DEAR ALL,
I AM SEARCHING FOR YOU THE BEST READABLE MATERIAL WHICH WILL HAVE SOME VALUE ADDITION TO THE THOUGHT PROCESS.

I had found one very very good article which is recommended to be read by every INDIAN. Please go thru' this. It is a paper prepared by a very wise and thoughtful person, this paper help up to get the view of GLOBALISATION with a different perception. ***Please find some time read it and share with others.***

Regards,
Chandan

Global Imbalance - An imminent Dollar Crisis

By M.R.Venkatesh,
[Economist]

In fact I was present in the hall when Mr.Professor was actually half way into the speech. And professor was trying to explain to this audience why globalization the way it is practiced was not working in India. My other presentation will be to tell why globalization is not working even in America. The fundamental assumption of globalization is, it is a success. We don't critic it. We assume that it is a success. We assume that, if we have to be successful, we have to follow the globalization model. So we don't discuss, we don't debate. We don't actually critic it at all. Take it for granted that this is the model that we have to follow and in the process, Globalization is the subject that has become highly un-debated, un-critic, un-understood, misunderstood, misrepresented by everybody. It is like six blind men looking at an elephant and each one trying to define the elephant in his own way.

To understand this globalization, you require a bit of understanding of what a small pan shop owner is doing. If I ask a bunch of students in a school or college wherever I go for my lectures, even to Chairman of Commerce. If I ask them, between America and India, which is the rich country, and which is the poor country? And, between America and China, which is the rich country, and which is the poor country? The answer is, China or India is the poor country, and America is the rich country. And, I am sure many of you in the audience also have the same perspective or same idea about America, and same idea about India or China. But, in our common language, a rich person is the person who pays, gives, donates, or lends money to the poor person. And the poor person is the person who receives, gets, begs, or loans money from the rich person. This is the common definition of a common man. But, it is exactly opposite in the globalization sphere. Meaning, it is India, China, Japan, South Korea, Thailand, Vietnam, Malaysia, Singapore, Indonesia, Pakistan, Bangladesh, UAE, Saudi Arabia, Iraq, Iran, name anybody, they are lending money to America. They are lending money to America at the rate of 2 billion dollars (i.e.,800-900 crores) every day. And if these people don't lend money to America, America will collapse. That is globalization.

It is the rich country, which is getting money from the poor country, and the poor country which is lending money to the rich country and that goes on by the appellation of globalization. And in fact when this fundamental paradigm is put before the people, they are shocked. But, fact of the matter is America require something around 800-1000 billion dollars to survive and that capital, it gets it from the rest of the world. How does it work? This requires some explanation. America is like a huge finance company which wants to cheat. So, how does the finance company which wants to cheat work? It will setup a fantastic office. It will have a 40x40 reception with a beautiful receptionist. So, when you enter the reception, they will say, sir Swarna Ganga Scheme, Swarna Lakshmi Scheme, all these schemes 20% of interest, 30% of interest. And you will be dazzled, just like this light is dazzling my eyes, you will be dazzled, and you cannot see anything in front of you. And, you will virtually be forced to lend your money to that company. And, owner of that company will actually come in Mercedes Benz. He will not give you time. He will say, "I don't have time. Only two minutes". And, you will think that, this man is so rich, Obviously, he is making money by the tons.

And, you poor guy, you have put 5 Lakh rupees of your pension or your provident fund that you want to park it with in so that, it comes out 7 Lakh or 8 Lakh at the end of 2 years. So, you park the money very easily looking at the credit worthiness of the person that can be posture before you. You don't look into the Mercedes Benz RC book. That is hypothecated to Canara bank. You don't look into the reception's hall rent not paid for more than 6 months. What you do? You give it to that fellow. That fellow writes EMI for Mercedes Benz for that month. With that money, he will pay the rent for that office. You are blinded by the credit worthiness. America is like that. When you look at America, they only show credit worthiness. And, they show the credit worthiness in not only by building, also by infrastructure. They were the first to go to moon. They will have to do it. It will not only that, they will have to go to moon. They write the rules of WTO. They write the rules of IMF. They write the rules of world bank. It is not that they are doing for anything else. It is for their own self preservation, they have got into a black hole. And, if they don't do it, they are doomed. If they correct it, they are done.

