MONEY AND POWER IN POLITICES DEVELOPMENT ECONOMY

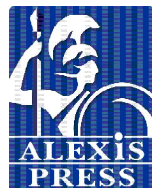
Dr. Vijayalakshmi. P
Poonam Mishra

ALEXIS PRESS
JERSEY CITY, USA

MONEY AND POWER IN
POLITICES DEVELOPMENT ECONOMY

MONEY AND POWER IN
POLITICES DEVELOPMENT ECONOMY

Dr. Vijayalakshmi. P
Poonam Mishra



ALEXIS PRESS

Published by: Alexis Press, LLC, Jersey City, USA
www.alexispress.us

© RESERVED

This book contains information obtained from highly regarded resources.
Copyright for individual contents remains with the authors.
A wide variety of references are listed. Reasonable efforts have been made
to publish reliable data and information, but the author and the publisher
cannot assume responsibility for the validity of
all materials or for the consequences of their use.

No part of this book may be reprinted, reproduced, transmitted,
or utilized in any form by any electronic, mechanical, or other means,
now known or hereinafter invented, including photocopying,
microfilming and recording, or any information storage or retrieval system,
without permission from the publishers.

For permission to photocopy or use material electronically
from this work please access alexispress.us

First Published 2022

A catalogue record for this publication is available from the British Library

Library of Congress Cataloguing in Publication Data

Includes bibliographical references and index.

Money and Power in Politices Development Economy by *Dr. Vijayalakshmi. P, Poonam Mishra*

ISBN 978-1-64532-898-8

CONTENTS

Chapter 1. Political Economy of Development 1
— Dr.Vijayalakshmi.P

Chapter 2. Wealth, Power, and Progress: Political Economy of Development 12
— Dr Lubna Ambreen

Chapter 3. Empowering Markets: Democratizing Management 21
— Dr Pallavi Vyas

Chapter 4. Risk Governance: the Power of Technology 29
— Dr Divyesh Kumar

Chapter 5. Global Financiers: Development Banks and Creditor States 38
— Kambam Vedantam

Chapter 6. A Brief Introduction about British Market Makers 46
— Dr M H Sharieff

Chapter 7. Neoliberalism and the Frontier Institutions 55
— Dr Monoo John

Chapter 8. Africa's Poverty: Multilateral Aid's Historical Impact Unveiled 63
— Dr Vijayalakshmi.P

Chapter 9. Derivative Business and Aid-Funded Accumulation 73
— Dr Lubna Ambreen

Chapter 10. A Brief Overview about Harmonization Process 82
— Dr Sakshi Chabra

Chapter 11. Bilateral Interventions and Private Sector Development 90
— Dr Preetha Chandran

Chapter 12. Capitalism : A Long-Term Perspective on Economic Promotion 100
— Dr Vinoth.S

Chapter 13. Understanding Prime Investments in Dispute 108
— Poonam Mishra

Chapter 14. Family Business: Nurturing Legacy, Sustaining Success 118
— Jai Ranjit

Chapter 15. Manufacturing Business: Building, Innovating and Thriving 127
— Solange Suri

Chapter 16. Apostle of Prosperity:Spreading Wealth and Abundance 136
— Uttam Kumar

Chapter 17. A Brief Introduction about Financial Crisis 144
— Jayashree Balasubramanian

Chapter 18. Politician: Power, Ambition, and Public Influence 152
— Divya Bindra

Chapter 19. Understanding the Concept of Antisemitism....................161
— Divya Bindra

Chapter 20. Consumer Demand:Driving Forces of Market Dynamics....................170
— Nibedita Chowdhury

Chapter 21. Understanding the Government's Documentary Evidence....................179
— Divya Vijaychandran

Chapter 22. Inside Information: Unveiling Secrets of Developing Economies....................189
— Vipul Pancholi

Chapter 23. Business of Committing the Firm's....................199
— Kanchi Malhotra

Chapter 24. Arbitrage Department:Capitalizing on Market Inefficiencies....................208
— Aditya Gupte

Chapter 25. Understanding the Caveat Emptor Principle....................220
— Minakshi Rishabh Todi

CHAPTER 1

POLITICAL ECONOMY OF DEVELOPMENT

Dr.Vijayalakshmi.P, Associate Professor,
Department of Entrepreneurship and New Venture Creation, CMS Business School, Jain (Deemed to be University), Bangalore, Karnataka, India,
Email Id:dr.vijayalakshmi@cms.ac.in

ABSTRACT:

Political and economic aspects are combined when we analyze contemporary society from a political and economic perspective. As almost everyone would agree that politics and economics are inextricably intertwined politics influences the economy, and vice versa this strategy appears obvious. In this chapter author is discusses thedevelopment industry and its institutions.

KEYWORDS:

Economy, Education, Industry, Market, Political.

INTRODUCTION

Tens of thousands of employees and beneficiaries toil daily to bring about development: to feed the poor, to immunize against illness, to construct schools, roads, and airports, to encourage good governance and civic education, and to carry out a host of other tasks on an ever-growing list. Development rivals the major faiths of our time in terms of inspiring and restraining people, offering moral guidance, and issuing a trumpet cry against the neglect of the underprivileged, ill, and disabled. As a social endeavor, it embodies all the lofty ideals of the modern era, from the Age of Enlightenment to the present, of human advancement and the civilizing goal of human action. It has also developed into a haven and home for radicals of all persuasions since the socialist project was eclipsed in the early 1990s. Additionally, it has offered opportunities for well-meaning individuals who care about the welfare of others to work, volunteer, or contribute money for the greater good of humanity. The general consensus on development is that it involves a major collaborative effort to eradicate poverty, enhance standards of living, and promote one or another interpretation of progress.

According to this perspective, all of this human effort will lead to progress and modernization since win-win solutions to development challenges are accessible and an inclusive and globalizing market economy has no inherent hurdles to a better living for everyone. Yet there is also a different perspective, according to which the power structures in society may undermine the mass of development workers' united efforts. In other words, the affluent and powerful may not wish to renounce their fortune or distribute global resources more fairly. This is especially true for development initiatives that have an immediate impact on the economy. That is to say, even those who are rich may want more infant immunizations and donate to make that happen, but they will oppose a significant increase in their taxes. As a result, the gift is shown to be at best a palliative in a worldwide social and economic system that perpetually reproduces marginality and destitution every time one kid receives assistance, another one, two, or more become particularly vulnerable. According to this viewpoint, capitalism progress is inextricably linked to the imperialist relationship that exists between the core of the global economy and its

outskirts or periphery. The second tradition includes this book. Yet, it goes above and beyond to show the close relationship between the development industry and the support of capitalism by going into depth about the private sector initiatives [1], [2].

In other words, it's not merely that there is a positive growth sector that is hindered and confused by the inherent dynamics of capitalism and societal causes outside its control. This is a rather extreme stance on its own. Moreover, interventions, particularly in the private sector, have started to imitate and duplicate those in the capitalist world economy. In essence, a development bank performs relatively few tasks that distinguish them from more general private banks. And the chari branding is an added bonus. The Chad-Cameroon oil pipeline is an example of a development project that resembles a private sector initiative while also pushing the limits of venture capitalism's ability to negotiate with authoritarian governmental systems and get things done. In other words, imperialist ideology and the capitalist process are both deeply entwined with and involved in growth.

DISCUSSION

Development Industry and Its Institutions

The management and control of global capitalism is aided by development banks. This in turn has an impact on the South's chances for political and economic progress. It argues that the regulatory structure that development helps to create is what leads to widespread poverty. While simultaneously professing to aid those who are the victims of the injustices that capitalism creates, Northern nations continue to support capitalism's growth after over 70 years of intergovernmental efforts to do development. Moreover, development has failed, leading to an increase in victimization and blight. A crucial distinction has to be noted between this book and the several other neoliberal economists and neoconservatives who argue that progress is pointless because it never succeeds. My goal is to demonstrate why the efforts of so many morally upright individuals are being misdirected by the system. Now, they are unable to work as hard as necessary to continue cleaning up after capitalism, and one way to make their job simpler is to prevent strong governments from first increasing social and economic inequality.

The bitter irony is that development institutions often play a specific role in private sector operations that deprive people of their possessions and means of subsistence, impoverish them, and then thwart their attempts, with the assistance of development professionals, to help themselves recover. If this statement seems particularly off-message to you or suggests an unjustifiable propensity toward conspiracy theory, you only need to look at the evidence that has been gathered against the odds from those who have been victimized by development and displaced, such as the suffering of the Lesotho High-lands population who were left destitute by a dam and hydroelectric complex. As a result, in contrast to the majority of books on development you may have read, failure in development will not be evaluated here by taking a look at the ostensible shortages and absences of different traits - such as skills, money, political will, ability, and so on - inside the South. The book will instead focus on bilateral and multilateral political economy relations between states to highlight the absurdity of the claim of benevolence in the post-colonial practice of international aid, which is the mainstay and misguided output of development studies.

