

World Recession

How does this unknown bird come and go?

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Abstract

This short paper purports to address a few questions about the recent world recession, namely, what it means, why it occurs, when and where it appeared, its effects and how it can be resisted. To the general public, the phenomenon of recession is largely incomprehensible as yet. This paper wishes to make it more understandable.

Introduction:

The term 'world recession' is very much familiar to us because we all have been affected by it in varying degrees. Now the question is how it comes into being and how it can be evaded.

Our boys are spread all over the world owing to occupational considerations. But over the last three years at least, they are faced with severe uncertainty, worrying whether they will not lose their jobs. The condition of industries in all the countries is bad, and the economies of all the countries have been tottering. This is the reason for the tension. This is the crux of the world recession, which started in 2008, which appears to be a repetition of the Great Depression that erupted in 1929. (History suggests that such events took place in the past and will take place in future as well.)

How did this 'recession' arise?

(i) Collapse of the share market: The crash of the share market in the USA sent ripples through similar markets all over the world, and suddenly, the capital accounts of large companies fell into disarray, affecting their regular operations. In consequence, they wound up their operations and contracted the area of employment. The immediate reason for the collapse of the share market was a disproportionate rise in 'home loans', which led to the construction of houses in large numbers sold on credit to an equally large number of people. The incomes of these people fell short of expectations and they failed to repay the loans. The lenders tried to resell these houses, but did not find customers. The internet companies, having faced bankruptcy, withdrew their money from the share market, leading finally to the collapse (for detailed information, contact 9002244569).

(ii) Inflation: It is known that an entire rise in prices leads to a fall in demand, but this recession has shown how it hurts industries.

The price rise leads to a fall in the sale of consumer goods, which in its turn leads to accumulation of unwanted inventories, and invested capital gets blocked. There is a loss in terms of profits, output and employment. The outcome is a vicious circle of poverty.

(iii) Black marketing: Even when goods are not in short supply, unscrupulous businessmen, by means of speculative trading and hoarding, causes prices to rise, which leads to inflation and fall in demand.

(iv) Rise in consumption: Expectations about standard of living have risen, leading to a rise in the demand for non-basic goods, and a relative fall in the output of basic goods. The articles used in a toilet are costlier than a mobile set. I myself have seen a cowboy, his bare body wrapped in a towel, tending his cows while listening to the songs of a MP3 player hanging from the horn of a cow.

(v) War and politics: We interminably talk about peace, but wars are frequent occurrences in this world, which raises unproductive expenditure and fuels inflation. Wasteful depletion of

resources comes to affect industries. About political leaders, the less said the better. Activities without comprehensive planning and expenditure on projects of little use are some of the reasons that lead the country to recession.

Impact: There is an old adage, 'Rajay Rajay Yuddha Hay, Ulukhagrar Pran Jay' (Kings fight among themselves while the pedestrian dies). This recession causes distress and suffering to the poor, common citizens, particularly the workers, peasants and petty bourgeoisie. Prices of ornaments considered essential for getting a daughter married are sky kissing; our young men are suffering from insecurity of jobs as well as from unemployment, while one Ambani gives his wife a helicopter as a gift on the occasion of her birth anniversary. And Bill Gates asks what recession is.

How to evade it: There is a saying that just as a good thing has some bad sides, a bad thing has some good ones. Our parliamentary left did one good, which was to oppose foreign investment in some fields. It is precisely because of this that our domestic market has not yet been gobbled up by foreigners and we have been able to save ourselves largely from the brunt of recession. The basis of our economy is today much sounder in relation to many advanced countries, which is a matter of envy to many. How could it happen?

(1) As I have already said, we have to live in our own way, and organize things accordingly. Specifically speaking, we have to say 'no' to foreign investment in basic sectors.

(2) Expenditure on consumption must be increases. In other words, dearness allowances have to be given and salaries have to be enhanced. Allotments to various projects have to be increased, which means that the people's monetary capability has to be allowed to grow, which will enable them to spend more and enhance effective demand. This will lead to enhanced industrial production and strength the economy.

(3) Emphasis must be laid on agriculture and agro-based industries have to be built up in areas dominated by agriculture. In places where cultivable land is scarce, the state has to build heavy industries. The reason is that in cases where profits come immediately, private entrepreneurs will come forward on their own, but the government has to take the initiative where social benefits are immense but profits are not so quickly forthcoming. It is only the state that can provide roads, electricity, fuels etc.

(4) More importance has to be given to small industries, because there the employment-capital ratio is higher.

(5) Finally, it is essential to attain equality of income so that everybody is endowed with sufficient monetary entitlement.

Conclusion:

The trouble is that ducks lay eggs, but the police officers consume them. In our country, the creators of wealth remain marginalized, while others spend more on consumption. Since the latter constitute a minority, their expenditure cannot take the economy to a right track. Hence what is required is all-pervasive development, development for all. Hence the domestic economy has to be strengthened, and the importance of agriculture and small industries has to be increased. Let us see if this medicine works. But what is the required time span? Please wait and you will come to learn.