becoming the norm while in special economic zones the working conditions has become a serious casualty.

SCANDALOUS PARTICIPATORY NOTES

In India, permission granted to introduce participatory notes by the Government of India in the Share market has opened floodgates for black money making white since the name of the actual owner is not known through these note. It has also become a channel for hawala money coming in India from abroad and getting entry in the share market. It also enabled foreign speculators to use Indian share market for ill gotten speculative gains. Earlier, the former Governor of Reserve Bank of India suggested that the participatory notes should be banned but Chidambaram allowed them to continue on the plea of imposing some symbolic restrictions.

However, reversal of those restrictions have been withdrawn now and participatory notes are allowed to play havoc in our share market. This only strengthens the hands of foreign investors to use the Indian share market to their advantage. The victims of this policy would naturally be small investors in Indian share market.

The Government of India further allowed additional foreign investments in banking and telecom sectors through Foreign Institutional Investors which will only strengthen their grip over the banking and telecom sectors.

According to information supplied to SEBI by 17 FII, they have lent 40 securities to overseas purchasers which have the effect of short sale in the security in the Indian market. These securities were in the form of participatory notes. As noted by

the Hindu on 18 October, 2008 short selling implies to sale of securities that are not owned by the seller. Though the matter is being investigated by SEBI the phenomenon highlights the restrictions withdrawn by SEBI will only result in increasing these malpractices. The above information is based on the reports submitted by 17 FII out of 1539 registered with SEBI which only exposes the dangerous character of the participatory notes in Indian share market.

Assuming the role of a financial astrologer Dr. Montek Singh Ahluwalia Dy. Chairman of the Planning Commission, announced in the conference of Indian Economic Association on 29th December 2008 that the recession would continue for 18 months. This is in contrast with the statement made by Jaoquin Alumina, European Union Monetary Affairs Commissioner who said, "We still have no idea how long, this turbulence will last and when normalcy will return to the markets". Ahluwalia visualized another stimulus package for the industry which according to him would insulate Indian economy from the global financial crisis. The irresponsible utterance by the champions of globalization are pointing out that they refuse to learn from the debacle that has caused by the dependence of market economy.

The scandalous goings on in Satyam Computer services, the fourth largest IT company in India, which high lighted the manner in which IT sector companies are dealing with the question of corporate governance. The dubious \$1.6 billion deal to buy Maytas firms owned by one of the promoters of Satyam has exposed the greedy promoters who try to make money at the cost of the interest of shareholders. Out of 9, 4 directors had to quit while the share market showed strong reaction to the behaviour. Since 47 per cent of the shares are hold by F11 they are trying to assert to save their assets. It has clearly noted how the deregulation in IT Sector has resulted in several cases of bungling. Such companies are now seeking bailout packages and UPA Government is listening to their demands.

Noting the pitiable conditions of the working class even the Director of International Institute of Labour Studies (ILO) Raymond Torres pointed out that average hike in executive pay was 10 per cent as compared to a mere 0.7 per cent for workers. In such a situation attempt to reduce the wages for workers would mean a big attack on their standard of living.

The ILO estimated that about 2 crore workers are likely to lose their jobs in the world due to meltdown of the economy. However, the actual loss of job at a global level would be much more than this estimate.

The burden of the bail out package would ultimately fall on the common tax payers who are already suffering from the burden of recession.

The indecent hurry by which a Bill was brought in Rajya Sabha to increase the FDI cap in insurance industry from 26 to 49 per cent clearly shows that the UPA Government refuses to learn from the global financial crisis. When major insurance companies are heading towards bankruptcy in USA and other capitalist countries, the ironic step taken by the Manmohan Singh Government will only put Indian Insurance industry at the mercy of the fraudulent insurance giants in the world. When Indian insurance industry in public sector has performed well, there was no justification for increasing the stake of foreign insurance companies in the insurance sector. When other countries are taking protective measures not to allow the foreign insurance companies to exploit the domestic depositors money to earn profits, the steps taken by the Government of India only expressed its servile attitude towards multinational capital in insurance sector. The remarkable nationwide strike by Insurance employees on 23 December 2008 was a fitting reply to the draconian measures of the UPA Government.