It is the problem of America. I will explain you. Look at it. What is happening with this? Our total GDP, suppose it is Rs.100. We spend Rs.68. Consume Rs.68, and save Rs.32. China saves Rs.50. Singapore saves Rs.50. Japan is around Rs.50. Korea is around Rs.20-22. Various countries in the East Asia save Rs.20, 25, 40, 45, whatever various demographic areas allow them, they save. That is why they have capital. What does America do? Out of Rs.100 it earns or produces, it spends Rs.107. That is the spending of America. So, what happens? Where does this money come from? How does it manage? It is very simple. All of us are only savings economy. So, nobody is a great consumer. Of course, I will come to the distinction at a later part of my presentation. But, suffice, you can say, whole of Asia, which is an export oriented economy is a savings economy. And, the 300 billion dollars reserve that RBI holds today represents our collective savings in one form or the other.

China has got savings of 1.6 trillion, Japan close to 1 trillion. The world has got 4 trillion dollars worth of reserves. Students of Accountancy will tell you, if somebody has got a credit, somebody will have a debit. Who is that somebody who got this credit? If I have 4 trillion dollars worth of reserve, who is that actually borrowed my reserve. America has borrowed this reserve. America has borrowed at the rate of 800 billion dollars every year. So, it is going on consuming. ***We are going on exporting to America. America is taking our goods, giving us dollar bills. We are not consuming the dollar bills. We are again giving back to America, so that America can spend. So, in a way, we are working for America, and also funding America's consumptions. I am sure the audience will be able to appreciate the fundamental distortion in the global economy.***

One fellow goes on consuming. ***You pay him, and also work for his consumption. Only mother and father will do like this. We are doing this for America. Not only we, China is doing, Japan is doing, Asia is doing, Latin America is doing, Africa is doing. Why is it so? Because, the dollar is held to be the global currency***. So, what is this dollar that all of crucially reserve.

Why is that we are not challenging the dollar?
It has got historical reasons. During the world war II, America did not enter the war. Only two major countries did not enter the war. One was Switzerland, where all the politicians kept the black money. So, they did not want to attack. The other one was America, which did not enter the war till the fag end. And, when it entered, it dropped the bombs and settled. But, when the war was fought between the countries, they gave America gold, and purchased guns. They took steel for gold. After the war was over, the American dollar was backed by gold. It was backed at the rate of 35 dollar per ounce of gold. So, Americans will never issue more dollars than the gold reserve that they had. In a way, it was a gold standard. You give 35 dollars to American treasury, and they will be bound to give you one troy ounce of gold. Just like our milkman, who will mix water for every litre of milk that he supplies, Americans started printing more notes thinking, "We will find it out". So, slowly they started printing more notes, more notes, more notes. Then, one day there was only water, and there was no milk.

The French understood that Americans are cheating. So, they went and gave dollars, and said give me gold. They gave some gold. Then Italians came, then British started. Then, they realized, if this goes on, then they will have no gold. Then, dollar will become a tissue paper. And, that is what they did on 15th August 1971. Very strangely, it also coincides with our independence day. President Nixon said, from now on don't ask gold. Let us all believe that they have gold. My father's generation could have put to an end to this controversy in 1971. At that time, it would have been a minor surgery. Today, it has taken a cancerous growth. And, today, ***what we are doing? We are still believing America has some value behind the dollar***. And, we are going on exporting our goods to America. What is America giving? Only treasury notes. Nicely printed. We are doing Namaskaram, and keeping it in Puja room. What will you get if you give back this treasury notes to America? We will get potato. This is the fundamental assumption of globalization on which, today the so called dollar value has become a huge crisis.

What is China doing?
China is giving America enormous amount of goods. Americans have become so lazy. They are in the post modern stage of development. They may perhaps make air crafts, high technology, nano technology items. They will not make Broomsticks. They will not make pipes. They will not make bulbs. They will not make mikes. Everything is imported from China. China is happy to give goods to America. ***America is giving dollars to China. On one hand China's reserve is going up. One hand, America's debt is going up. Both are like two drunkards***. Have you seen two drunkards walking? Each one will put his arm around the other. They will stagger. But, they will not fall. Each one will be counter balancing, and one day when they fall, both will fall. This is the risk that is happening to global economy. It is American consumption that is deteriorating the global economy. It is the China's supply of goods to America that is deteriorating the global economy.

So, it is very very precarious game, and today IMF is scratching it's head. And, now saying we have to counter balance all these things. And, we have to do something.

What is this something? I will explain.

Those of you recall 1997; there was an East Asian crisis. And, today we are actually paying the price for East Asian crisis.