This has previously been criticized by authors in the post-development and radical development traditions. To be clear, although certain acts of kindness, such as providing food or

immunizations, may merit the word benevolent, the whole system does not. Not least of all due to the fact that transfers of public monies to private corporations, rather than the distribution of meals to children, dominate the bigger picture. The lives of individuals are greatly impacted by who controls the development dollar and what they decide to do with it. This book's emphasis is thus on this bigger, meaner brother of the welfares public face of charity. It is specifically about the Great Predators, a term used here to refer to the development finance institutions of Europe, North America, and elsewhere that act as a Trojan horse, bringing the largest corporations in the world and local Big Men into a dominant position in the economies of poor countries under the guise of assistance. So why the term Great Predators? Contrary to the widely held belief that capitalism is identical with the market and that the state is positioned in opposition to both, the metaphor refers to a classic formulation of capitalism put forward by Braudel. Instead, and in a manner that flips the traditional definition on its head, Braudel believed that capitalism was inimical to the free market and wholly reliant on the authority of the state.

According to Braudel, capitalism is a three-tiered system with material life as the stratum of the non-economy, or the soil into which capitalism thrusts its roots. The market economy is the second layer, where there is some automated coordination between supply, demand, and price. The majority of economics focuses on elucidating this level, but there is also a higher level called the zone of the anti-market, which is where large predators prowl and where the law of the jungle reigns. Here is where capitalism really calls home. This area, which is located on the top level of the house of commerce, is a shadowy zone where financiers work. They make decisions on where foreign currency should go using a advanced art available to just a few initiates at most. It is not a misuse of Braudel's conception to study the role of pseudo-public sector financiers in particular, the DFIs, as a sub-group of his class of great predators given that, in Braudel's view, capitalism was completely reliant on state authority. In recognition of the fact that DFIs collaborate with and support finance firms functioning more completely in the private sector, this book has done precisely that.

This book makes the case that market control using public liquidity is essential to regulating Southern populations' ambitions in a cycle of perpetual austerity, and that DFIs employ the majority of those who perform this function. Others have suggested that individuals from the North use institutional institutions that were originally created to serve the wealthy to manufacture poverty in the South, and in Africa in particular. For instance, Bush demonstrated how everyday processes like as privatization, trade liberalization, and market reform are responsible for the continual creation and remaking of poverty in a trenchant criticism of current processes of global capital accumulation. Bond meticulously examined the channels and frameworks by which Africa is robbed of her resources and riches, after Walter Rodney's groundbreaking work How Europe Underdeveloped Africa. The injustices of the trading system, the persistence of uneven trade, the misconceptions surrounding the goodness of help, phantom aid, and the extent of capital flight and brain drain plaguing Africa are all shown by him using real facts and examples. This book focuses on the organizations that actually transfer funds, produce the illiquid flows Bond describes and the poverty Bush analyzes [3]–[5].

By investigating the mysterious institutions of the global concessional finance system and the political economy narratives that attempt to explain what they do, the book investigates the political economy of global capitalism as it specifically impacts the poorest. While this is seldom stated in these words, it investigates obscure and outlying regions of the Northern states where vast and considerable quantities of aid money are invested to be utilized and circulated in

Southern nations for the advantage of the North. Moreover, we see how development institutions help to manage societal order and aspirations while controlling the world economy. The book concludes by contrasting two popular narratives about development in sub-Saharan Africa with the political economy of development as it is presented here. The first of these is the crisis but salvation narrative, which is rooted in neoclassical economics and popular among Bretton Woods's institutions and mainstream development economists. It contends that underdeveloped nations are experiencing a crisis of poverty that requires outside assistance in order to bring the poor to their end.

The second is the resistance but subordination narrative of radical or heterodox alternatives popularized by social movements and the dependency theory tradition, which holds that while workers and peasants in the South bravely oppose global capitalism, they are nonetheless comparatively helpless as a result of their dependence on it. In a nutshell, we'll show how the first of these narratives, crisis but rescue, combines and confuses development with capitalist expansion before misrepresenting the political economy in sub-Saharan Africa and advancing the interests of wealthy individuals. The second narrative, resistance but subordination, represents the nationalism and radicalism of the independence era, but fails to recognize how crucial an influence African elites have in bargaining with and engaging in the systems of power that trap contemporary African communities. In other words, Anglophone Africa inherited unfavorable political and economic systems that are still in place thanks to current development strategies, which include African elites. This book focuses on the economies in which the poorest people, or the Bottom Billion, as Collier has lately referred to them, live and investigates the factual foundations for these narratives of the political economy of development with particular reference to Africa.

Organizations in the World Economy

Why, then, did social development fail in a significant portion of the South in 2004? And how, in the North, did global market capitalism continue to be profitable, resulting in the ostentatious and incredible wealth that its core institutions, states, and privileged individuals within them have amassed? The first claim is that the two events are inextricably linked, and not simply by analogy or intuition but also by intentional action on the part of institutions to favor certain market, investment, and trade systems. Every day, within the inherited structures of class conflict, tiny and massive acts and responses of people, groups, communities, and institutions are what create power. What crucial organizations so reflect the interests and influence of the wealthy? First, it's critical to emphasize that the global economy does not consist of an even field of consistent economic connections, but rather lumpy nodes with many exchanges and thin regions with little trade. These lumpy nodes are the strong nation states, and it is through these nodes that economic transactions often emerge and spread to other important nodes. As a result, although a thickly planted flowerbed may seem to have a uniform color distribution, only isolated stalks may be seen descending into the earth below the canopy.

In a metaphorical sense, the canopy represents the seemingly ephemeral space of the globalization period, which promises complete connectedness and inclusion for everyone, while the stalks represent the nation states, arising from the daily lives of their residents in a distinct locale of global capitalism. As the topic of this book is the dirt below, it has little to do with discussing the finer points of the globalization debate or exploring the mind-boggling technology and opportunities of the canopy. This book uses empirical research as its technique. It shares a

similar perspective with Ferguson's key article, Seeing Like an Oil Corporation, in which he discusses how capital hops over vast swaths of area to focus solely on profitable hotspots of mineral exploitation. Finance for development also does that. When they are flung up and out from the primary centers of domestic and territorially based power and authority, the reader must now confront and expose the externally focused institutions of the most powerful governments. The departments for commerce and investment and/or export, like the Department for Business, Enterprise and Regulatory Reform in the British Blair vernacular, or the ministries of international assistance, like the UK's Department for International Development, are the first ones that immediately spring to mind. Yet, they aren't the ones that are mostly discussed here. These are the kinds of ministries that are often found in a national state in the British context, the Whitehall state and which put up a show of government for the local populace.

The Great Predators, or DFIs, are really located outside of the old imperialist regulatory system. They may be referred to symbolically as being a component of the border state, which is a legal region on the periphery of domestic political, social, and discursive activity. They live in a grey zone, or area devoted to global regulation and social ordering, where extraterritorial, intergovernmental, and multilateral institutions of the global order overlap and multi-layer their governing operations. This is the zone for the organizations that exert worldwide dominance and distribute rights related to development. The Commonwealth Development Group plc, the Export Credit Guarantee Department, and the Crown Agents are the bilateral institutions of the border state in the case of the United Kingdom. These finance organizations are the direct descendants of those from the colonial period, which in turn had predecessors in pre-colonial service institutions for merchant capital businesses. Their current function is still to export money, part of which is raised on global markets. These bilateral institutions, which we discuss in further detail in 5, manage development financing under the capital export regime more generally on behalf of the British national, but here we shall focus on the general scenario and outline a generic Great Predator.

Frontier Institutions

Each major creditor nation in the international system has a bilateral development finance institution, or DFI. These entities are referred to as the Big Predators in this book. The Asian tigers and rising countries now have institutions that lend under their own governments, while the European DFIs are investigated in as well. Yet, the total of the bilateral connections is not where our exploration ends. Different critical masses of capital owners and the governmental institutions of power into which they are ingrained have engaged in conflict for control of territory throughout the history of capitalism. This battle has sometimes led to the devastation of one rival and the triumph of the other. Yet, the consequence has more often been a new power structure, a merger or agreement to create a collective power-sharing pact, or, in Marxist parlance, a committee to oversee the common affairs of a bourgeoisie. The history of imperialism and development, its replacement, are no exception and serve as significant illustrations of this procedure. The World Bank, the International Monetary Fund, and the rules and regulations decided at the Development Assistance Committee of the Organization for Economic Co-operation and Development all play a critical and central role in supporting agreements to share power and influence as well as opportunities for capital export in the modern era. This latter, in particular, controls the spoils game's rules to prevent investors from invading each other's zones of influence other than via expected means, such as through official displays of rivalry. This structured association and regulated competition system, which is most often

headed in consortia by a Bretton Woods international financial institution, allows permutations of members to continuously profit from DFI financing by passing the parcel amongst one another. We look at certain instances in which multilateral institutions preside over a group of bilateral DFIs, for-profit businesses, and transnational private foundations, crowding in more genuinely private participants while a specific development project is underway.

Webs of connected financial organizations, totally owned or financed, permitted or formally sanctioned by the contemporary state, are thus born from the wealthiest nations. Then there are the multilateral joint venture analogues. There are three main kinds that these may be grouped into: Institutions that lend money to domestic enterprises for exports and investments in order to protect them against the danger of not being paid; Generally speaking, development finance institutions give money to businesses so they may purchase factories and infrastructure overseas, most often in the context of Southern nations and Majority-owned by a group of wealthy governments, multilateral financial institutions that are jointly controlled. These institutions exist in the shadow of the state, in the boundary region, or in a twilight environment. They often aren't explicitly established in a public discussion or a state's domestic structure. While the level of responsibility does vary, they often do not have visible ties of accountability to the public via the legislature. The first two categories are also coordinated by global and regional collective associational Organisations, such as the Association of European Development Finance Institutions, which oversees the 16 European DFIs from Brussels, or its counterparts in the Caribbean, Latin America, Africa, and Asia.

