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Editorial

As the year 2008 comes to a close, the world is witnessing unprecedented challenges. While the financial crisis that erupted in the United States has been sweeping across the world—perhaps the worst after the Great Depression of 1930s—terrorism, ethnicity and religious fundamentalism also foreshadow their most appalling effect on the world. Plausibly, the worst impact of them will be felt, sooner or later, in the developing countries. The axis of the world economy—the United States, European Union (EU) and Japan—is already living through unparalleled recession, takeovers, fiscal stimulus and state intervention. The mounting unemployment figures in these 'advanced' capitalist countries show that the crisis is all-pervading and is intensifying. For example, in the United States alone, the rate is as high as 6.7 per cent, according to the Bureau of Labour Statistics. In the last few months of 2008, the number of retrenchments in the Unites States ran into millions. Meanwhile, the gross domestic product (GDP) in the United States declined considerably throughout the year. The situation is equally alarming in Europe and Japan. The unemployment rate in Eurozone shows that it has increased from 5. 6 per cent to 5.9 per cent between 2007 and 2008 and will further rise to as high as 7.5 per cent in a few months' time. The Organisation of Economic Cooperation and Development's (OECD) *Economic Outlook* for end-2008 states that GDP in Eurozone declined continuously and the trend is expected to persist in the months ahead. OECD has ruled out the possibility of a recovery in the immediate future suggesting that the crisis is "the most severe… leading to a sharp rise in unemployment."

The recession in the advanced capitalist countries bodes ill for external markets which have already experienced serious setbacks. Consequently, developing countries are much more susceptible, with declining capital flows, huge withdrawals of capital leading to losses in equity markets, and skyrocketing interest rates. According to World Bank economists, GDP growth in developing countries is now likely to be only 4.5 per cent. Already, as a result of high food and fuel prices, it is estimated that hundred million people worldwide have already been driven into extreme poverty. With every one per cent decline in developing country growth rates, approximately twenty million more people are added to this rapidly swelling number.

The impact of the global meltdown on the economies of the developing countries has already been felt in various sectors. Those countries which

have been dependent on the US, EU and other countries are under stress as their export opportunities are considerably curtailed. The financial meltdown in the global markets has had an adverse impact on the information technology, automobile and other sectors too. For example, experts say that the setbacks in the global economy will adversely affect India's exports, especially its exports of software and IT-enabled services, more than 60 per cent of which are directed to the United States. International banks and financial institutions in the US and EU are important sources of demand for such services, and the difficulties they face will result in some curtailment of their demand. Further, the 'nationalisation' of many of these banks is likely to increase the pressure to reduce outsourcing in order to keep jobs in the developed countries. The recession in the US and EU would, no doubt, create a plethora of uncertainties regarding the continuity of current financial services contracts and also raise doubts as to how the future contracts are signed with the foreign financial companies.

How do we comprehend the chain of events that ultimately led to the downfall of the 'big capital'? Many would say that the sub-prime crisis in the US has eventually led to the meltdown. The institutions involved in the process failed to correctly estimate the consequences of the crisis on their financial sustainability. Admittedly, many of these institutions were manipulating facts and figures all these years. But the crisis is much deeper and systemic. It is here that one has to ponder over the sustainability of speculative capital—within and across nations—and the march of the unfettered market. Curiously enough, proponents of neoliberalism are apparently on the retreat. 'Bringing Keynesianism back' is the slogan of many institutions and governments today. A big question here is whether the state is expected only to intervene to control the damage caused by the 'big capital', leaving everything in the hands of the same agencies/ institutions which triggered off the crisis. Obviously, neoliberal state has little choice but to step in when major financial institution are on the brink of collapse. Unfortunately this sort of state intervention has not happened when millions of medium and small scale firms-which continued to provide employment to a cross section of world's population-were being closed down. Howsoever debatable the nature and consequences of the present 'state intervention,' we must acknowledge that the 'bailing out' would generate a new set of contradictions in all societies as the crisis is deeper and systemic. How long can we justify such measures to rescue the 'casino capitalism' as the tax payers' money is being drawn away to bear the costs of gambling, mismanagement and all kinds of financial malpractices?