What happened there?
America gave small doses of money to East Asian countries. These people grew. Whenever you have money comes in, automatically you will buy some assets. Whether it is scooter, house, car, or bungalow, something you will buy. It will grow. The Western economists said, when Asian economists grew, "oh, these guys are growing. It is a miracle". Look at the arrogance. When I say somebody bought a house in Koramangala, some very posh area in Bangalore, oh, that guy has purchased a house in Bangalore. It is a miracle. What does it mean? I am not happy about his growth. I am only jealous. I am saying, this guy is incapable of growing. Now, this guy has got a house. It is impossible to believe. That is appellation that is given to the Asian growth in 1997.

Michel Camdessus, who was the IMF chief at that time, went on to say that, these economies are performing excellently. This was in June-July 1997. Then, suddenly everybody withdrew money. The currency is collapsed. And, East Asian countries lost 30-40 years of savings within days. Who did this? Why did they do it? Questions that are not been answered till now. Who were behind all these things? Was there a political motive behind all these things? Nobody has answered this questions. It still remains. And, Mahathir Mohamad, who was the Prime Minister of Malaysia at that time was very clear. He says, these Americans are conspired against East Asian growth. He was very clear. But, after this crisis, their currency which was upto a particular level for various countries tumbled vis-a-vis the dollar. These countries understood, there is virtue for even a weak currency. Suppose, today the rupee is 40, for some reason, it falls to 80. You may find exporting a lot of goods very easily. You can export virtually anything, if the rupee falls to 80. And, you don't have to bother about consuming in your country, because you are all primacy of savings economy. So, East Asian countries could afford to devalue the currency, and they engage in a game of competitive devaluation. China will devalue. Malaysia will devalue. India will devalue. Japan will devalue. Everybody devalue their currency vis-a-vis the dollar. Dollar was still powerful. So, they started exporting to America, which was the only consuming country in the world. Why did America consume? That is a story itself.

Americans, today have lost what is called as institution of family. Male lives with Female. It is not a family. It is called live-in relationship. 50% of the children know the father or mother not both of them. There is a U-turn in American family life. It is called step-father, step-mother, step-sister, or step-brother. That is you have one of the father or mother common and the other person is somebody else, who has left-over from different family and joined this. This dissection of a family meant consumption. Whenever, any of my colleagues who start their practice and do very well, immediately, I would find him inviting us to Taj, and say, come let us have dinner, let us have lunch. He will just show his credit card, and spending. Within two years, he will get married. Immediately, I ask him, "let us go to Taj and have dinner". "No No sir, We will not even go to Udupi hotel". "Why this change?" "I have taken insurance." I have to pay insurance premium this month sir. Very big burden sir. Immediately the mind set changes, once you are in a family system. Family is such a big institution, and as so much propounding impact on the national economics, that no economic book even talk about family. Such an importance. The more important it is, we will never discuss. Now, coming to the issue, as American family system collapsed, there were people who were into mindless and reckless spending. America had a purpose also. If it had not spend, it will not get money. And, to take over the capital of the world, it was into mindless and reckless spending. All of us transferred our money to America. Now, America has net debt excess of 5 trillion dollars. Next year, it will be 6. Next year, it will be 7. How long can it go on? You will be shocked and surprised. On March 28th, 2006, the American Federal Reserve said, "From now on, we will not disclose how much dollar is floating in the world". This is called M3 figures. It is like a finance company saying, "from today onwards, we will not disclose the amount of our debts or we will not disclose our balance sheet". That is the position of America. Asian Development Bank has warned its members, and said, "from now on, be careful about the dollar. It can collapse at any time". It is like a promissory note of a defaulter finance company. But, the world is addicted to dollar. World is habituated to dollar. There is no alternative to dollar. So, all of us trade in dollar. So, gold which was 250 dollars per ounce is now 900 dollars. Because, when the price of the currency goes down, the price of commodity goes up. It is like see-saw. You cannot have a linear or fixed percentage of commodity vis-a-vis a dollar or any other currency. The value of currency goes down means, the value of commodity will go up. 25 dollars a barrel of crude is now close to 100. You take silver, tin, copper, Uranium, Nickel, you take anything including cyanide. Everything has gone up vis-a-vis a dollar except the dollar. Rupee has gone up. Australian dollar has gone up. New Zealand dollar has gone up. Swiss frank has gone up. Euro has gone up. Yen has gone up. Pakistan Rupee only has not gone up. That only one good news. Bangladesh Taka has not gone up. Rest everything else have gone up against the dollar. Chinese Yuan has gone up. Of course, it may not have gone up all in the same proportion. Some have gone up at 150%, some at 3000%, some at 15%. But, dollar is sinking. Look at what is happening.

