

Global Financial Crisis: Impact, Challenges & Way-out

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The financial crisis, in a way, is a reflection of the imbalance between the growth of real and financial sectors. Easy availability of housing loan led to unprecedented levels of debt, three times the GDP in the US and Europe. Repayment defaults due to bubble burst added illiquidity and caused bankruptcy and closure of banks and financial institutions. The crisis is estimated to have wiped out about one-third of the value of world's companies, and millions of employees lost their jobs or were pushed to extreme poverty. Measures to overcome the slowdown included stimulus packages of about ten trillion US\$ for banks and guarantees to depositors; and also enhanced public spending. The downfall has stopped with a 'V' shape recovery. Is the short-term recovery sustainable?

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Earlier Crises

Growth of real and financial sectors is essential for economic development. The financial sector has claimed an ever-growing share of the nations' income over the past generation. The financial sector comprises institutions which promote savings on the one side and investment on the other and also includes facilitators like, stock exchanges and merchant bankers. Any imbalance in the growth of the two sectors is a cause of concern. Over the years, the financial sector has gained prominence and is a prime mover for every economy. Financial crisis, in a way, is a reflection of the imbalance between the growths of the two sectors. The present study gives, in brief, an overview of the financial crises over the years; and the origin and features of the current crisis. Way-out measures- both stimulus packages and structural policy processes- are discussed. The paper also highlights the concern arising from excessive enthusiasm of the financial sector as compared to that of the real sector and examines whether the 'V' shape recovery over the short period is sustainable.

The current financial crisis started in mid- 2007. It is global, has engulfed almost every country and is stronger in intensity and coverage than of earlier crises. Earlier financial crises included:

- Great Depression of 1930s
- South East Asian countries of 1997,
- Harshad Mehta financial crisis of 1990s

Charles Kindleberger, US economist & historian listed 38 major financial crises between 1800 and 2000, i.e. one in every five years and three months on an average with a tendency to come at a much faster pace over the last 50 years. (Kindleberger 2005)

South East Asian Financial Crisis (1997)

During the financial crisis in South East Asian countries, the currency and equity markets recorded a fall of 30-50 percent in the second half of 1997. These economies had earlier recorded exceptionally high economic growth rates savings and investment rates and disciplined fiscal position. They were viewed by the lenders to be the most attractive sovereign borrowers among emerging markets and were addressed as ‘Asian Tigers’. They experienced credit boom in the 1990s; growth of the bank and non-bank credit to the private sector exceeded the growth in GDP. Credit boom was directed in a good measure to the real estate and equities, exposure to property sector accounted for about 25-40 percent of total bank loan. It was a

neglect of financial sector reform that got these countries into trouble; liquidity crunch was caused by heavy reliance on foreign debt, primarily short term debt, for meeting the industrial expansion requirements and even it was not possible to have estimates of the extent of short-term debt.

Great Depression of 1930s

During the Great Depression of 1930s, measures were introduced to regulate financial sector by the US President Franklin D. Roosevelt. Commercial banking was separated from Investment banking under Glass-Steagall Act, e.g. the House of Morgan was broken into two halves:

- Morgan Stanley, an investment bank; and
- J P Morgan, a commercial bank.

Investment banking covered: capital market funding of businesses, financial products and instruments, brokers and dealers in equity, debt and derivatives; while commercial banks, relied on public deposits and primarily had lending for working capital requirements i.e. in short-term operations and money market instruments.

Bubble Burst 2007

In 1999, key parts of the Glass-Steagall Act were repealed by the Financial Services Modernisation Act (or the Gramm Leach-Bliley Act and also called Sandy’s Law). As a result, commercial banks could also take up investment

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business and financial advisory business. This led to competition between commercial banks and investment banking institutions resulting in cuts in business-margin and broadening of the products base. With low rate of interest on housing loans, and galloping housing prices, investors found house properties attractive. Housing prices subsequently crashed. This probably was the prime reason for Sub-prime crisis. Thus, repeal of Glass-Steagall Act was an important contributor to the bubble; it added to the frenzy, it also added to the amount of money staked on this. In other words, banks used usual deposits and even the borrowings from other banks to advance housing loans, considering that earnings on lending was higher than the interest on borrowed funds. Since loans advanced were for longer period and were less liquid, e.g. home loans, liquidity was introduced by repackaging the cash flows arising from EMIs as newer instruments like securitization, to be off-loaded into different markets. The buyers of the securities were assured of regular payment and any default in the EMI created liquidity crunch in the banking system which in turn affected the return on the securities. Such securities, invariably, got good rating by the rating agencies who were paid to rate these products. Bankers and investment banks like, Lehman Brothers, got into mortgagees

not only from usual deposits, but also from the borrowings from other banks, as bad loans were construed into repossessing of high valued house properties. This way they could create more securitization (Shah 2009).