As the global economy's liquidity distribution system evolved in the middle of the 1970s to handle the new eurodollar and petrodollar windfalls, these institutions have significantly grown. Because to their involvement in resolving the debt crisis of the 1980s, DFIs became as key global institutions in the middle of the 1980s. In order to do this, private and commercial debt had to be transferred and reorganized into a liability for the public sector. Since obligations are transferred to the border institutions of the state, to be re-accounted for later, debt crises, then as today, had the potential to bankrupt many more entities than we are aware of, including firms, banks, and governments. In 2008, the UK's reaction to the current financial crisis followed a similar path. Overall, the assignment of responsibility is consistent with Chomsky's description of capitalism, which seeks to socialize risk and privatize profit. Workers and consumers eventually pay the price via rents deducted as taxes from the collective value they generate, which is then passed on to pseudo-state institutions and the wider public.

We need to first make a clarification on the role of money in the global economy. In a crucial way, the terms financial capital, development finance, assistance, and even commercial credit are interchangeable. These are all types of liquidity or readily accessible money, with the precise name depending on the setting and the value of the money. The term we use in a given situation depends on the cost, the parties involved, and the location of the loan and borrowing. As an example, if the Malawian government borrows money from the World Bank for 20 years at 5% interest, it is referred to as aid or development finance, whereas if the British government borrowed money from an offshore bank in the Cayman Islands for, say, 6%, it would be referred to as commercial bond borrowing. Therefore, even though a general definition of aid would be a transfer of concessional resources, typically from a foreign government or international institution to a government or an NGO in a recipient country, what really matters is how concessional is defined critically, and this responsibility rests with those who are making the loans. In fact, the rules established by the lenders serve as the foundation for the notion that

assistance is a concessional method of distributing funds. Who is allowed to borrow money and under what conditions is a central technology of global governance, and it is mediated in public-private networks ordered by the institutions of the frontier state. Aid can be just as expensive as commercial borrowing, but is defined as aid because the lender views their own structure as imparting features of added value. Similar to other aspects of social life, the strong intentionally dominate the vocabulary and broader discourse on help in varied degrees of a purposeful manner.

Global Economy

Runs via the tributaries, arteries, businesses, governments, homes, and financial institutions. The most powerful nation governments have intimate ties to these financial giants. The whole system may be compared to a tidal marsh region that is controlled by Dutch-style water management, including sinks, dykes, windmills, and sluice gates. When a recession strikes the global economy, those nations who are closest to the edge of the marsh and farthest from the main liquidity conduits are most likely to lose access to money when the tide recedes. They are also influenced by people who manage the distribution system and open and close the sluice gates!

Institutions Importance's

Even in the neoliberal era of the 1980s and 1990s, the expansion of free markets tended to increase publicly imposed regulation rather than corporate takeover. Ironically, just when communism had been shown to be a failure, the significance of institutional control coming from the strong governments increased in the global economy. Most people believed that regulating for social and economic fairness was impossible and that doing so produced twisted societies like the former communist nations of the Union of Soviet Socialist Republics. The Great Predators were still at work, however, writing re-regulation and creating futures for specific individuals who were ensnared in post-colonial political and economic development systems. For instance, the bilateral development finance companies, the export credit department and the aid ministries of the old European empires, regional institutions, and the international Bretton Woods institutions were the two major types of institutions that influenced the political economy of development for an African country that was developing under structural adjustment from the middle of the 1980s onward. The BWI-derivative organizations specifically for Africa, such as the Africa Enterprise Fund, Africa Management Services Corporation, and Africa Project Development Facility, would fall under this category.

The most fundamental goal of structural adjustment was supported by these multilateral and bilateral institutions in the global regulatory framework of the DFIs, which is officially the achievement of an external payment balance through the provision of debt financing with conditions governing the regulation of a country's political economy. Because of the widespread issues with indebtedness caused by high levels of international liquidity in the 1970s, followed by a decline in commodity prices and an increase in global interest rates in the 1980s, the majority of the poorer countries in Africa and elsewhere experienced structural adjustment during the 1990s. Due to the suspension of private financial credit after 1982 and the resulting increase in living expenses as a result of the Volcker Shock adjustment, the poorer nations needed governmental external finance in order to meet their debt commitments. Later, the debt crisis was negotiated resolved between the creditor banks, creditor governments, and the international institutions, constitutionalizing economic adjustment in more formal structural adjustment policy programs with associated conditionality norms. Generally speaking, poorer

nations are compelled to get liquidity from intergovernmental sources when private liquidity declines and foreign direct investment becomes more difficult to secure, as was the case during the financial crisis that started in 2007 and lasted through 2008. The Great Predators then make a loan with accompanying conditions. Borrowing money from these Great Predators, however, rarely aids the poor; rather, it just deepens the debt cycle and transforms the private sector of the developing country into a playground for the wealthy of the North because they are captured by businesses of Northern states and because they serve the interests of their owners, the Northern states. The little fish, or the neighborhood companies and enterprises, are often eaten up or destroyed in this playground.

The process a government goes through to try to escape dependent development or, more broadly, the disciplines of neoliberalism in order to increase workers' share of the social product reproduces the withdrawal of FDI, also known as loss of business confidence or high political risk, which was crucial to the cycle of structural adjustment and its role in restoring dependent development, as presciently discussed in Girvan et al. When changes are first sought for, they are met with resistance and backlash from capital, which justifies the necessary participation of international financial institutions and causes a return to dependent uneven development. Starting with the grey box, follow this procedure clockwise around the boxes. The British state and its frontier institutions are investigated as a case study of bilateral institutions that regulate dependency in the neoliberal order, the effects of which are returned, after the global liquidity crisis of 1991, as part of what has come to be known as the third wave of institution building in the international financial architecture. The dilemma raised by Girvan et al. is at the heart of a political economy of development. The structural imprisonment that the poorest peoples experience is presently referred to as a inequality trap in development economics.

It suffices to state that the astute reader will have already picked up on the manifestation of another classic Marxist paradox: that it is often preferable to be exploited by capitalism than to not be exploited at all, or at least it seems to be so in the short term. For this reason, maintaining the trust of businesspeople continues to be a top priority for even Left-leaning administrations. More capitalist exploitation of labor would likely benefit regions that receive little to no inward investment or industrialization, such as the poorest African nations. This issue explains why workers have historically been willing to accept low wages because the alternative has frequently been starvation. The Bill Warren legacy of functionalism has persisted because of this paradox: imperialism is good because it introduces capitalism, and capitalism is good because it gives socialism its material foundation. It also explains why self-described radical intellectuals spend so much time striving to improve capitalism's efficiency since, according to the reasoning, it is preferable to be exploited by a capitalist who is effective than one who is ineffective. The fact that the options are so predetermined explains the immense strength and inventiveness of capitalist social organizations, but it offers nothing to support our case for how to avoid dependent growth. Despite this, the book concludes that this approach to political economics of development does more damage than good and that it is time to cease funding Northern businesses to impose their own brand of inequality on the private sectors of developing nations. There may be a different kind of economy.

The reader is introduced to the contours of the political economy of development and the institutional regime within which creditor states 13 compete and cooperate in the expansion of markets through a brief account of the availability of private investments funds, liquidity, debt, and aid flows for the poorest countries over the past 30 years or so in Plan 2. Here, the word

creditor state refers to a state that oversees institutional lending, debt, and liability ties. It traces the history of the development of DFIs in the years that followed the early 1980s debt crisis and the fall of the Soviet Union. By looking at how markets are built and the crucial role that a mathematical risk management regime plays in praying for power relations in the regular economic transactions that take place inside markets, the relational and systemic characteristics of this institutional regime are addressed. Also, how risk controls markets is examined. A model of the global Keynesian multiplier is proposed, and the relationship between international banks and core creditor states is examined in greater detail. In addition, a model of the political economy of aid is used and circulates throughout the system, with implications for nations looking to access finance.

In order to illustrate how a creditor state may create and maintain unequal political economic connections with the world's poorest nations, the bilateral institutions of British capital export and development financing are investigated. While it is less indicative of the more recent Asian methods of using development financing to expand dependent markets, this case study serves as a good proxy for the institutional type of comparable post-colonial European creditor governments. We go through some of the current aspects of the global South's and Africa's in particular poverty issue and look at how the aid business is, in theory, meant to help. It is left for a discussion of the mainstream literature that assesses the assistance system, where it is claimed that much of this sophisticated literature uses the incorrect metrics, such growth, as stand-ins for development. We examine how assistance functions to promote inequities within capitalism rather than repeating more dominant perspectives by focusing on how much is ostensibly being donated or spent by creditor nations. Examines the immediate consequences of assistance expenditure on contracts created by IFIs. Examines the broader impact of assistance spending on the growth of the private sector and the overall creation of privilege and inequality; and provides an example. Using various case studies of ground-breaking consortium initiatives, including the Zimbabwean sugar duopoly and Globule and the African energy sector, we investigate the linkages of cooperation and competition inside and between the bilateral DFIs and the Bretton Woods system of global regulation.

