

From the Editor's Desk

Dear Friends,

June 1930. America and the world was reeling under the worst depression witnessed by mankind. A delegation had gone to meet the then President of the US Herbert Clarke Hoover, requesting a public works program to help speed the recovery. Guess what he said? "Gentlemen, you have come sixty days too late. The depression is over". And now that we are at it, here's another "This is the time to buy stocks. This is the time to recall the words of the late J.P Morgan...that any man who is bearish on America will go broke. Within a few days there is likely to be a bear panic rather than a bull panic. Many of the low prices as a result of this hysterical selling are not likely to be reached again in many years". -R.W Mcneel, market analyst, as quoted in the New York Herald Tribune, October 30, 1929. Finally, this is what the man who is credited with showing the economic way out had to say on the matter: "We will not have any more crashes in our time"- John Maynard Keynes in 1927.

But that is America and this is India and the downturn that we are facing today, is fundamentally different from the "Great One" in many ways. For one, the primary trigger that time was the severe drought in Middle America. Besides, the major attributed reasons, "under consumption and over investments, malfeasance by bankers and industrialists or incompetence by government officials" too are structurally different so far as the Indian economy goes. As for the Marxist interpretation, which emphasizes the contradictions within capital itself, is not really in context. The India Happening story was no mere flash in the pan and the fundamentals I am sure, will bear out.

What then is the root cause of the malice? "Well, Umm... "goes the answer. But the fact remains. It started as Banker Broker induced downward spiral to which a section of the Indian industry has lent weight, adding to the momentum. It is human nature to wait for the worst, hoping to pick values at the very bottom of the pond. The industry is rife with tales of corporates, including even the high and the mighty, going back on their commitments. Orders that were placed just a few months back are being cancelled in the hope of further easing of prices. Long term contracts are not being honored and the Indian industry, true to its short term approach to life and work are just turning their collective backs to commitments made.

If there is one similarity that current scenario has with that of America in the 30's then this is it. Large scale lack of confidence and a blind desire to commit long term Hara Kiri in the wrong per suit of probable short term gains. Be warned, once panic and deflation set in, more people will believe that they can make more money by keeping clear of the markets as prices go lower and lower and any given amount of money will buy more and more goods and services. The Indian herd is not bothered though – the same people who were bulls on steroid the other day are today talking of doomsday with equal gusto, all the while waiting to profit by playing the devil's advocate.

The way out? Keep your fingers crossed and hope that good sense prevail, especially in the industrial sector. The realization that short term opportunism does not pay must dwell on them. And what is more, that they should stick to their commitments and not negate them for a few filthy bucks is something that should come from within. Corporates, big and small, must give up their trading mentality and should act as responsible citizens and not buccaneering profiteers. At

the end of the day, it is times like this when all those platitudes that corporates mouth in their websites about socially conscious behavior should be lived by. This and no more and I am sure, the economy will take care of itself. The Indian dream run is not funded by hot money. Nor are the fundamentals so weak that they cannot support the burden of growth.

So do not despair. Let us hear John h Rockefeller had to say “These are days when many are discouraged .In the 93 years of my life, depressions have come and gone. Prosperity has always returned and will again.”

We sure will meet on the other end of the troubles.

Thanks and Regards,

SUVOBRATA GANGULY