

When the Wall came tumbling down

*Humpty Dumpty sat on a wall
Humpty Dumpty had a great fall
All the kings horses and all the kings men
Could never put Humpty together again.*

Of all the nursery rhymes that I learnt at my English medium primary school in India, nearly 50 years ago, this one stayed with me for years and years. Simply because I could never figure out who Humpty Dumpty was and why he sat on a wall and why all the kings men and horses would want to put him together again?

It was only in the last few weeks that the penny finally dropped - as Lehman Brothers crashed to the ground in America, Bradford and Bingley fell down bankrupt in UK, and the proverbial floodgates opened for a host of other banks and financial institutions across the world come tumbling down and with them the stock markets. Financial institutions and corporations over the last few decades have perched themselves quite like Humpty high on top of the wall of free market capitalism with the same smug smirk and air of arrogance that I associate with this character from my childhood, sitting legs crossed lording it over all those below.

And will the kings men in the form of Brown and Bush and their counterparts or the kings horses like Paulson and Mervyn King, ever be able to put Humpty together again? I wonder.

But why bother? Why not let the little pieces of eggshell just rot and fade away? Because unlike real egg shells (or the real economy that everyone is talking about now) they are not organic, not natural. Like so many of man's other creations they will not bio-degrade and instead become toxic waste that can contaminate every corner of our society.

I am not an economist, much less a financial whiz kid. I am just an ordinary citizen, brought up on a strict diet of economic morals (that sounds like an oxymoron, doesn't it?) thanks to a financially prudent mother and a Jesuit schooling. Like everyone else I am just trying to make sense of the panic ridden headlines screaming economic armageddon. And so I go back to the economic morals on which I was raised. Moral One is :

To borrow is one of the most shameful things one can do - on par with lending! Later at University studying English literature a professor waxed lyrical about Shakespeare's "neither a borrower nor a lender be". Much later, thanks to Marxism and liberation theology, I threw in my lot with the adivasis of India fighting poverty and injustice. Idealists consumed with "analysing and understanding the root causes of poverty". Indebtedness to unscrupulous money lenders figured high on the list. And right through the subsequent 30 odd years of work with poor communities in different parts of India, debt relief has always been a priority on our intervention agenda.

But in recent years, as the micro finance juggernaut was rolled out over the poor across the world we traditionalists were thrown into disarray. Suddenly here was the opposite of what we had been espousing. The new mantra was save, not for a rainy day but to establish your credibility, then borrow, invest and pull yourself out of poverty. Capitalism works for everybody including the poor day labourer we were all told. And banks quickly jumped into the fray - the new knights in shining armour slaying the dragon of poverty. Voices protesting that micro finance is not all that it is hyped up to be were muted in the din of triumphant free market ideology. Any attempt to question this new orthodoxy was immediately dismissed with "look what happened to socialism and Russia". So much so that many longstanding

grassroots activists for social and economic justice went against their own instinct and jumped on the bandwagon. Free market ideology had percolated right down to the very bottom. And farmers in India believing the promises made by this new “free and liberal” market borrowed heavily to invest in crops like cotton.

But suddenly borrowing and lending doesn't seem such like such a good idea as the principal actors and engines of the free market come tumbling down. But this is something the 100000 plus farmers who have committed suicide in India and their families could have told Lehman Brothers, Fanny May, and all the other hedge funders, sub prime lenders and what have you - markets do not keep their promises. They don't have to. They are entitled to seduce with half truths and oftentimes outright lies in their attempt to woo you into borrowing from them. They do not and cannot be held accountable for the promises - unlike democratic governments. But then we got rid of government intervention in markets didn't we? And I suppose that's why they were called free isn't it?

But one thing bothers me - how come farmers are left with no option but to commit suicide when markets fail and they have no money to repay their debts, while banks and other financial institutions are given more money to keep them going! Rescue package, bail out, recapitalisation. Nothing for the orphaned family who lost their only breadwinner.

Which brings me to the second moral.

Thou shalt not gamble. The way I understood it was that if Moses had been given a third tablet of stone with five more commandments this would definitely have been one of them. A group of my seniors at school including a house captain were expelled from school for gambling. But in this new capital rich, free market economy, gambling is not frowned upon - it is actively encouraged. And the gamblers were rewarded with obscene salaries, privileges and bonuses. Until the bets were called in. And all they had was a house of cards.

This leads on to the third moral.