Americans to boost their consumption, what did they do? Anybody who came to the bank of America, or any financial institution in America, and said, I am so and so. Who are you sir? I am a server in McDonalds, drawing a salary of 15000 dollars. But, they said, if you simply say, 15000 dollars, We are ready to give you 200,000 dollars loan. Build a house. No problem. No questions. No verification. No phone call. No Chartered Accountant certification. Nothing is required. You just take loan. Only thing you pay, 6% interest rate. First 3 years, only 0.5%. Next 3 years, pay 3%. Then pay 6%. The fellow was happy. The loan sanctioned. This is called mortgage loan in America. Millions of loans have been sanctioned out of our money. It is not their money. If it is their money, it would have been far far more prudent and diligently ensured. What they have done? Because, it is our money, they can afford to be reckless. They have given to everybody. Today, what the world is facing is a sub-prime crisis. This is sub-prime crisis. You have given to sub-standard people, knowing very well that they don't have the ability to pay your principle or interest or both.

Now Citibank is writing 80 billion dollars only for 3 months. UBS is writing 4 billion dollars. And, they don't have money. Look at it. They don't have money. Where are they taking money from? They have the Abhudhabi bank to fund the Citibank. Now, I told somebody, Citibank will become a subsidiary of Abhudhabi commercial bank. This is going to happen. Because, Arabs are sitting on tons of money, because Oil is at $90 per barrel. And, cost of producing a barrel of oil is not more than $10. they are getting profit of $80 per barrel. There are something around 2.5 million barrels sold every day. So, you can understand the money the arabs are making everyday. And, they are sitting on tons of money. So, they are just giving 7 billion dollars, and they are taking some huge share in Citibank. Look, this is what is happening. This voracious consumption which dazzled us for 10-15 years, Americans are worried about it. Americans are petrified about it.

Today, if you take economist, On June 23rd, the cover story was, Sovereign Wealth Fund. **What does that mean?**

It talks about how these countries which are having this reserve running into several billion dollars are not only now investing in American Treasury bonds for 2-3%, they have thought some more devious plans, they have decided to take over companies in the stock market. Suppose, if I have 44 billion dollars, this is the price for which Microsoft is trying to pay and get yahoo. Chinese government will just give it as tips, and say come on. Because, it is having 1.7 trillion dollars. Microsoft, a wholly owned subsidiary of Chinese government. This could happen. So, the cover story in the economist was, how countries are invading America, and taking up American companies through the Sovereign Wealth Fund through the reserves. And, the cartoon was very telling. You have seen this war helicopter, and dropping bombs. Instead of bombs, they put gold. When they want to invest in our companies, we have to open, and show what is called as Foreign Direct Investment. You please come and take over 49%, 51%, 75%, or 100%. Our people agree. But, tell me. I don't want anything else. Is there a discussion on Sovereign Wealth Fund in this country? When we want to invest in America, and take over American companies. No No sir. Not agreeable. It is Security and Strategic Investment Act of America is coming. Today, there is an act in America. Whether somebody can take over some other company or whether he can invest in America or not, they are going to debate. Look at the paradise. World Without Walls - WWW means World Without Walls. This is how we were taught for 15 years. Now, they travel to America, and they come back. Money will go. Money does not have color. Bull shit. Everything has come to the total halt. From 65 to 90, people were talking about the collapse of Communism. And, when people talk, our Communists, our Socialists friends used to laugh, how can Communism fall? You cannot even think about it. But, on 9/11, that is 9th of November (1989), the Berlin wall was broken. And, Communism collapsed like a pack of cards. In Russia, they did not even have bread, and you have to stand in the queue for 48 hours to get a loaf of bread. That was Russia. Believe me. You can safely take a bet on the fall of Capitalism the way it is practised in America. It will not happen tomorrow. It will not happen day after tomorrow. But, I don't give any guarantee beyond 72 hours. It could happen day after day after next. Because, fall of America is very certain the way it is being practised. All that require is one trader to sell few billion dollars short on the dollar. Immediately, people will panic. If you sell dollars, it is sufficient. But, the problem is, if you sell dollars, you are going to be the loser. Because, you are owning the dollar. It is India, which is owning the dollar, not America. It is China, which is owning the dollar, not America. Japan is owning the dollar, not America. So, America is not bothered about dollar. We are all bothered about the dollar.