Outlines the opportunities for professional adventure that result directly from IFI expenditures, such as contracts with companies for bridges, ports, and roads, as well as plans for privatization and technical assistance for public administration and other things that result from development projects. It investigates the beneficiary pattern and how collaboration and competition in the capitalist system as a whole are reflected in this. Review of the size, breadth, and profitability of European and North American DFIs follows an analysis of assistance mechanisms intended to help the private sector. Exam- ples from Anglophone African nations with strong historical ties to the British border state, Kenya, Zimbabwe, and Ghana, are then utilized in Chapter 9 to assess how these tools have been used in actual practice. The portfolio of the Commonwealth Development Corporation and how it has produced privileged communities, enclaves, and rentier elites, whose worlds are conditioned and moulded by development money, May then be examined in further detail as a result of these instances. These case studies also demonstrate how corruption and underdevelopment may result from a corporate climate that offers concessions. The public subsidy that the DFIs have used to generate private profit for multinational corporations is connected to the concessionary component. The British state's bilateral economic connections are discussed, the data from sections 7, 8, and 9 is compared to the literature on the efficacy of help. The purpose is to demonstrate how help efficiency is not often assessed in light

of the aspects this book examines since it presumes altruism, but aid is here portrayed as professional business.

In this volume, we go back and analyze the significance of the entire network of institutions for global economic regulation, prospects for development in Southern countries, power dynamics within the interstate system, and relationships between the political economy of development and poverty. We briefly evaluate the ways in which this system skews African economies and polities, putting pressure on exclusive political systems and exclusive economic systems. This claims that post-colonialism is constantly reinventing the system of state-sponsored development rather than being only a historical remnant from a past age. A fresh push for social democratic control over international financial systems and institutions will be contrasted with the oppositionist of the anti-globalization movement. The failure to take into account power in the academic literature of international political economy has allowed neoliberalism to remain the dominant ideology of international development theory and for the Great Predators of the age the multinational industrial and financial companies and unaccounted national firms to run amok in the lives of the underprivileged. We return to our two grand narratives crisis but salvation and resistance but subordination, and find them both wanting. This book advocates for the decolonization of DFIs as a first step to dismantling the unseen yokes of global power that hold impoverished people in their place, while Fanon famously urged the decolonization of the intellect.

The shortcomings of the development duopoly between the modern and other, the developed and developing, have been thoroughly criticized since the foundational Culture and Imperialism, thus they won't be discussed here. Several publications with broad names, such as political economy or globalization, claim to have a global perspective but instead focus on North America, Europe, and Asia while ignoring Africa. In this book, which focuses mostly on Africa, this connection is upended. This book concentrates on the nations in the region's global political economy since they rely on mostly arbitrary norms. The New Political Economy of Development and Globalization and the Postcolonial World are two books in the Marxian empirical tradition that this book continues. The term border was selected because, according to Palan, Geographers differentiate between the idea of boundary and frontier boundaries are lines, but frontiers are zones, and according to Kristof, a frontier is outer-oriented. Its primary focus is on the remote regions, which are both a threat and a sought-after resource. The border, on the other hand, is inwardly focused. It is formed and kept up by the central government's desire [6], [7].

The more established Common-wealth Development Corporation as it exists now after its recent privatization. While technically CDG, since 2000, could be more correct, I'll use the abbreviation CDC throughout to emphasize the institution's history. In this book, an IFI is a Great Predator that operates internationally. The general title also includes institutions of regional and bilateral financing. This taxonomy has already been published in Bricking. I want to be clear that I'm using the word shadow here metaphorically and without any connection to William Reno's research on the shadow state in Sierra Leone. Interest rates and payment structures, according to the Development Assistance Committee, do not adequately represent international assistance. No concessional multilateral aid, in particular, is above and above what would otherwise be available at that interest rate, is often directed toward public goods, and may come with helpful technical support. It could also act as a spark for further investments. These factors make it more like bilateral ODA than a non-concessional bilateral flow, and this is why it works. Participants in this situation are only partially aware of the effects of their words and actions, hence it is not a

true conspiracy. The term Volcker Shock describes a monetary contraction in the United States that occurred in 1979 and resulted in a rapid increase in global interest rates as well as a persistent dollar appreciation. Named after Paul Volcker, who served as the Federal Reserve Board of Governors' chairman at the time. Even though I'm aware that this idea has a history, I won't mention it here

CONCLUSION

A multidisciplinary area of the social sciences is political economics. It focuses on how people, governments, and public policy are interconnected. Political economists research the practical applications of economic ideas like capitalism, socialism, and communism. Political economy examines the people who make up the figures as well as the social consequences of economic decisions. Voters and interest groups have a significant influence on almost every economic policy that is conceivable. Political economists work to pinpoint the relevant groups, their interests, and the ways in which political institutions influence how they influence policy. You may be in the world in a variety of ways thanks to political economy. It prepares you for participating in the major public debate about the kind of nation and the type of planet we'll live in in the future.

REFERENCES:

[1] S. C. White, ‘Patriarchal Investments: Marriage, Dowry and the Political Economy of Development in Bangladesh’, *J. Contemp. Asia*, 2017, doi: 10.1080/00472336.2016.1239271.

[2] C. Adam and S. Dercon, ‘The political economy of development: An assessment’, *Oxford Rev. Econ. Policy*, 2009, doi: 10.1093/oxrep/grp020.

[3] M. Humphreys and J. M. Weinstein, ‘Field experiments and the political economy of development’, *Annu. Rev. Polit. Sci.*, 2009, doi: 10.1146/annurev.polisci.12.060107.155922.

[4] G. Philip, ‘The Political Economy of Development’, *Polit. Stud.*, 1990, doi: 10.1111/j.1467-9248.1990.tb01083.x.

[5] R. Bianchi, ‘The political economy of tourism development: A critical review’, *Ann. Tour. Res.*, 2018, doi: 10.1016/j.annals.2017.08.005.

[6] M. Stolbov, ‘The political economy of financial development’, *Mezhdunarodnye Protsessy*. 2015. doi: 10.17994/IT.2015.13.2.42.4.

[7] V. Ellis, W. Mansell, and S. Steadman, ‘A new political economy of teacher development: England’s Teaching and Leadership Innovation Fund’, *J. Educ. Policy*, 2021, doi: 10.1080/02680939.2020.1717001.

[8] C. G. Ramos, ‘The return of strongman rule in the Philippines: Neoliberal roots and developmental implications’, *Geoforum*, 2021, doi: 10.1016/j.geoforum.2021.04.001.

[9] B. F. Richardson, ‘The price we pay for land: The political economy of Pukekohe’s development’, *J. New Zeal. Pacific Stud.*, 2021, doi: 10.1386/NZPS_00045_1.

CHAPTER 2

WEALTH, POWER, AND PROGRESS: POLITICAL ECONOMY OF DEVELOPMENT

Dr Lubna Ambreen, Assistant Professor,
Department of Entrepreneurship and New Venture Creation, CMS Business School, Jain (Deemed to be University), Bangalore, Karnataka, India,
Email Id:lubnaambreen@cms.ac.in

ABSTRACT:

The Political Economy and Development track investigates how the economic system, politics, and institutions interact to distribute resources and provide incentives. Markets, poverty, welfare, inequality, taxes, regimes, transitions, growth, ethnicity, religion, and culture are all discussed. Specialization or the division of labor boosts productivity, which supports economic expansion. Specialization was made feasible by money, which boosts production and encourages economic progress. In this chapter author is discusses the history of development finance.

KEYWORDS:

Economy, Money, Power, Political, Price.

INTRODUCTION

Analysis of the increased improvement of the poorer world over the past quarter century has taken into account a number of factors, including declines in commodity prices, negative real interest rates in the middle of the 1970s, high interest rates after the Volcker Shock in 1979, and even higher rates in 1981 global recession in the early 1980s and again in the early 1990s monetary crashes in the late 1980s the Asian financial crisis from 1998 onward and the excess liquidity of the financial system. Commodity prices have usually declined over the last 30 years or more, soft currencies have depreciated in value against major currencies, and the constitution aviation of the neoliberal Programme has coincided with increased relative poverty among the populace in developing nations. To demonstrate how the numbers behind the benevolent rhetoric of debt relief and increased aid simply don't add up to a different kind of regulation of the global economy which could help the South, it is worthwhile to review the availability of finance over this period from the perspective of the poorer countries. In chapter nine, we empirically examine this hypothesis by looking at a case study of medium-term bilateral economic connections between Britain and Africa [1], [2].

The statistics demonstrate how entrenched the post-colonial system is and how it keeps the continent in abject poverty. While we might think of these as somewhat interchangeable, the three sources of liquidity accessible to developing nations are typically believed to be private financing, debt, and development aid. In this article, we'll look at how less developed nations have performed overall in the market for private financial, debt, and development aid flows [3]. While these three categories can be viewed as being somewhat interchangeable in terms of the concept of liquidity, they can also be connected to the workings of government, particularly in regards to paying sovereign bills and liabilities where money can easily move from one category to another, primarily from aid to debt. But, a government must use a variety of mechanisms to control all three types of funding in order to balance the books. The accounts for the balance of

payments include a record of their work. In the past, the term structural adjustment was used to describe a comprehensive structural approach to achieving external balance in the balance of payments account, or, in other words, to make a country's incoming and outgoing expenditures balance, and to ensure that there is always enough foreign currency in the central bank to meet people's and businesses' needs. Richer nations are less immediately compelled to balance their budgets. A nation with a deficit has a choice among five possible policies. It may directly pay the deficit out of reserves, reduce domestic prices and incomes compared to other nations in the international system, devalue its currency, alter domestic interest rates, or actively manage current and capital activities to reduce the imbalance. But, these methods could be used up and the gold and foreign currency reserves might actually run out.