This extension (low rate interest lending) created sub-prime loans, where households could borrow even if they had no income, no papers, no credit rating, or payment record. They only needed to use money to buy a house, whose price went up. Housing loans were available even to the persons with no-income-no-job-no-assets (the so called NINJA loans); or the housing loans to people with poor creditworthiness ballooned, creating excess supply of credit to housing sector (Tiwari 2008). Thus the households borrowed more than they needed, banks lent more than they could; the banks held and traded more of the tradable securities created. At the peak of the boom, many of the households had \$40 of borrowings for every dollar of capital, and when the value of the assets fell off, there was no money to repay (Shashikant 2008). For the banks, this resulted in mismatch due to use of short-term deposits for long-term loans, and subsequently led to liquidity crunch, and property prices went crashing. The bubble burst led to illiquidity in the investment banking, market got panicky, banks lacked security for the loans advanced, and borrowers could not honour their commitment for repayments or payments of EMIs. Sub-prime and 'self-certified' loans' (sometimes dubbed liar's share) created financial

crisis of defaults with the banks, lack of liquidity, and shrinking of the size of financial markets.

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‘The problem was so large that banks even with large capital reserves ran out. So they had to turn to governments to bail out. New capital was injected into banks to, in effect; allowed them to lose more money without going bust. That still was not enough and the confidence was not restored.’ ‘Derivatives, financial futures, credit default swaps, and related instruments came out of the turmoil from the 1970s. The oil shock, the double-digit inflation in the US, and a drop of 50 percent in the US stock market made business look harder for ways to manage risk and insure themselves more effectively. As people became successful quickly, they used derivatives not to reduce their risk, but to take on more risk to make more money. Greed started to kick in. Businesses started to go into areas that were not necessarily part of their underlying business (Shah 2009). It is said “If finance is the grease that moves the wheel of global commerce that grease has congealed: the system is stuck, and we have crisis of confidence as no financial institution is willing to lend because of the risk of not being repaid”. This accompanied by inflation,

rise of interest rate; billions of dollars sunk into sub-prime mortgage in Wall Street and other financial institutions disappeared. It is estimated that the New York Stock Exchange alone lost about \$1.2 trillion in value and the financial crisis affected economies the world over and led to bankruptcy/closure of number of banks. Some of the world’s largest financial institutions like, Lehman Bros, Bear Stern collapsed or were bought by their competitors at low price.

The global financial crisis 2007 is not different from the earlier ones, as two mutually negative trends, namely financial system crisis and global economic slowdown, reinforced each other leading to severe economic contraction. The financial system crisis was reflected by unprecedented level of debt, three times the GDP in the US and Europe. This led to additional requirement of capital for banks to cover losses. All developed economies (e.g. the US, European Union, Japan) faced major economic slowdown due to decline in consumption, a sharp decline in export demand, and a slowdown in investment due to credit crunch.

Bail out packages were announced by governments. As per one estimate, while only 11 banks have failed since the beginning of the crisis, the number on the Federal Deposit Insurance Corporation’s watch list has grown to 117. Global financial crisis started to show its effects by the middle of 2007; stock markets had fallen world-wide; large financial institutions collapsed or were bought out; governments even in the wealthiest

nations came up with rescue packages to bail out their financial systems. Collapse of the US sub-prime mortgage and the reversal of the housing boom in other industrialized economies had a ripple effect around the world. In addition, some financial products and instruments became complex and twisted and that affected the whole system.

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Estimates of Loss

As per Bank of England estimates, world's financial firms lost in October 2008, \$ 2.8 trillion as a result of the continuing credit crisis. Global tax payers have spent around \$ 8 trillion to shore up the world's banks and these amounts increased as the crisis spread into the real economy. To quote the Trade and Development Report 2008 of the United Nations (as summarised by Raja 2008), "the global economy is teetering on the brink of recession. The downturn after four years of relatively fast growth is due to a number of factors: the global fallout from the financial crisis in the United States, the bursting of the housing bubbles in the US and in other large economies, soaring commodity prices, increasingly restrictive monetary policies in a number of countries, and stock market volatility".