It is like a bank, if it gives 5000 crores to a person, then the person does not have to think about the project. It is the bank, that has to worry about the project. Because, if the project fails, then they will not get 5000 crores. That man will be happy. He will say, "I am totally stressed. I am playing golf". But, the bank manager will be taken all the physical verification, all the stocks in that company. The bank manager will daily call him, "Sir, are you ok? I heard that, yesterday, you had cold sir". Because, the bank's money is there. It is not this fellow's money. Upto borrowing only, the project is owned by the entrepreneur. Once, he has borrowed money, he can be happy. Likewise, America has not bothered about fall or rise of the dollar any more. It was outsourced to Sovereign function to tell this. You decide. If you want, you defend, otherwise, go to hell. This is the burden of all of us. We will have to take care of the dollar. Look at what is globalization? How it is going up? Is this what we thought? So, what is happening? If you don't deal with dollar, dollar will collapse. I will explain to you how dangerous game this dollar has become.

If an Arab wants to sell oil to an Indian, we cannot buy oil straight away. It has to be traded on both sides of Atlantic. There are two oil exchanges. One is in New York, one is in London. You can buy officially oil in these two oil exchanges. For which, the Arab will get paid in dollars from the exchange, and I have to pay the dollars to the exchange. Meaning, there is a constant demand for dollars. Artificial. And, most of the commodity goods which are traded in the Chicago exchange are also traded in dollars. Creating an artificial demand for dollar.

Saddam Hussein understood this. What did Saddam Hussein do? He has given "food for oil" program. He could sell his oil, and buy food for well being of his people. He says, "I will have to sell oil. I will sell oil. But, I will not sell oil in dollars. I will sell oil denominated in Euro, Yen, or something". And, so he began to sell. Americans said, this is weapons of mass destruction. A country which cannot make scooter, can it make an Atom bomb? A country which is so backward, that it does not have any great technology, was accused of creating nuclear weapons, and almost 4 years, Americans occupied Iraq, and they have not found even a single gram of weapons of mass destruction. The weapons of mass destruction was very clear right from the day one. It was Saddam's insistence to deal with oil in Euros. So, what has globalization become?

A Protestant country invades a Muslim country, and hangs the leader on Vaikunta Ekadasi day.

That is globalization. Beyond, nothing has happened. So, to defend dollar, you require American army. It is the only country in the history of mankind, where the army defends the currency. If you take American army, the respect for dollar will come down. So, American army daily has to do something. On Somalia, one bomb. On Uganda, one bomb. Something or the other. Hey, I will attack you. Hey, you keep quiet. Like one dada in a mohalla, it has to go on flexing it's muzzles. Otherwise, no one will respect dollar. So, Iran understood this. Iran said, I will start separate oil exchange. Why should I sell oil to you guys in New York? I will have a small island here, and I will start an oil exchange in Iran. And, I will ask anybody to pay any currency except dollar. Hey, you are having weapons of mass destruction. We will invade you. That whole thing is going on, and Iranians have postponed the decision for opening this oil exchange. And, till that time, invasion of Iran is also postponed. And the day, the exchange is opened, Americans will invade Iran.

Manishankar Iyer does not know all these things. He is going on blabbering something. Iran, pipeline and other things. That is not the issue. The issue is the oil exchange. The moment the oil exchange comes, they will go and bomb Tehran. They will hang this guy, whosoever is there, preferably on Vaikunta Ekadasi day. Then that fellow will go to the heaven straight away.

This is the problem we are facing today. So, how do we deal this? This is the end game of globalization. The people are worried. When, I wrote couple of articles on Rediff and also my book, Economists are writing from America, and saying, "Sir, how were you bothered about this?" I said, "We have to bother about it, because our 300 billion dollars is with you". Otherwise, we would not be bothered about this. We are not bothered about France. We are not bothered about Argentina. Because, our money is not there. If America goes, with it, it will ripe 50 years of global development. That is why, we are also worried about America. So, to save America is becoming an important challenge.

Now, banks are writing off, as I told you sub-prime crisis. So, on 22nd January or third week of January (2008), there was a huge fall in the stock market, because banks were all declaring losses after losses. So, American Fed intervened, and reduced the interest rates by 0.75%. And, followed by a further reduction of 0.5% on 30th of January. one and one quarter of a percentage was reduced in a matter of 10 days. As they reduce interests, they are finding it difficult, even that interest nobody pays. Today, the American interest rate is 3%. So, next month they may reduce it to 2, 1 then? Then, what will happen? They have given money to people, who just went on buying houses. In our places, a man who earns Rs.10,000, may have an ambition of buying a house of say Rs.10 Lakh or maximum Rs.15 Lakh. But, he will never aspire to buy a house worth of Rs.15 crore. This is what literally happened. Though, I am slightly exaggerating for the purpose of this audience. But, this is what literally happened. People did not have money to pay the EMI. So, the bank said, don't pay. Next quarter. How long can you go on? Because, bank has to have money. And, money from the outside world was not sufficient.