In order to repair the payment position, balance the accounts, and supply foreign currency for imports, private financing, debt, and assistance might be used. Understanding how countries handle these three groups requires a grasp of first- and second-line international liquidity. Second-line international liquidity includes trade loans, long-term private credit, bank lending for stabilization purposes, and concessionary intergovernmental funding like development aid. First-line liquidity is the amount of foreign currency kept in central bank reserves. As beyond a certain level of indebtedness there is essentially no chance of private funding, from banks or other lenders, it follows that the capacity to borrow from foreign governments, accept aid, or trade export credit may substantially extend a country's working reserves. From this vantage point, second-line liquidity resembles social capital, reciprocal claims, or even just good will very closely. Other possibilities in a dire case when a country is unable to fund its external payments deficit include suspending debt payments, borrowing from another nation, or requesting financial assistance from an international organization, usually in the midst of a severe economic crisis. So, it is said, debt relief and development aid make demand adjustment unavoidable austerity measures more gradual and tolerable, when a nation struggles to earn enough to maintain itself. As medium and long term structural transformation and beneficial investments are performed, IFI support might be requested. That is, at least, the theory.

In reality, people's earning potential could be chronically too low to achieve their objectives, and in an attempt to preserve their fundamental human dignity, they are, in sovereign words, on welfare. The many UN human rights treaties, such as the Right to Food of 1966 or the more recent Responsibility to protect of 2005, demonstrate that although it is an essential principle, it is one that is quite weak in international terms. Yet it belongs in another book. Here, it is important to remember that a country's access to first-line liquidity kept in foreign currency and its capacity to obtain credit and second-line liquidity are related. For instance, the international debt crisis of the 1980s led to a series of nations, particularly in Africa, becoming unable to convert their currencies into the hard currency in which export contracts are denominated, according to a memo from the UK's Export Credit Guarantee Department to the Trade and Industry Committee's discussions on trade with southern Africa in 1994. Huge claims against ECGD guarantees and those of our international colleagues were one of the results of this. As a country's economic health, and in particular its debt situation, is a key factor in determining its capacity to service export credits, ECGD coverage is currently unavailable for the majority of African nations. These nations were thus not seen as reputable enough to be able to borrow any since they had run out of money! African nations' capacity to acquire second-line liquidity in the aftermath of the crisis has been hampered by their inability to get first-line funding in hard currencies at the specific time of crisis. That sounds like a very familiar human narrative, where

a person's ability to get gifts and favors might diminish just as their need for them increases because other people fear they will become a burden. We go back to the management of other people's obligations by the British state.

DISCUSSION

Development Finance

Beginning in the early 1970s, the poorest nations' present debt burdens were mostly accrued during this time. The substantial deposits made by the oil exporters helped to significantly increase the international liquidity after the oil shocks and the inflation that followed. It was followed by a parallel increase in developing nations' foreign debt, which had been amassed primarily to cover for balance of payments deficits. Since 1973, non-oil developing nations have been using loans from banks and banking consortiums as well as loans from oil-exporting nations to fund their balance of payments deficits on commercial terms. The effects of more costly imports contributed to their need for private financing. Large and wasteful lending beyond the bounds of financial probity, borrowers' incapacity to repay and service debts, a danger to international banking stability, and a feverish hunt for remedial measures were the results of a bloated supply side and enormous demand. Between 1977 and 1982, it also enabled the transfer of $140 billion [4], [5].

The national debts seemed manageable throughout the 1970s because export growth was outpacing interest rates in dollars. The 'multiplier effect' of public development financing, where one dollar of World Bank money drew around four more, was one reason why the situation looked to be favorable. However, the second oil shock and the restrictive monetary and fiscal policies that were implemented in industrialized nations in 1979 caused a recession, which in turn increased interest rates and automatically increased debt service for Southern countries on that portion of the debt contracted at variable interest rates4. The recession also decreased world trade, which caused interest rates to rise above the growth rate of export earnings in developing nations. By 1982, total debt had reached $600 billion, of which 37% were owned by American banks, of which 34% belonged to the nine biggest institutions. A total of 174.5% of Citibank's capital was lent to Latin American nations. As a result, all standard requirements of bank-lending security had been exceeded for Bank of America, Chase Manhattan, Morgan Guaranty, Manufacturers Hanover, and Chemical. As a consequence, private bank loans to sovereign debtors altogether disappeared in 1982. The net transfers of resources then became negative between 1983 and 1987, benefiting the creditors from a positive $140 billion between 1977 and 1982 to a negative $5 billion.

Effectively, from 1982, the number of sources of external financing for developing nations fell from four to just two the public organizations, commercial banks, governments, and private foreign direct investment. In order to establish a long-term plan for recovering the funds, the relationship between the commercial banks and the creditor nations was also restructured as the consequences of the crisis became apparent. Private finance did not completely vanish; rather, it came back in a more specialized setting, sponsored by public institutions who were then elevated to the role of major lenders, and secured inside institutional garrisons. In this way, instead of a return to the privatization of profit, a trend of socialization of cost in development funding occurred. Governments that extended credit bore the brunt of it. As a result, they issued government bonds and looked to the private capital markets for export credit reinsurance guarantees. To better ensure the viability of private sector credit, future lending in the South

became reliant on the conditionality of structural adjustment programmes, of economic adjustment inside a distinct and binding macroeconomic package.

In turn, liabilities were moved to frontier institutions so that second-line liquidity could be kept on hand. But, it's crucial to avoid falling victim to teleological fallacy here even if the advent of SAPs may have restored profitability in the development finance sector, the chaos and uncertainty of the early 1980s shouldn't be overlooked. Bankers appear initially shocked, like buffalo stilled by the midday sun, in all financial crises, such as around Black Wednesday in the UK in 1992 when Britain shamefully left the European Exchange Rate Mechanism, the Asian contagion crisis of the late 1990s, or the sub-prime crisis of the late 2000s. The term structural adjustment was first coined in association with a quick-dispersing lending window in the World Bank, an on- Later, it evolved to mean complete structural transformation carried out under the command of outside forces. In terms of the International Monetary Fund, SAPs were the end result of a protracted evolution. The principle of conditionality was first implicitly incorporated into loan policy in 1952 when stand-by agreements were developed to address balance of payments issues within a three- to five-year pay-back term. With the explicit introduction of conditionality in the IMF Charter in September 1968, the stand-by facility quickly established itself as the means of tying economic policy prescription to financial support.

Further lengthening's of lending terms and conditions occurred in the middle of the 1970s. In 1974, the extended fund facility, which offered three years of financial support, was introduced. In 1979, stand-by agreements were generally extended to three years. And in 1981, the policy of enlarged access was introduced. However, the early 1980s debt crisis and a neoclassical economic thought revival that saw austerity as an unavoidable economic reality allowed the IMF to be more forthright and assertive about its prescriptive role. Together, these factors gave structural adjustment conditionality's overall legitimacy. At this period, a major portion of the link between excellent macroeconomic policy measures, the possibility of luring in new FDI, and virtuous cycles of growth was taken for granted. The impacts of this time are still being felt 25 years later. A disease of impoverished people's polities being seen as economically incompetent and in need of aid has taken the place of the remarkable incompetence of international bankers, and it seems to be here to stay. An intellectual hegemony in favor of the kinds of intrusions into national economic and political life that the SAPs permitted has resulted from the loss of trust in the competence of African nations to handle economic policy and the triumphalism of the pro-market Right.

In fact, it could be argued that as the SAP-era economic package has been periodically rebranded, with little actual change in the economic package but a great deal of emphasis on the need for financial control of Southern states, with the World Bank's addition of the Highly Indebted Poor Country Initiative in 1996, with deeper conditionality and partial arrears write-down, and the IMF and World Bank's encouragement of Poverty Reduction Strategy Papers from 1999. Periodic political efforts at the regional and international levels have also sought legitimacy the most notable of these would be the New Partnership for African Development in 2001 and British Prime Minister Tony Blair's Commission for Africa in 2005. Hence, after just around 20 years of political freedom for the majority. In most African nations, less so in southern Africa, the state was essentially insolvent. As the North played a growing role in the development of public mediation, the private sector was emphasized in discursive terms. Throughout the course of the 1980s and 1990s, the IFIs' policy recommendations gave the attractiveness of FDI a prominent place. Nonetheless, it became more obvious that the amount of

so-called free-floating investment was insufficient for industrial expansion. As compared to the norm for all emerging nations of roughly 40%, direct investment as a percentage of net resource flows into sub-Saharan Africa declined from 5% in 1980–82 to 1.3% in 1985–87. This loss was caused by a very low starting level. Investment into sub-Saharan Africa decreased during the 1980s as a percentage of the sending countries' total investments. In the case of Britain, it went from 4% of its total foreign investments in the early 1980s to 0.5% by 1986 for Japan, it went from 4.5 to less than 1% of its total investments worldwide; and for the US, it stayed at less than 1% from 1985 to 1992.