Bail-out Packages

Governments the world over introduced relief or bail-out packages. According to Bloomberg, by February 2009, the total US bailout was \$ 9.7 trillion; enough to pay off more than 90 per cent of America's home mortgage and was about 70 percent of US GDP (Table I). The bail out package, in one view, was doling out funds to those responsible for financial problems. As per one estimate, the total amounts that governments have spent on bailout have skyrocketed. From a world credit loss of \$ 2.8 trillion in October 2008, US taxpayers alone would spend some \$ 9.7 trillion in bailout packages. The UK and other European countries have also spent some \$ 2 trillion on rescue and bail-out packages. In addition, proposals for injecting money into banks included:

- buying shares of banks, or
- purchase of convertible bonds of banks, in which the government would be paid interest and the government will have the option to convert these bonds into equity.

Table 1: Global Financial Crisis: Losses & Bailout for US & the European Countries

	(\$ trillion)
Value of World's Companies wiped-out	14.5
US bailout (including US Congress Package \$ 700 bn)	9.7
US GDP	13.8
European bailout	1.4
UK bailout	0.9
UK GDP	2.5
Total US Home Mortgages	10.5
World's Military spending in 2007	1.3
US cost of war in Iraq & Afghanistan since 2001	0.7

Source: BBC. Bloomberg.UPI,globalissues.org.Feb 2009

The bail-out package by the Bush Administration offering \$ 700 billion plan for the US financial system was controversial because it was unpopular with the public, seen as a bail-out for the culprits while the ordinary person would be left to pay for their folly. Nobel laureate Joseph Stiglitz argued: "I think it remains a very bad bill. It is a disappointment, but not a surprise, that the administration came up with a bill that is again based on trickle-down economics. You know enough money at Wall Street, and some of it will trickle down to the rest of the economy. It's like a patient suffering from giving a massive blood transfusion while there's internal bleeding; it doesn't do anything about the basic source of the haemorrhaging, the foreclosure problem. But...it is better than doing nothing...." Stiglitz (2008 c). He added "In environmental economics, there is a basic concept called the polluter pays principle. It is a matter of fairness, but also of efficiency. Wall Street has polluted our economy with toxic mortgages. It should pay for the cleanup" (Stiglitz 2008 b). Some other governments tried to reassure investors and savers that their money was safe. In a number of European countries, for example, governments tried to increase protection or gave full guarantee for depositors' savings. In a way, banks were nationalized (socializing profits as well as costs, potentially).

World being inter-connected, things like a credit crunch rippled through the entire world. Financial crisis was viewed to affect the US's superpower status and it would be harder for the US to argue in

favour of its free market ideas, once its own markets have collapsed. Ha Joon Chang of Cambridge University suggested "a charge by many developing countries that rich countries are often quite protectionist themselves but demand free markets from others at all times" (Chang 2009).

In Europe, major financial institutions also failed, while others needed rescuing. As such, European countries attempted different measures e.g. some nations stepped in to nationalize, or in some way attempted to provide assurance for people. This included guaranteeing 100 percent of people's savings or helping broker deals between large banks to ensure there is a no failure. The European Union was planning increase in expenditure and tax cuts worth Euro 200 bn over two years to help restore consumer and business confidence, shore up employment, getting the banks lending again and promoting green technologies.

Financial crisis also affected countries in Asia. Asian products and services were global, and a slowdown in wealthy countries meant increased chance of a slowdown in Asia and the risk of job losses and associated problems such as social unrest. China and India, the two largest economies in Asia, experienced sharp slowdown. Japan, which had suffered its own crisis in the 1990's also faced trouble, as it was dependent on exports. As per ILO Report 2009 (Global Employment Trend 2009): with the global deteriorating economic situation, over 50 million workers could lose their

jobs by the end of 2009 and about 200 million workers mostly in developing countries could be pushed into extreme poverty. This was reflected by the higher fuel prices; soaring commodity prices; crash in the stock markets; and downward trend in currency values.