Because, everyone knows that dollar is a tissue paper. And, you are reducing interest rates. Once, you reduce the interest rates, the currency value will fall. Because, it's ability to attract the money from outside is gone. In India, it is 10% today. If you put in a bank, you will get 9-9.5% in 1-1.5 years. In America, if you put, you will get 3%. Where will you put? You will put only in India. Money is rushing towards India. In China, it is still worse. It is 12-13% banks are offering. Money is rushing towards all these economies. And, so the currency is further collapsing. Either they will save the banks or the dollar. They cannot do both. Have you seen Chess game? Sometimes, you position your horse in such a way that, it knocks of the other fellow's king or queen. He has a choice. It is either checkmate or doomsday. That is what America is facing. It is very very difficult for them to come out of this mess. They are completely unaware as what needs to be done.

So, just like in 1991, the Prime Minister of Russia, Mr.Gaydar, he said, "I thought my country was a great country. But, after the fall of this Gorbachev, I went and found out that Russia was like aircraft, with no pilot in the cockpit." That is his words. Today, Americans, They don't have any clue. What to do? How it is to be done? Where is the solution? Can you say from tomorrow onwards, Americans must spend less. For to do that, they must necessarily have one institution called family. Can they say, from tomorrow onwards everybody will stay with their respective spouse? They cannot say that. So, you cannot have domestic savings. Ok. Till date, they were able to raise their interest rates, and capture savings from other countries. Now, they cannot do that, because, your banks are collapsing. Otherwise, banks will totally collapse. You have given loan to everybody. They are not able to pay their interest rates. Even teaser rates, they are not able to pay. So, you have to reduce the interest rates. So, if you reduce interest rates, money will not go to America. Money will come to countries like India. After all, even in America, even in London, even in Europe, it is not the protestant Christian community that saves, it is the Indian community that saves. It is the Hispanics that saves. Even in America. Actually, America's total savings is -7%. If the Indians are not there, it will be -9%. If the Mexicans are not there, it will be -10%. They are actually reducing it to -7%. That is the collapse that is happening before them. And, they cannot stop consuming. They have to have that fuel guzlers. They have to have these huge highways. They have to have all these paraphernalia that goes on with the name of grand American dream. Can an American live in a very spartan way? Can they eat two bananas and live? He cannot. He will waste two bananas out of every four bananas for some reason or the other. That is America. You look at the whole issue.

What is that we have to do?

What is that we need to provide as a solution?

We have a system called 5 year plan. It is prepared by the Planning Commission. We are now in the eleventh plan. Last year, China also started the 11th plan. Last year, both the countries gave the draft of their respective 11th plan. I had the occasion to read both the Chinese 11th plan draft, and Indian 11th plan draft. The first draft to the 11th plan in our case was 11th draft to the first plan. It was as simple as that. Same old thing, what was written in Nehru's time was copied. India is a poor country, India is a developing country, India is an agricultural country, India has to have poor social capital. India's primary health structure is poor. Roads are poor. Infrastructure is poor. Power is not there. All these ta ta ta issues are like what you see in that news reel of any cinema. Whenever you go, they will first put all this bad news. Like that, it was going on. Little realizing that, these jokers are there in planning commission to rectify all these things. For 11*5, 55 years, nothing has been done.

But, look at the Chinese. What did they do? There is a minister called Ma Kai, Who is equivalent to Montek Singh Ahluwalia. There was a question by somebody from there (in the audience) to professor here. And, he was very clear. Whether the globalization is success or not? What is the alternative? Ma Kai has provided that alternative. Disengage with the global economy. Not that because somebody has said. The thought is there. The alternative thoughts are emerging. Ma Kai says, if we go on like this, We will be going on producing for America, and America will give us dollars, and we will give us dollars back to America. And, our foreign exchange surplus will go up. How long will this go up? We need to improve our consumption. We need to have more consumption in China. So, what should be done? He has put in the entire paper on how to improve consumption in China.