The situation was so dire that, in 1994, Bennell said that, much as it is to attract fresh inflows, the essential challenge in the promotion of foreign direct investment is how to maintain what foreign investment remains. Governments had started to depend on the public suppliers of hard currency. In comparison to all other nations and regions combined, Africa's global standing indicated a quick return to being dependent on foreign powers for financial resources. Throughout the 1990s, despite well publicized pledges from donors to expand assistance and make debt sustainable, Africa's net financial accounts began to decline. According to Christian Aid, trade liberalization has cost Africa $272 billion since the early 1980s. After two decades of stagnation, foreign direct investment started to increase in the late 1990s, although the majority of this growth can be attributed to only two significant trends the relocation of South African capital and oil investments, particularly in Angola and Nigeria. Africa has, in the meanwhile, paid back 4.2 times its initial debt from 1980 by retiring $255 billion over the 1980s and 1990s. Moreover, since 1980, the peoples of the Periphery have delivered over 50 Marshall Plans totaling over $4.6 trillion to their creditors in the Center.

Third World repayments of $340 billion annually travel northward to pay off a $2.2 trillion debt, which is more than five times the G8's development assistance budget. In conclusion, Arrighi said in his landmark article on the African Tragedy that starting in the middle of the 1970s, African economies experienced a genuine collapse with disastrous consequences not only for the welfare of its people but also for their position in the world at large. Van de Walle also talks about Africa's increasing marginalization from the international economy, a topic that is prevalent in many recent interpretations of globalization that focus only on Africa's exclusion, marginalization, and symbolic loss. According to Van de Walle's citation, between 1970 and 1998, the average African country's GDP per capita decreased, reaching barely 91% of its 1970 level in 1998. Yet, as Bush has noted, the metaphor of marginalization might be deceptive. Instead, he prefers the term unevenly integrated given high volumetric commerce, trade obstacles, and problems with market access.

Financial Crisis and System Stability

The issue that concessionary finance has failed to address in terms of stopping the debt crisis as a social crisis is illustrated by Africa's position in the international payments system: its inadequacy has condemned thousands of lives annually to malnutrition and avoidable death, while capitalism continues regardless, producing its super profits for companies registered abroad. The debt issue has not only not been resolved on a social level, but it has also not been resolved systemically. Notwithstanding the little sums that reached Africa, the sheer volume of foreign private loans on a worldwide scale continues to be a source of instability. The Mexican Peso Crisis of 1994–1995 the Asian Financial Crisis of 1997–98 the Russian Financial Crisis of 1998 the failure of long-term capital management; and the vulture fund assaults in South

America, such as Argentina in 2001, have all been attributed to massive liquidity movements. Each of these nation-based assaults was the catalyst for and a symptom of a contagion-like phenomenon in which speculative attacks on currencies spread quickly. Poorer nations were more prone to balance of payments problems as a result of these speculative movements in the private capital markets.

The Emergency Financial Mechanism, which was introduced in 1997, and the Supplemental Reserve Funding Facility, which was introduced in 1998, were the IMF's responses. The 1995 Halifax Conference also called for New Arrangements to Borrow, which quadrupled previous General Arrangements to Borrow and increased the number of nations that could be called upon from 11 to 25 when they were created in 1997. The Halifax Conference included a lengthy discussion about regulatory reform. With new regulatory frameworks included in the Core Principles for Effective Banking Supervision in 1998, the Group of Ten accompanied credit extensions. More public funding did not, however, automatically fix the issue and may perhaps have exacerbated it. As a result, core nations and regulatory agencies tried to alter the financial architecture in Payne's three primary policy areas of debt, offshore finance, and assistance.

The G7/8 are considered as having primary responsibility for the stability of the financial system because they essentially give directions to the IMF and other international financial institutions by announcing priority projects in their communiqués, according to Porter and Wood. According to Germain, the G7/8 sought to create a new international financial architecture in response to the Asian financial crisis, extending mechanisms of inclusion to include new institutions, a regulatory initiative, and a new IMF committee. This was done in an effort to include more countries in decision-making. The G22, created to aid in the US-led reform drive, was the first new Organisation created in response to the Asian financial crisis. The G20, which was created in response to a G7 desire to develop an informal channel for interaction among systemically significant nations within the framework of the Bretton Woods institutional structure, was founded following the Köln Summit. G7 members, ambassadors from the World Bank, European Union, and IMF, as well as representatives from Argentina, Australia, Brazil, China, India, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, and later Indonesia, were there [6], [7].

According to Payne, systemic relevance is a nice way of referring those nations whose financial issues may have affected the system as a whole. A total of 87 percent of the world's Economy and 65 percent of the world's population were therefore included along with the G20 members. The move did not benefit the most vulnerable even if collective monitoring was expanded and additional nations were nominally included in financial governance. It was not an effort to change the balance of power between the developing and developed nations, according to the statement. In addition to these regulatory actions, the G7 members recognized volatility in emerging market economies in April 1999, which led to the creation of the Financial Stability Forum and the IMF's New International Monetary and Financial Committee. The G7, IMF, World Bank, Bank of International Settlements, and organizations like the International Organization of Securities Commissions, according to Payne, remain at the center despite efforts to persuade emerging economies to join new governance structures. To put it mildly, the old architecture still matters greatly, according to Payne. Moreover, the Prague Initiative of 2000 for Members to Provide Reports on the Observance of Standards and Regulations in Eleven Areas where Standards have Been Identified As Important For Institutional Support of Macroeconomic And Financial Stability May Be Recognized As Deepened Surveillance. Economic performance,

financial governance, and central audit authorities are all covered by evaluation, performance, and governance assessments today. No equal disclosure has been made to the G7.

Debt Relief and Commercial Write-Downs

So, we have a problem with contagion and instability in the global financial system as a whole, which is brought on by big fund movements brought on by speculative trading and vulture fund assaults, which may result in train wrecks on certain exchanges. From 2007, this assumed historic dimensions when the US housing market's sub-prime crisis and the ensuing increases in the price of oil and other basic commodities sparked inflationary pressures and triggered the worst global recession since the 1930s Great Depression. The poorest nations are structurally positioned to bear the cost of inflation and increasing food prices when a crisis occurs, even while they are unable to partake in the feasts of liquidity in the good times. Since 1997, the poverty reduction programs from the IFIs have pledged that more bad and odious debt would be written down or deleted from the books because of their poor quality of life indicators and the blatant impossibility of debt repayment. Yet, progress has been sluggish since bankers are reluctant to acknowledge that liquidity issues might be a sign of more general bankruptcy.

Wall Street continues to reject measures that would represent a more structural resolution of extreme indebtedness, such as Krueger's Sovereign Debt Repayment Mechanism of 2001, favoring instead the lucrative industry of debt work-outs. Nevertheless, the US Treasury favours collective action provisions. Post-2000, there have obviously been more geopolitical write-downs, such as in Turkey, Brazil, and Iraq. The British government's large write-off of Nigeria's national debt in 2005–2006 and 2006–2007 also seems unprovoked. China joins the fray as a significant rival, while the UK, as the market leader, significantly lowers the cost of liquidity. The worldwide statistics for debt reduction are far from astounding. In terms of policy, HIPC I and HIPC II were developed as the current international framework for debt management, with an apparent focus on sustainability. First, a debt-export ratio of 250 percent and then 150 percent triggers the right to action the scheme, which has a decision point and a period leading up to completion. For certain people, a PRSP is controversially necessary in order to qualify at the earlier point. By the fall of 2004, 27 nations had benefitted, totaling $34 billion, somewhat more than Iraq's Paris Club agreement.

The modifications to Official Development Aid are then used to recalculate these debt write-offs. For instance, overall G7 ODA rose from $58 billion in 2004 to $80 billion in 2005, then fell to $75 billion in 2006, a loss of around 6.3 percent year over year, whereas non-G7 contributions rose by 6% between 2005 and 2006. Nevertheless, according to the Organization for Economic Co-operation and Development, a large portion of the rise in ODA in 2005 was due to debt relief. If debt relief is taken out of OECD aids, then ODA from members of the Development Assistance Committee fell by 1.8% in 2006 [8], [9]. The projected rise for the late 2000s is the sole qualification to the assertion that debt reduction has, so far, been a relative letdown. By way of illustration, the Multilateral Debt Relief Initiative, which was approved at Gleneagles in 2005, stipulates that when nations complete HIPC, they also receive a 100% cancellation of any outstanding debts at the African Development Bank in addition to cancellations at the World Bank and IMF. By 2008, 30 nations had achieved this status, and the AfDB had cancelled more over $8.3 billion in debt. The UK's Department for International Development claims that since 2006, MDRI has delivered 'an extra' $33 billion in debt cancellation for African nations from the AfDB, World Bank, and IMF.

This information was included in the International development committee minutes. Whether this is just a bookkeeping exercise at these institutions or if additional cash will be made accessible as a result, remains to be seen. Given the present state of the world economy, it is reasonable to assume that the availability of fresh funds will be constrained and that the write-off of historical debts won't have a significant impact. Overall, they are not particularly outstanding more worrying are the macro policy conditions that continue to have a negative economic impact on the recipient nations, including forced privatization losses to the national accounts. For instance, as a generalized instrument of engagement in economic and social policy and political administration, the PRSP was extended to other low-income nations. Despite the best efforts of those who advocate against debt, any modest reductions in the debt stock have been accompanied by increased surveillance of indebted nations. This is one of the main reasons why Chinese and Indian development financing is so popular in Africa because it frequently arrives with fewer conditions. Contrarily, and again in spite of the good intentions of debt campaigners, a lack of oversight means that debt cancellation can provide a one-time rent for elite consumption even in Tanzania and Uganda, which are frequently referred to as donor darlings, debt cancellation was swiftly followed by the purchase of new presidential jet planes.