Nations having heavy dependence on export earnings or countries like, China having higher trade links with the US experienced greater impact of global financial crisis. Japanese companies adopted “work-sharing” to ride out of the global slump. Work-sharing involved slashing employees pay and hours instead of firing people outright. Two or three people share what previously was one person’s job. The idea is that employees are required to share the pain of coping with hard times while everyone gets to keep their job- even if they are paid less. Japan is known for its policy of lifetime employment and work-sharing is another form of providing employment for life. Critics describe it a fancy way to disguise wage cut. The Japanese government was considering earmarking public money for companies that took up work sharing to curb surging joblessness as the world’s second largest economy slid into what authorities were calling Japan’s worst recession since World War II.

Social Sector

Financial crisis has social impact as it puts upward pressure on inequality, richer investors and householders are better off, they tend to receive compensation as bank bails out occur; wealth

transfer takes place not only between rich and poor and also between domestic and foreign investors. (The World Bank 2008). Financial crisis hampers investment in social services such as health and education as well. According to United Nations, international donor assistance for population related activities including family planning for the years 2006 and 2007 were \$ 7.4 bn & \$ 8.1 bn, respectively. These were estimated to increase to \$ 11.1 bn & 11.2 bn for the next two years, i.e. 2008 & 2009, respectively. The global financial crisis was likely to decrease the financial assistance drastically. For instance, the donor assistance for family planning alone as a percentage of all population assistance decreased from 55 % in 1995, totalling \$ 723 m to mere five percent in 2007, totalling only \$ 338m (Deen 2008).

Indian Economy

Indian economy, which had envisaged to grow at around 9 percent during 2008-09 and subsequent years scaled down its growth rate to below 7 percent. Challenge for India was to achieve a growth rate of 8 % or more. India’s priority to reduce poverty through rapid economic growth would become more challenging.

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Global financial crisis did not have a direct impact on Indian economy

because of its highly regulated financial system and moderate dependence on exports. However, it has implications on Indian banks. “The overall stability and solvency of the banking system masks banks that have barely sufficient capital adequacy, reliance on high cost deposits, and pressure on profitability. For example, 12 out of 40 Indian banks analysed representing around 20 percent of total bank credit, have a capital adequacy ratio less than 12.5 per cent, cost of funds higher than 6.5 percent, non-performing assets amounting to more than 2 percent of loans, and fee income contributing less than 15 percent of total income. For such banks, urgent steps are required to weather the crisis” (Sengupta 2009)

Business enterprises in India were reporting high slide down in their financial results. There were cases of lay-off; closures of some of the units. Automobile and real estate sectors had been adversely affected. Approximately 11 lakh were job losses, mainly in textiles, minerals, marine products and gems & jewellery, mostly the sectors which were dependent on orders from abroad. Banks’ liquidity was adversely affected, though not so much as in other countries because of strong monetary policy of RBI. India’s stock market crashed, losing 60% of its value during 2008, rupee lost some 20% of its value against the dollar; foreign exchange reserves dropped by nearly \$ 63 bn from a high of \$316 bn in May 2008, due to selling of dollar \$ 2 b a day by the RBI to Indian companies to finance their foreign operations. (The Economist 2008). Government in India

plans to invest in infrastructure about Rs. 20 lakh crore during the Eleventh Plan i.e. 2006-7 to 2011-12 or about 6.8 % of GDP a year, increase from 4.6 % of GDP at present. The government expects private investment to contribute approximately one-third of the total, but it appears to be a daunting task to see from where approximately Rs. one thousand crore a day would be found for investment in infrastructure.

Industrial sector also reported slow-down; the core sector - crude oil, petroleum refinery products, coal, electricity, cement, and finished (carbon) steel reported slower growth rate. Ratan Tata, Tata Group Chairman of 96 companies having 3.5 lakh of workforce, said “The global financial crisis, non-availability of credit at reasonable rates and consequential drop in demand in most sectors had severely impacted most of our companies. This economic crisis might well be the worst we had faced in our living history and this economic downturn would continue through most of 2009 and we should brace ourselves for hard decisions”. Tata Motors (consolidated), India’s largest makers of trucks and buses reported a loss of Rs. 2505 crore for the year ending March 31, 2009. Its losses for the quarter ending June, 2009 stood at Rs. 329 crore as against profit of Rs. 720 crore a year earlier. We list below some of the examples of the impact of financial crisis in India: (Business Standard 2009)

- Mind Tree Consulting decided to restructure salary offers to its trainees during 2009 over the 18 months

of training. After restructuring, the payment would be 75 percent of the monthly wages over the first seven months, 85 percent over the next six months and the balance over the last five months. In company view, "The idea is to start them off at a lower monthly salary and increase it progressively over an 18-month period till it matches the initial offer"

