

Indian Planners Look At U.S. Economic Meltdown

by Ramtanu Maitra

On March 22, India's Planning Commission invited the Schiller Institute to present a seminar on the present global economic crisis and its likely future. The seminar was part of an ongoing process for the preparation of the draft paper for India's Tenth Five-Year Plan, which will go into effect in 2002.

The organization of the seminar by the Schiller Institute, represented both India's aroused concern over the breakdown taking place in the U.S. economy in particular, and the great interest among Indian economic policy circles in Lyndon LaRouche's forecasts and policies. LaRouche has recently given major presentations on the U.S. collapse and its implications, to diplomats and German economic institutes' representatives in Berlin, and to representatives of seven African nations in Khartoum, Sudan. In addition, the Russian State Duma's (lower house of Parliament) economic institute invited Jonathan Tennenbaum of the Schiller Institute to Moscow in early March, for a presentation based on LaRouche's known and vindicated forecast on the United States' current crisis.

However, the reaction of the Indian government participants, showed a continuing tendency to believe in the powers of the likes of Federal Reserve Chairman Alan Greenspan to control the so-called "hard landing." Greenspan has, in fact, "lost it," and become an irrelevancy to the accelerating decline in the United States. But Indian officials, because of the continuing (up to now) large inflows of net capital to the United States, believe that *some* U.S. Administration figures will still come up with a way to control the crisis.

Whither the United States?

The seminar was organized by the Planning Commission, Government of India, under the aegis of Dr. S.P. Gupta, of that Commission. The seminar was attended by Planning Commission members and staff, along with the former Director and Chief Economist, Asian Development Bank, Dr. Satish C. Jha, and Dr. Charan Wadhva and Dr. B.B. Bhattacharya, two noted economists in India.

Michael Liebig, for the Schiller Institute in Germany, and this author made the seminar presentations. Liebig's presentation, on "The Demise of the U.S. as the Importer of Last Resort," was the primary focus of the discussion which followed, and for subsequent informal discussions. The responses from the Indian side could be characterized, broadly,

under the following headings:

- While the figures and data presented by Liebig were correct and extremely useful for evaluating the whole picture, the Indian Planning Commission participants did not agree with the conclusion drawn from them. The vast economy of the United States has checks and balances, they indicated, and Liebig's conclusion is based on macroeconomic factors without taking into account the microstabilizing factors that guide the U.S. economy, particularly during the time of crisis. New Delhi had foreseen a collapse of the U.S. economy on a number of occasions, but has realized that the U.S. institutions are capable of shifting gears quickly. However, the Indian side admitted that the problems now are definitely more acute because of the effect of globalization on the world economy.

- The Indian hosts of the seminar agreed with the Schiller Institute on the issue of the Bush Administration adopting a re-armament policy—including the attempt to develop anti-missile defenses. But they indicated that they believe that it would require building up U.S. economic infrastructure significantly. As a result, they believe, the United States will manage its unemployment problem by putting people to work, at lower wages associated with infrastructure development, in order to prepare for and support a new arms buildup.

- The view of the participants was, that while the United States has distorted its economy vastly by creating the huge bubble of asset inflation, indebtedness, and speculation in "new economy" forms of debt, Europe and Japan, among others, have contributed to that process immensely. They were of the view that while these developed nations will be able to tide over the recession, by keeping interest rates high and utilizing the inflowing dollars for creating lower-wage jobs, the developing nations, particularly those which depend upon high consumer spending in the United States and plan their economic development on foreign direct investment, will suffer more.

According to them, the foreign direct investment in the Third World countries, particularly in Asia, will dry up fast and the investors will keep investing in the United States bubble for at least a year or more.

- The participants also wanted to know what measures Europe, and Germany in particular, is adopting in order to tide over the "global economic recession" they see in progress.

The consensus is, that for the Tenth Five-Year Plan, India will have to adopt measures which will help it avoid derailing its planned development because of the recession. The measures suggested by the Indian Planning Commission members included developing bilateral economic relations, signing regional trade pacts, and not expecting availability of large sums of foreign direct investment for implementation of infrastructure projects.

The Schiller Institute representatives countered that only a New Bretton Woods agreement could shelve the vast debt bubbles and organize an international recovery.