This in and of itself doesn't really tell anything, except than the fact that there isn't necessarily a connection between debt forgiveness and improved quality of life for the majority [10]. It is evident that the unpaid debt accumulated from development finance to private sources becomes a highly lucrative business for the global securities market and likely fuels the speculative trading that causes the financial system as a whole to be so unstable, with the resulting costs being borne by the most vulnerable nations and individuals. This market first developed in reaction to a US tax rule from 1963 that was designed to discourage foreign issuers from borrowing from American investors while also making it difficult for US corporations to finance subsidiaries from inside the US. As a result, businesses looking to issue debt in US dollars looked to Europe, where tax rates were lower and the Eurobond market had just started.

Debt-for-equity and debt-for-environment swaps were expanded as a result of the debt crisis, and warrants, global depository receipts, international variable rate notes, and Euro commercial paper are just a few of the substitute financial products that are now included in global trade. The International Capital Market Association, which has a 40-year history in regulatory governance and serves as a self-regulatory organization and trade association in the global debt market, was formed in July 2005 when several predecessors merged. Its mission is to provide a self-regulatory framework of rules governing market practice. In December 2004 and 2007, respectively, the market size a measure of the total amount of outstanding foreign debt issues was projected to be above $8 trillion and $11.5 billion. Regional banks and traders are among the members of the ICMA, but its core, or what it calls its market making community, is made up of a council of reporting dealers composed of about 40 companies, nearly three-quarters of which are based in London, and which together account for the majority of cross-border business in the international capital market.

CONCLUSION

Programs, policies, or initiatives aimed at enhancing a community's economic health and quality of life are known as economic development initiatives. Your definition of economic development may vary depending on the neighborhood you are in. There are opportunities, problems, and priorities unique to each community. Growth in the economy boosts state capacity

and the availability of public goods. The ability and resources required to deliver the public goods and services that their population need, such as healthcare, education, social protection, and fundamental public services, are gained as economies expand and governments are able to tax that money. It exposes underlying interests, incentives, and institutions that support or obstruct change by going beyond formal structures.

REFERENCES:

[1] V. Skvarciany, I. Lapinskaite, and G. Volskyte, 'Circular economy as assistance for sustainable development in OECD countries', *Oeconomia Copernicana*, 2021, doi: 10.24136/oc.2021.001.

[2] G. Mamedov and N. Babych, 'Green Economy: Global Development Priorities', *Balt. J. Econ. Stud.*, 2020, doi: 10.30525/2256-0742/2020-6-1-87-91.

[3] A. Y. Mikhaylov, 'Development of Friedrich von Hayek' s theory of private money and economic implications for digital currencies', *Terra Econ.*, 2021, doi: 10.18522/2073-6606-2021-19-1-53-62.

[4] A. Pike, 'Money and Power: Great Predators in the Political Economy of Development', *Dev. Pract.*, 2010, doi: 10.1080/09614524.2010.508120.

[5] K. Siddiqui, 'The Political Economy of Essence of Money and Recent Development', *Int. Crit. Thought*, 2019, doi: 10.1080/21598282.2019.1585275.

[6] M. Humphreys and J. M. Weinstein, 'Field experiments and the political economy of development', *Annu. Rev. Polit. Sci.*, 2009, doi: 10.1146/annurev.polisci.12.060107.155922.

[7] A. Khan, S. Bibi, A. Lorenzo, J. Lyu, and Z. U. Babar, 'Tourism and development in developing economies: A policy implication perspective', *Sustain.*, 2020, doi: 10.3390/su12041618.

[8] D. Ogachi, P. Mugambi, L. Bares, and Z. Zeman, 'Idiosyncrasies of money: 21st century evolution of money', *Economies*, 2021, doi: 10.3390/economies9010040.

[9] V. Inim, U. E. Samuel, and A. I. Prince, 'Other determinants of inflation in Nigeria', *Eur. J. Sustain. Dev.*, 2020, doi: 10.14207/ejsd.2020.v9n2p338.

[10] E. Tok, M. Koç, and C. D'Alessandro, 'Entrepreneurship in a transformative and resource-rich state: The case of Qatar', *Extr. Ind. Soc.*, 2021, doi: 10.1016/j.exis.2020.04.002.

CHAPTER 3

EMPOWERING MARKETS: DEMOCRATIZING MANAGEMENT

Dr Pallavi Vyas, Assistant Professor,
Department of OB & HR, CMS Business School, Jain (Deemed to be University), Bangalore, Karnataka, India,
Email Id:dr.pallavi_vyas@cms.ac.in

ABSTRACT:

An economic theory known as economic democracy advocates giving more public stakeholders, including as employees, customers, suppliers, neighbors, and the general public, the authority to make decisions instead of corporate management and shareholders. Democratic globalization advocates for the expansion of political democracy to economic and financial globalization. It is founded on the concept that free international commerce benefit the whole global civilization. In this chapter author is discusses themarket structures.

KEYWORDS:

Economy, Money, Management, Market, Political.

INTRODUCTION

ODA to GNI ratio for DAC members is 0.22 percent, which is a long cry from the 0.7 percent approved at the United Nations some 30 years ago. From 1992 and 1997, OECD ODA declined by 21% to barely $49.6 billion. Moreover, ODA to the least developed nations decreased from $17 billion in 1990 to $12 billion in 1999, with a large portion of this decrease being connected. Yet starting about 1999, ODA took on a new significance that was formalized in the 2000 Millennium Declaration and the Millennium Development Goals. An international conference on financing for development began in Monterrey in 2002, and although if the 'Monterrey Consensus' finally turned out to be disappointing, there was a general air of hope at the time. Several G7 nations reported minor increases in ODA, with the United States, for instance, announcing the opening of the Millennium Challenge Account. Even if Monterrey were completely achieved, the ODA/GNI ratio in DAC nations would have increased by just 0.02 to 0.24 percent by 2006, according to the OECD's calculations [1], [2].

A degree of emphasis was subsequently given to Africa in the NEPAD in 2002, with the goal of achieving a 7% annual economic growth sufficient to finance the reduction of African poverty by 2015. The political plan was to raise the expense of achieving the MDGs in order to persuade donors to increase their contributions in exchange for continued adherence to the neoliberal conditionality’s. The desire to reduce poverty, however, remained low. Even James Wolf ensohn, the former president of the World Bank, remarked in 2004 that $900 billion was spent worldwide on defense, compared to $50 to $60 billion for development. Nevertheless, he added, If we spent $900bn on development, we probably would not need to spend more than $50 billion on defense. Bond makes a similar observation, saying that assistance of $69 billion is a pittance in comparison to the $642 billion in military expenditures by wealthy nations in 2003. In terms

of only Africa, $25 billion is spent annually compared to $350 billion by the European Union to safeguard its farmers or $200 billion spent in 2003 and 2004 on the war in Iraq, an oil producer with just 25 million people. The aggregate figures for assistance expenditures seem little when compared. We will revisit to look at the size, breadth, and impact of ODA.

The present market for development finance In light of the aforementioned analyses of private financing, debt, and assistance, we are once again left wondering whether the liquidity of the current market for development financing or if the costs of this money are still normatively unacceptably high. Even while the recent rise in funding may be appreciated, it is plausible to conclude that from the viewpoint of developing nations, there are still significant issues with the market for development financing. The ability and willingness of debtor governments to implement reform, particularly in terms of information provision and disclosure, the ability of the IMF to force implementation, ongoing weaknesses in international bank supervision and regulation, particularly with regard to securities firms and securities markets, and the lack of a restructuring mechanism are summarized by Spiro and Hart as the mainstream position on these issues. They are especially worried about the rising moral hazard brought on by government bailouts, and they foresee governance conflicts between globalization and national sovereignty. The management of globalization necessitates the coordination of national economic strategies as well as the imposition of international discipline on national government-exclusive programs.

This conflict may be predicted, and market flaws include the inability to hold private securities markets accountable and the persistent lack of a sovereign bankruptcy procedure. But, it is too basic and absolute to draw a clear line between a sovereign nation and an outside force imposing its will. Instead, from a political economics standpoint, we might worry about how this structure impacts democratic government, economic growth, and other processes. Two basic sorts of issues still exist, in our more structuralism view the first is the ongoing sparsity of aid in general, despite the sharp language of compassion. This is not meant to advocate for increased creditor state interventionism far from it. Rather, it is meant to highlight the fact that, despite the numbers appearing to be large, they are actually quite small, and that while the money may not be able to buy much for large populations, it can be used strategically around elections to tip the scales in their favor. The second issue is structural and relates to the compromised legitimacy of national debt in light of the overwhelming amount of evidence.