GROWING HUNGER IN INDIA

With collapse of public distribution system the number of hungry,

people in India are increasing. Dr. Arjun Sen Gupta Committee Report has already pointed out that nearly 84 crore people in India live on a per capita consumption of Rs.20 per day. On 16 October, World Food Day was observed all over the world. It was officially announced by U.N. Agencies that in India 20 crore people are hungry and the number is swelling day by day. The results of economic developments in India have not reached the common people in India which has increased inequality in the country. No economic development can be balanced unless it reaches the hungry people in the country. The bail out packages does not include any measure like strengthening public distribution system. The declared policy of the Govt. of India to extend benefits of public distribution system to people who are below the poverty line according to the Government definition is making available the benefit to people having less than monthly income of Rs.450 per month in urban and Rs. 350 per month in rural sector. These persons also do not get the benefit in practice due to corruption in administration. Thus it reaches only a small segment of population while large sectors of poor people are out of the coverage of any relief from the Govt. After all, according to Human Development report 2007 published by UNDP India ranks 128 out of 177 in human development in the world.

ALL ROUND ATTACKS

Over and above that all round attacks on the T.U. and democratic sights of the workers will be resorted to by the ruling classes to suppress the resistance struggle of the working class to the new attacks by the capitalist class who would try to pass on the burden of the economic crisis on the working class and the people.

The UPA Government is fully aware that the discontent among the workers is growing at a rapid space due to deteriorating working and living conditions but the Government has no time to discuss the issue with the trade unions. Despite T.U. demand for a meeting to discuss the impact of the global capitalist crisis

on the Indian working class the Union Labor Ministry did not call any such meeting. The Prime Minister who has been repeatedly meeting the corporates sympathetically consider, however, did not find time to call a meeting of central trade unions to review the difficulties faced by the working class due to melt down of capitalist production. The Indian Labor Conference could not be held in 2008 due to non-availability of the time of the Prime Minister to inaugurate it.

The Finance Ministry is curtly refusing to increase the rate of interest on Provident Fund accounts of the workers to enhance their social security benefit. The amount involved is much smaller compared to the huge concessions given to the capitalists who have swindled large amount of corporate funds and are responsible for the present crisis. The doggedness shown by the Government to pursue the unorganized workers Bill Parliament has clearly shown its attitude towards the toiling masses, who are greatly suffering. But the Govt. is not coming forward to take any meaningful step to benefit them

The Government is determined to go ahead with the Pension Fund Regulatory Authority Bill despite strong opposition of trade union. It is planning to give more powers to foreign banks to control Indian banking organizations. These steps will give control of the Indian Financial Sector to foreign banking companies who have brought the global financial crisis by their blood thirsty greed of higher and higher profit.

The CITU has therefore decided to organize intensive campaign all over the country on the following pressing demands of the working class and the toiling people:

- 1. Stop retrenchment and wage cuts on the pretext of financial crisis;***
- 2. No privatisation of profit making and potentially viable public sector undertakings; expedite steps to revive sick public sector units;***
- 3. Increase public investment in agriculture, infrastructure***

projects with specific thrust on power, irrigation, roads and waterways;

4. Reinforce predominance of government control in core, strategic and infrastructure sectors of the economy;

5. Immediately extend Employment Guarantee Act to urban areas;

6. Provide relief to the workers and common people on priority basis; any relief / concessions to industry must be conditional on job protection and additional employment generation;

7. Protect domestic industries through increase in import tariff; India should not agree to any further cut in import tariff in the ongoing talks in WTO;

8. Extend debt waiver to private loans of farmers; include fishers and artisans under the debt waiver scheme;

9. Universalise PDS and supply all essential commodities through PDS;

10. Ban forward trading in all the 25 essential commodities;

11. Universalise ICDS;

12. Upward revision of the minimum wages for both urban and rural workers including agricultural workers;

13. Ensure strict implementation of all labour laws;

14. Comprehensive legislation for unorganised sector workers and agricultural workers to ensure social security and cover working conditions with central funding;

15. Stop deregulation of financial sector; strengthen public sector banks and insurance companies; impose embargo on non banking and speculative activities by the financial institutions, including foreign banks;

16. Scrap PFRDA bill; stop handing over provident fund/pension funds accumulations to private fund managers;

17. Ban participatory notes transactions; impose higher capital gains tax, both long term and short term;

18. Financial institutions should provide credit to agriculture and small scale sector as topmost priority; not for stock market operations;

19. Ensure remunerative support price to the peasants; aggressive procurement of food grains by the FCI;

20. Reduce prices of petrol, diesel and cooking gas; impose windfall tax on petroleum export above a cut off point.

CHALLENGING SITUATION

In this challenging situation trade union movement has to educate the working class about the bankruptcy of the capitalist system itself. The present crisis itself is the direct result of the exploitative capitalist system which strive only to maximize profits of the capitalist class and ignores the improvement in the living standard of the vast masses living in the world. So long capitalism prevails, working class and the toiling masses cannot expect any basic improvement in their material well being. Whatever improvement in the working and living conditions of the working class and the toiling millions could be achieved in the world, was the direct outcome of the sustained struggle launched by them. The present crisis situation has created favourable atmosphere to convince the working class the hard reality of the present social situation round the globe.