A penny saved is a penny earned. But here's a riddle from free market economics: How can a penny spent be two pennies earned and a penny lent be four pennies earned? The answer to this riddle I was told was this: If you have one penny and invest it, then you earn two pennies, then if you loan one penny and charge interest you can earn another two pennies and so on. But there was a sequence to this multiplication of pennies: first of all someone had to create the penny. This used to be the government. Then someone had to borrow this penny from the government. This used to be the bank. Then someone borrowed from the bank, invested it and paid back the bank who loaned it again to someone else and so on. And so the penny multiplied. But somehow this sequence seems to have got all muddled up. Everyone seems to be investing, lending, borrowing, lending again, all at the same time. And the pennies keep on multiplying but no one is quite sure who sure owns what, who owes whom. And no is quite sure who is making all these pennies in the first place?

The pennies are no longer made by the government, it is made by the banks themselves, and you can borrow it from the bank without the bank really making the pennies – its numbers in a book or a computer now. And if you had one penny and borrowed another you were now worth two pennies and so could borrow another two pennies and then four pennies. This I am told is growth! By the time you reach ten pennies, or even earlier if you were a risk taker, you can use some of your pennies to dress yourself up and ride in a gilded carriage. People would gawk at you and say you are a magician worth much more than ten pennies. In fact they would fight with each other each claiming that you were worth much more. And people start giving you their pennies asking you to work the same magic for them.

After some time you start believing what people say and so you go back to the bank and say "see I am now worth 20 pennies can you lend me another twenty". The banker looks outside the window and sees the people still arguing with each other about your worth and many fighting to give you their money. By the time he has closed his window the din has reached 30 pennies - so very confidently he is quick to give you another 40 - 20 more than what you asked for!! You go out into the street and the people are dizzy and they keep raising your worth faster and faster. And everybody is happy.

Until one day someone comes asking for their pennies. You open your account books and find it is full of pennies. You put your hand in your pocket and to your utter dismay you find that it is empty. There is a mad scramble. You don't know where the pennies from your account book are. Some of it you know was in the bank so you run to the bank asking for some pennies since you don't have enough to give out, but the bank in the meantime, has run out of pennies and so runs to another bank. Bank 2 says to bank 1: we have already lent you enough and can't lend you anymore because we ourselves are running out. So your bank comes running back to you and says sorry, no go. You scream at least give me back some of the pennies I kept with you for safe keeping. And the bank says no, we are holding onto these till you bring back more of the pennies we lent you in the first place. As soon as the crowd hears you have no pennies to give out, they once again start heatedly arguing with one another about your worth.

Except this time around the argument is about how much less you are worth and not more. And by evening everyone says you are worth next to nothing. I guess this how the Halifax Bank of Scotland was worth over 200 pennies one day and 16 pennies the next. Or Lehmann brothers or But don't worry the pennies you have stashed away under your bed or in the hollow of the tree in your garden is safe, because all you have to do is file for bankruptcy and then you get to keep what you already have as long as you have hidden it well (and of course you know there are enough and more experts to guide you on how to hide it - they are called accountants). And what's more you don't have to pay back any of what you borrowed in the first place. And actually if you have been clever and have managed to grow really really big, then the government - who you had ordered out of your life long ago saying you are now a big boy and can manage your affairs yourself - will rush to your aid and quickly give you some more pennies.

The government is afraid that the people will come running to the government asking for their pennies. Because you see most people like you and me don't know that the government is no longer making the pennies. And if you are a true blood free marketeer you will take those government pennies and go on a binge first. I think the people who did this got a bit confused with one of their childhood moral lessons that charity begins at home. That's why the people at AIG spent nearly half million dollars on a five day party just after they said they had no money to keep their promises. Maybe they were just being human and celebrating their kind government having given them 85 billion dollars.

So I hope you understood what is happening now in the markets.....

And how it came to pass that Humpty Dumpty had this great fall. Because you see, he would argue that it was not his fault that he was sitting in a place where he shouldn't be - high up on a profitable wall. It was the fault of all the people shouting that he must come down and give them back their pennies. That's how he lost his footing and fell. And now the kings horses and the kings men must put humpty dumpty together again. Because unless they do where will the pennies come from?

Now we can all continue believing the fairy tales we've been told for so long by speculative gamblers masquerading as the high priests of free market capitalism. Or we can stand up

and demand that they be accountable and make the free market ideologues finally acknowledge the cry of the innocent child who spoke the truth that no one else dared - the emperor has no clothes. Only then will we see that the magic web woven by the silver tongued tailors of the free market adventure was nothing but smoke and mirrors. Its time we ordinary people buried Humpty, demolished the wall and got the emperor to listen to us "real" people struggling in a "real" economy, to clothe our families in "real" cloth, put "real" food on the table and build "real" communities.

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