There was one guy called Shinawatra Thaksin in Thailand. He was ousted by a coup. In 2002, he prepared a paper. After he became the Prime Minister, he asked, "what do we do?" "Sir, we do exports sir." "Whom do we export?" "America sir." "What do we do with the money?" "We will give it back to America, and we are happy sir". This is what the answer bureaucrats gave him. He said, "stop this non-sense. Export, let it happen. We will not be export driven economy. We will be an internal consumption driven economy". Is there a coincidence? I would like to know.

There were yet another economists, Jim Lay, and Joseph Lin. They work for Asian Development Bank. They produced a document. They have said, all this export oriented economies time and again are not reaping the benefits, because export driven economies are like hierarchical model, only the top fellows in the economy are able to export and gain the benefits like what professor said about 20-80%. This is what is happening. No country is actually benefiting out of this exports in substantial way. Yes. There arebenefits. There are benefits to globalization the way it is understood today. There is certain set of people who are benefiting. But, what about the 80% who are not beneficiaries, who do not fall into the ambit of globalization, who are not even in a position to produce anything for their own consumption, Who do not have any skills. I am reminded of the French revolution. If you don't have the bread, eat the cake. That is what we are telling them. You go and tell one fellow that, "What do you do?". "Sir, I am a farmer". "Oh, give the land, and tomorrow you join Infosys. Become a software programmer". That fellow is in Anguta. And, you go and tell him, "Oh. Software is booming". To whom it is booming? To IITians, to Chartered Accountants, to Lawyers. But, the farmers, How does he care? He does not even know what is a computer? And, we are telling him, we have brought futures and options trade in sugar, rice, wheat, dal. You can sell everything through your computer. This fellow does not have electricity there.

This is how we are fooling us, and every single economic journal which is corrupting the young minds, is to give wrong picture of the facts that are prevalent in India. I went to my village couple of weeks back. The people are telling me.
"What is your problem?"
"Is stock market your problem?", I asked them.
"No, sir. The bus".
"Dollar crisis is your problem?"
"No, sir. Power".
"Is American Bush, Lady Clinton, or Obama. Who will come?"
"Sir, the bus is not coming. Once, it comes, I will tell you."
Their problems are totally different. We think of India is 20 kms of Bangalore or 20 kms of Chennai. In Chennai, mount road, there are lot of IT Companies. You walk 20 kms to Ambattur. There, it is all Industrial hub. Their problem is not rupee

appreciation or all these things. Labour, Strike, Labour commissioner coming and taking bribe everyday, excise commissioner coming and taking bribe, VAT. Nobody understands VAT. These are their problems. You walk another 20 kms. There will be one fellow in one lion clothes singing some old tamil song, not even bothered about anything, and he will be talking about paddy prices. Just within 40 kms, you have Tamilnadu in three different shapes. And, if I go and talk to him about labour laws, and commissioner of sales tax, and something like that, he is not bothered. He has different agenda. He says water, pesticides, and banks are not giving loans etc. These are his problems. And, do you think there is one word globalization take care of all the three sets of people. We have to take care of all the three people. We cannot say that one is important and other is not. I am not saying that take care of the farmer alone. You take care of the farmer also. That is my submission.

So, coming back to what Ma Kai did. Ma Kai did something revolutionary. That is now, the Chinese are putting in the place. They are appreciating Yuan consciously. They were pegged to 8.28 to a dollar for 10 years. Now, they slowly started appreciating. Now, it is 7.25 or something. They have said, by this year, we will touch 7. We are going like this. That means, dollar is collapsing vis-a-vis Yuan. Now, let us take India. China's problem is, it has no domestic consumption, unlike us. Remember. We are a consumption economy, when we compare with China. We are a savings economy, when we compare with America. That is our beauty. We don't fall into the joinder of Consumption. We don't fall into the joinder of Sales. Why is it so?

Take January. Pongal. Makara Sankranthi. Some bloody thing, we spend. Next, February, nothing is there. Feb 14th. We spend. Holy, we will spend. Navarathri, nine days we will spend. It is not 9 days. It is actually 10 days. We will spend for 10 days. Why do we spend? There is a purpose in spend. There is a responsibility associated with spend. It is not that, economy has to be intervened only for imports for goods. A domestic consumer is as important as domestic producer. That is what this grand concept of Swadesi talks about. It is not merely to say, I will produce here, and export some where. My consumer will be outside. No, My consumer also has to be in India. That is swadesi. My producer has to be in India. That has to be Swadesi. So, how do we do this? There are enormous documents available, and I will just tell you one instance on how we fare badly in engaging the world vis-a-vis ourselves.