The common desire of the working class and the toiling masses to resist these attacks and protect their working and living conditions will prove to be a greater asset for the TU movement. Under these circumstances the TU movement should rise to the occasion to play a historic role in leading the toiling masses to fight against the depredations of the capitalist system itself so that the working class can chalk out its destiny by successfully achieving social transformation that would lead to abolition of exploitation of man by man.

STRUGGLE FOR REVOLUTIONARY SOCIAL TRANSFORMATION

The global crisis of capitalism has raised to the forefront the basic issue that capitalism cannot solve a single issue faced by humanity in the world. The bail out package is only an attempt to save capitalism and profits of capitalists.

However, ideologically the working class all over the world does not fully understand the real game of global capitalism. A large section of the working class is still having illusion about the capitalist system who think that they would get justice within the capitalist framework. The class collaborating leaders by the trade union movement are hoodwinking the workers that the capitalist system can be reformed and working class interests can be duly protected within the framework of capitalist system. Though the working class is realizing the true nature of capitalism the process needs to be made faster.

One must note that growing interest is taken all over the world to understand what Karl Marx said about the capitalist system. The leading boosters all over the world are displaying Marxist classics prominently and the number of readers buying these books is swelling day by day.

Karl Marx and V. Lenin are no more absolute today. What they predated about capitalist system has proved to be correct.

This is an occasion for us to educate the working class about the real nature of capitalist system and stress the need for transformation of the exploitative system. Establishment of a Socialist system is the only alternative to capitalist system. Those who criticized Karl Marx for calling profit as theft by the capitalist are now compelled to speak about “greed for profit of some CEO’s” was the cause of the present global financial crisis.

Ninety two years ago in 1916 while analyzing the role of Fiancé capital Lenin pointed out, “Financial Capital concentrated in a few hands and exercising a virtual monopoly, extracts enormous and ever increasing profits from floating of companies, issue of stock, state loans et . strengthens the domination of Financial oligarchy and levy tribute upon the whole society for the benefits of monopolists (Imperialism: The Highest Stage of Capitalism)

Without ideological preparations of the working class, it is not possible to launch powerful struggles against capitalist system. We must tell the workers that it is not sufficient to fight against the effects of exploitation. We must ultimately prepare ourselves to fight against the cause of exploitation itself.

It is therefore the duty of CITU unions to fight against every attempt of the capitalist class to pass on the burden of the issues on the shoulder of the working class. At the same time we should also prepare the working class to be prepared to fight against the moribund capitalist system itself which alone give in a world without crisis and exploitation. History has given the responsibility on the working class of the world to be “grave diggers” of capitalism.

TEN VOICES OF U.S. ROBBER BARONS

Prof. Norman Markowitz a teacher in Rutgers University compiled the following 10 statements of U.S. capitalist swindlers which explains the moribund capitalist system in their own worlds:

1) *"We are not in business for our health". A statement by JP Morgan when fellow parishioners in New York's Trinity church criticized him for investing Church funds in lucrative slum property.*

2) *"What do I care about the law Ain't I got the power?" A quote from Cornelius Vanderbilt indicating how a capitalist can manipulate and enforce increase capitalist wealth, undermining any law to regulate or limit capitalist wealth and power.*

3) *"The public be damned". Stated by Carnelius Vanderbilt's son William in response to popular criticism of his creation of monopoly in New York street transport transit and his subsequent doubling the fares.*

4) *"I can hire one half of the working class to kill the other half". A statement of Jay Gould when he tried to break the strikes of workers with the help of blacklegs.*

5) *"In a Republican district I was Republican. In a Democratic district I was a democrat. But I was always for Erie." Another quote by Jay Gould. Erie Railroad was a company of his. He wanted to show how he uses both parties in U.S.A. for his benefit.*

6) *"God gave me my money". A quote attributed to John D. Rockefeller in response to critical enquires about how he acquired his wealth.*

7) *"Character" was a false claim made by JP Morgan when he wanted to show the greater the money accumulated by a capitalist the greater is his moral authority.*

8) *"What good is \$10 million if you can't have real money". A statement made by Jesse Livermore, a famous wall street speculator while explaining his suicide in 1930 after he lost money during the great depression. He still had \$10 million at the time of his death.*

9) *"There are no social classes in America. Only the middle class" stated by former U.S. President Herbert Hoover who himself was a big capitalist. But to hoodwink the working class he was characterising capitalist as middle class.*

10) *"Take the money and run". A title of the movie of Woody Allen, which explained the cruel character of capitalist mode of production over centuries.*

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