- Redeployment of employees by Infosys and WIPRO are other indicators of economic slowdown. Infosys Ltd, India's second largest information technology (IT) services provider, urged 3,500-odd employees currently 'on the bench' (without any project to work on) to move to its business process outsourcing (BPO). There will be no change in salaries and remuneration of these employees. It will give its employees an opportunity to be productive, rather than do nothing.
- Similarly, WIPRO offered in 2008 jobs in the BPO business to about 2,000 campus recruits, till they could be absorbed in the company's IT business.
- DLF, India's largest property developer, citing economic slowdown and lack of demand for IT space had

sought de-notification of four IT Special Economic Zones (SEZs) planned in Sonapat, Gandhinagar, Bhubaneswar and Kolkata.

- Similarly, DLF stalled a quarter of its total projects (residential as well as commercial) due to lack of demand and liquidity crunch. The company halted the construction work on nearly 16 million sq. ft office and retail mall space out of the 62 million sq. ft of planned construction. In the office space, the developer has stalled construction on nearly 12 million sq. ft of office space out of the 36 million sq. ft of office space being planned.
- Unitech Ltd, the country's second largest real estate developer was faced with liquidity problem and shifted from a lease model to a sale model, to generate immediate cash that will help it repay debt.

Financial crisis also adversely impacted the capital market operations and these are detailed as under: (Tables 2 & 3 present details of funds raised from the capital market, domestic as well as overseas by the types of securities during 2007- 08 & 2008-09).

Table 2: Resources Raised from the Capital Market- Domestic & Overseas

	<i>(Rs. Crore)</i>					
	Public Issue	Right Issue	PPL	Total Domestic	Overseas	Total
2007-08	50261	26365	101733	178359	31877	210237
2008-09	3527	9483	85964	98974	1131	100106

Source: Capital Market Monthly Review, CMIE, May, 2009, Mumbai

Table 3: Resources Raised from the Capital Market- Domestic by Types of Securities: Shares and Debt

(Rs. Crore)

	Domestic Shares	Domestic Debt	Total Domestic
2007-08	130,866	47,539	178359
2008-09	29,231	69,743	98974

Source: Capital Market Monthly Review, CMIE, May, 2009, Mumbai

During 2008-09, funds raised from the domestic market were Rs. 98,984 crore, which was 52.4 percent lower than in the previous year.

- Resources raised via the domestic issuance of debt and equity outweighed the fund raised from overseas flotation.
- The resources raised from the international markets during 2008-09 was merely Rs 1132 crore as against Rs 31,877 crore in the year 2007-08.
- There were public issues only of Rs. 3527 crore during 2008-08 as against the corresponding figure of Rs. 50261 crore during the year 2007-08.
- Right issues reduced from Rs 26,365 crore in 2007-08 to Rs. 9,483 crore in 2008-09
- Bulk of the money raised from the primary market was through private placement of shares and debt.

Challenges & Way-out

As we know, the crisis did not arise from a single source, and there is no one

single silver fix it; it was the neglect of financial sector reform, poor or weak financial regulatory mechanism that got these countries into trouble. Such reform had to be the centre piece of a recovery package; financial crisis seldom die of old age and they reoccur at much faster pace. This problem could have been averted, at least in theory, as people had been pointing to these issues for decades, yet during periods of boom none heeded or listened. To suggest any regulation had been branded as anti-capitalism or socialism or by some other label. "We had become accustomed to hypocrisy. The banks reject any suggestion they should face regulation, rebuff any move towards anti-trust measures – yet when trouble strikes, all of a sudden, they demand state intervention: they must be bailed out, too important to be allowed to fail.....America's financial system failed in its two crucial responsibilities: managing risk and allocating capital. The industry as a whole has not been doing what it should be doing... and it must now face change in its regulatory structure. Regrettably, many of the worst elements of the US financial system.... were exported to the rest of the world" (Stiglitz 2008 a)

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Financial regulatory system has been reported to be poor and weak because the regulators:

- were poorly paid or not of best talent
- lacked independence or are corrupted by industries lobbying for favours
- lacked courage in the face of hostile and a politically hostile climate to regulation (Shah 2009)

Recovery packages discussed above can be put under two categories:

- stimulus package and
- structural policy process

The former has been, as discussed earlier, in the form of infusion of funds or enhancing the credit facility of banks and financial institutions or guarantee of protection to depositors. On the other hand, the structural policy process included, measures adopted by governments to cushion the slump in private spending. For example, around 75 percent of China's growth during 2009 will be state-directed, either through public spending or officially induced lending (The Economist 2009). Similarly, in India measures adopted to increase the government employees salaries, waiver of farmer loans, or National Rural Em-

ployment Guarantee (NREG) have been reported to be more effective as these have led to putting funds with the consumers, and increased their purchasing power as reflected by the increased demand for automobiles by government employees. In other words, recovery process would entail: strengthening of the real sector and the financial system covering both the capital market and money market. The measures suggested would include policies to

Recovery process would entail: strengthening of the real sector and the financial system covering both the capital market and money market.

- increase borrowing,
- reduce interest rates, reduce taxes and
- increase spending by the government on public goods including infrastructure- the goods that the private market would not supply like, roads, communication networks, sewage system & so on.

There was a need to call for reforms in the financial system-including in international banks. Failure in financial markets, according to Joseph Stiglitz, has come about because of poorly designed incentive structures, inadequate competition, and inadequate transparency. This is partly because larger institutions have been resistant to changes that would create more healthy competition; regulatory frame

work has been cumbersome with gaps and lacking strong enforcement. This at micro level would involve increasing capital and liquidity requirements of institutions with restraint on the build up of risk. Measures suggested by Ha-Joon Chang, Professor of economics at Cambridge, include:

- Introduce bankruptcy code that will enable orderly sovereign debt restructuring.
- Enforce capital adequacy requirement norm and make credit a bit harder to get during good times.
- Strict regulations of tax havens and private equity funds, which greatly contribute to increasing opacity in the financial market.
- Credit rating plays critical role, has inflicted heavily the financial damages, these agencies need to be heavily regulated (Chang 2009).

Y.V. Reddy, former Governor RBI is of the view that financial sector is in the nature of public utility, and there are only two ways in which it can function in the interest of the society. It should be publicly owned; otherwise it should be intensely regulated. If it is intensely regulated, then excess profitability should not be allowed. Lack of focus on the real sector and excessive enthusiasm for the financial sector are responsible for the crisis (Reddy 2009).

World's financial break down has proved the need for (The Economist 2008):

- Public ownership of banks
- Limits on borrowing abroad
- Strict prudential rules at home
- Develop a reliable credit rating system
- Tap larger pool of savings through financial inclusion

This is particularly so as 53% of India's household savings are in physical assets rather than financial form; and deposit to GDP ratio in India is 65 % as compared to approximately 165 to 170 % in the US & China, respectively.

Stock market recovery during the last few months may be an indicator that worst is over and that a 'V' shape recovery is being talked about as against 'U' shape one which is going to take long. No doubt, massive liquidity has been injected into the system, the downfall has stopped with a 'V' shape recovery, the question raised is whether short-term recovery is sustainable? Or is the recovery durable? On the other hand, it is said that "there is absence of knowledge in the short run". Old will not do and some new knowledge is needed to predict for the future. Japan which injected enough liquidity for a decade lowered the interest rate to zero to bail out banks; the investment and consumption did not pick-up and Japan experienced a low growth trap well for a decade.

At the macro level, reform process would involve sharing of powers by the developed countries with the developing

countries. "The most powerful institutions tend to have the worst democratic credentials: the power distribution among countries is more unequal, and the transparency, and hence democratic control, is worse" (Vandaele 2008). Said Miguel D'Escoto, President of the UN General Assembly, "Only full participation within a truly representative framework will restore the confidence of citizens in our governments and financial institutions... Solutions must involve all countries in a democratic process" (D'Escoto 2008).

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Further, reform process is not one time exercise, rather it is a continuous process involving all sectors; it should not be initiated only during period of crisis but also during period of plenty. During periods of boom, people do not want to hear criticisms of the forms of economics they benefit from, especially when it brings immense wealth and power, regardless of whether it is good for everyone or not. It may be that during periods of crisis such as of now, they rethink economics in some way. Even mainstream media, usually quite supportive of dominant neo-liberal economic ideology entertains thoughts that economic policies and ideas need rethinking.

Lastly, with the financial crisis and economic slowdown, job losses mount and bailout costs run into trillions of dollars and everyone suffers adversely; the poor countries suffer the most. For the affluent ones, no doubt they lose pay cheques, there is a brighter side, they improve their physical health with the time for exercise, sleep and more of social interactive activities.

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