If a good costs Rs.75 in a factory for exports to Singapore, it costs Rs.100 to buy the same good in India, the difference being, excise duty and sales tax. Excise duty in India is 16%, the VAT is 12.5%. VAT is on top of this 16%. Not plus. So, all together, we pay around 31% as indirect taxes to the government to consume anything whether it is a pin or whether it is a motor car. No where in the world, Governments of the countries charge such a high levels of indirect taxes. Has government bothered about us? This is the only country which will recognize this goddess Lakshmi. What does goddess Lakshmi mean? We have to consume. But consume with responsibility. Whenever we give our daughter in marriage to some other family, we first enquire, "how is that family?"

"He is spendthrift sir. Don't give".
"Ok. We won't give. Another family".
"Sir, miserly sir.
He will not spend. Don't give". both ways. Society has its own laws. Even today in Bangalore or Mumbai, if the Citibank fellow comes and knocks at the door, for the non payment of the credit card, it is a slur by the society on that family. Debt is not accepted in this country. But, at the same time, you are supposed to spend. If you borrow the money for the purpose of your daughter's marriage, it is accepted. Responsibility is there. If you borrow money for house construction, it is accepted. But, if you borrow money for your motor car, and you are not able to pay for it, society does not look at you very favorably. That is why in this country, debt is seen as once dharma andfarmers commit suicide even today for non payment of debts. No where in the world, you will find this. That is the greatness of this country. In America, they will say, I filed Chapter 11 bankruptcy. That is regarded as a social status as you got a mercedes benz. It is not here. Because, we operate on a different plane. Because, once you have not repaid your debt, it is seen something sinful in this country. It is not merely a question of debit and credit.
So, we have to reduce our excise duty. We have to give boost to our domestic consumption. Then, what will happen to our savings? Don't worry about it. Because, the Indian house-wife will ensure that savings will not only be 30-33% as it is today, it will go up further. Till the family institution is there, We don't have to worry much about the Indian economics. That will take care of Indian economics. That is why, Mr.Chidambaram or Montek singh or whosoever will follow him, or whosoever before him were not bothered about indian economics, because lady in the house is completely taking care of the house economics as well as national economics. That is the beauty of the Indian economics. The feminine character of the Indian economics, balances between expenditure and consumption, between investment and savings, between spending and savings, all these things are absolutely matched. No household in this country will be ever bankrupt, except for exceptional circumstances. Nobody walks directly into bankruptcy knowing very well that they cannot pay Rs.15 crore house EMI which falls to Rs.15 Lakh with Rs.15,000 salary. No household will do it. That is the beauty of Indian system. So, we need to boost consumption. If you boost consumption, you will boost Indian production. If you boost Indian production, you will give employment opportunities. Your sess, and all the artificial things are like steroids people take. You are trying to look at shortcuts.

Ideally, the whole thing should be like what the Chinese are looking. We need to have debate. I am not saying that this is the thought we have to follow, just because Chinese have followed. No. We need to have extensive debate. We need to find out whether this model will be suitable, where in we can allow more of domestic consumption. Unless you allow more of domestic consumption, you will have to depend on America, whether for technology or financial capital or for consumption. If you depend on outsiders, you are going to be at risk. That is, my comprehensive view about swadesi vis-a-vis the dollar crisis that we are facing. If we go on for another few years, we have to write off. Today, we have to write-off around 200 billion dollars which we have put in America, if America goes. Three years later, we may have one trillion dollars, of which we may have parked 800 billion dollars in America, that we may have to write off. The choice is, whether we have to write off today, or a larger sum five years later. This is the choice, we are confronting. Every nation is confronting this choice.

Ladies and gentlemen, the ideal idea in an economic development would be to find out what suits us. Unfortunately, all economic text books are photocopied from outsiders including spelling mistakes. I only implore you to think and freshly debate what should be the model that it will be useful and functional in this country. That is the model that is functional. There is no alternative to globalization. But, the alternative to globalization is functional in India. It is the globalization which is foreigner in India. It is an intruder. It is only in the peripheral. But, it has the power of the media. It has the power of intelligentsia. It has the power of the chatting class. That is why it is looking so spectacular. Just remove this light. We will find out what it is. And, you will find, India has its own self balancing mechanism that will ensure that, Indian economy is a sustainable economy. It may not have a spectacular growth as what it is. It will definitely be a long lasting model. It has survived for 5000 years, and if you follow this, it is guaranteed for another 5000 years. Can we ever bet on dollar for next 50 days also? We cannot bet whether the dollar is going to survive at this rate

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