Local elites that have received government assistance often practice anti-democratic, exclusive politics, sometimes in concert with donors. Aid has been crucial in enabling multinational firms to cooperate in this game of exclusion while also using the sovereign debt mechanism to transfer the expenses of their capital investments in plant and equipment to their workforce. In relation to the previous point, a lot of aid and debt relief, or advertised liquidity, is fictitious and exists primarily as a subsidy or Keynesian injection used by creditor governments to help their own companies, especially by underwriting and then socializing the costs of risks and investment. In the conclusion, this partnership is sealed. We go back to how development funding affects politics. Writers who point to the apparent incoherence of development policy, which ranges from welfare and social policy, saving lives and humanitarian assistance, through to providing equity subsidies to major global companies and enforcing the types of markets they wish to work in through conditionality's, have drawn attention to these issues with the political economy of development. Generally speaking, the political economy of development reflects, reproduces, and supports the overall governmental policy and related activities that sustain neoliberal markets globally. Neoliberalism is a complicated idea, but at its core, it refers to the freedom that

capital holders have to transfer their money and earnings throughout the world largely unimpeded by governments. These macro-economic liberalization strategies are seen in development as at odds with the prior social welfare initiatives. When he referred to this incoherence of policy, Pie terse skillfully summed up the existing political economy of assistance and poverty reduction.

Neoliberal policies increase the global disparity that initiatives to combat poverty aim to lessen. International financial institutions prevent the necessary circumstances from occurring in order to rely on conditional convergence. International institutions pressure governments while entangling them in structural change. Neoliberal policies, according to him, are likely the central dynamic behind growing domestic and international inequality since the 1980s because they bet on the strong, privilege the privileged, help the winners, expose the losers, and prompt a race to the bottom, a conclusion that is supported by Milinkovic's thorough analysis. Few people, in any event, believe that assistance monies are provided to multinational corporations in order to create the infrastructure they themselves employ. In the meanwhile, it is undeniably the old social welfare functions of aid that are considered to comprise the aid relationship as a whole. The goal of this article is not to argue for less help by criticizing how private organizations utilize aid funds; rather, it is to raise questions about the distribution of potential beneficiaries and make the argument that aid should be distributed differently [3], [4].

The argument that neoliberalism is ineffective for development, particularly in its simplistic cost-benefit framework, is not the focus of this article. It suffices to say that we have returned to the Marxist paradox about the nature of exploitation mentioned in point 1: the absence of capitalism can be normatively as bad as, if not worse than, an overdose of it in the neoliberal framework. In their condemnations of neoliberalism idea that has been absurdly stretched to include all that is wrong with modern economics in terms of social welfare, many radical interpretations are essentially proselytizing. At this level of generality, the argument runs the danger of being reduced to caricature, and we lose sight of the strategic goal of how social and labor movements might democratize the administration of markets to benefit the poor and tip the scales of global power in their favor. The blatantly unfavorable statistics on social wellbeing in Africa, some regions of South-East Asia, and Latin America, as well as the collective myopia of those involved in high institutions to see their contributions relatively, as the small change that they really are, in comparison to structural relationships that are uniquely skewed in favor of the already wealthy, serve as evidence that current development policy is harmful to social justice. Cynically, but not incorrectly, it might be said that the global development budget is nothing more than a sophisticated public relations tool used to counter the worldwide worker and social movement's tendency to criticize global authority.

On the sack of maize in the television image, there is a stamp that reads, Gift from the American people. The public relations campaign goes against common knowledge, consciousness arising from being, which is the lived awareness of the developmental welfare's narrow scope in comparison to wider economic exploitation. This consciousness queries, what global assistance is this, that is so little and so late? Pieterse reminds his readers of Thomas Pogge's international borrowing privilege and international resource privilege, both of which independent of how a country has come into power. may confer internationally legitimate ownership rights in a country's resources to foreign businesses. Pieterse adds the following: Because to these activities, governments and firms in the North are complicit in official corruption hence, putting the whole weight of change on developing nations simply serves to exacerbate the current disparity. But,

his claim may be applied to development in general since development strategy certainly acknowledges. It collaborates with and reproduces the political and economic elites who have the authority to impoverish and marginalize their own populace. For instance, we don't see the World Bank telling predatory elites, No, you can't borrow on behalf of your impoverished people, your personal income is too great already instead, and disparity-promoting systems are strengthened. Joseph Ki-summary Zerbo's of the present anti-democratic strategy is Silent, Growth in Progress. Development finance and policy are able to achieve this because they significantly shift the scales of power in favor of the elites compared to the majority population, enabling them to profit from the wise use of the sovereignty they possess. We should move to the creation of markets next, from the perspective of the political economist, to examine how these representations of power are sustained.

DISCUSSION

As we saw in the last section, since 1982, the majority of the world's poorest nations have had inconsistent and challenging access to private funding for development. Since the beginning of the debt crisis, so-called externalized forms of multinational corporation involvement which involve a thin equity base and are less risky and frequently include arrangements for assured payment in foreign currency for services, brand use, and royalties for patented processes have become more prevalent in Africa. United Nations Commission for Trade and Development However, lesser investment quantities do not indicate the lack of professional extractive processes, as Bond convincingly demonstrates in his book. Rather, these processes are carried out on a weak equity foundation, in privatized and even criminalized extractive enclaves. As the larger environment has not been very influential in shaping investment patterns, the 1990s hypothesis that there was a strong link between excellent macroeconomic policies and inward investment has been refuted by this pattern.

Markets have therefore developed unevenly and erratically around these unequal investments, confusing economists' forecasts in a variety of, often individualized circumstances, with social and political elements that are more significant than a generic model would allow for. In this section, we examine more closely at how markets are organized and, in particular, the function of public market makers. This subject is extended in the section that follows by looking more closely at the interaction between international financial institutions and creditor governments. The British border institutions for capital export are the subject of a case study in chapter five. We are investigating together how the public sector socializes and insures risk in a way that benefits the private sector's profitability. Investments that haven't been focused on mining, informational zed, or integrated worldwide via an MNC supply chain have been created under the watchful eye of governmental development financing institutions. So, how do markets come about?

Markets

As aggregate statistics merely reflect the results of social processes, they are insufficient for illuminating the political economy of progress. Meso-level structural linkages that are generated and reformed as a result of trade, investment, and exchange activities are what provide economic opportunities and limitations. In other words, a strengthening of the regulation of markets by the IFIs occurred during the promotion of The Market during the structural adjustment plan period: markets were built and access to them was regulated to re-con the colonial pattern of dependent growth. Even if the outcomes were only partially represented in the figures for growth or capital

creation, this initiative required a lot of labor and change. A large umbrella would be raised by one of the major market makers, such as the International Finance Corporation, and a flotilla of smaller investors would crowd under it, happy to have some assurance that they would be protected from various risks and threats to their profits by the privilege of the IFC's position in relation to the government of the country. In this section, we must first consider what it is about a market that allows participants to experience different outcomes, which serves the purpose of realigning power, and then consider how the particular concept of risk in markets makes unpredictability calculable, serving the interests of the privileged.

We can then determine how development financing creates and grows markets via this investigation. Market structures do not represent abstract notions of efficiency and rationality, but rather Marketplaces are determinations of power relations, representations of lines of force within the global order they constitute actual configurations of power. Some forms of oppression, such as extra-economic slavery, brutality, serfdom, and debt peonage, may be ended through markets. Moreover, they have the power to upend patriarchal systems and guarantee that those who are not connected to the political elite may build independent livelihoods. In certain situations, market rivalry may promote creativity, ingenuity, and lower prices for customers. However It is one thing to claim that markets may act as check on bureaucratic and petty bourgeois accumulation, employment favoritism, and the politics of bribery, while simultaneously boosting industrial flexibility and eradicating racial and ethnic bias from certain resource allocation systems. It is quite another to claim that market regulation of society is necessary for progress and democracy.

Yet as a result of an all-encompassing market, eulogizing which generalized these advantages to seem to apply anywhere at any time, the unique situations in which individuals may experience these benefits were concealed beginning in the early 1980s. This was very unfortunate because some markets can also protect privileged companies, bar new entrants, maintain artificially high consumer prices, and be swiftly destroyed by goods from other markets. For instance, the local manufacturing sector in structurally adjusting African economies was decimated by import liberalization, which permitted cheaper foreign goods. Mackintosh offered an early criticism that separated the idea of markets into three contexts its most abstract form, a variety of models for various sorts of markets, and real operating markets. By indicating private ownership, freedom, entrepreneurial initiative, and a neutral mechanism to evenly organize society by economically rewarding the deserved successes, the market came to represent ideological argument in its fullest sense.

It is a well-known idea that stands for freedom and is often linked to liberal democracy. Because of this, as Murunga has noted, structural adjustment proponents were effective in portraying their opponents as rent-seekers, protectors of patrimonialism, and anti-democratic privilege. According to the iconic market, market expansion or growth can only be a quantitative problem and that market interactions may be separated from the social ties that create the market's framework. This is the permanent, beneficial, and essential market of the triumphalist Right. The Market was instrumental in reversing the class objective of market restructuring under structural adjustment so that it would benefit foreign capital and a smaller comprador elite at the expense of a larger, more populous nationalist base. Nevertheless, ideological projects aside, actual functioning markets including those for international finance involve a variety of institutional structures, little access to information, and qualitative decisions about risk that frequently depend on the participants' cultural and social backgrounds. Social strata are strengthened and

reconvened. In summary, we may say that markets concentrate knowledge, and therefore power, in the hands of a select few; some participants are market makers while others enter in a weaker position; markets consume enormous amounts of resources in order to function; profits of a select few, and growth for some, thrive in conditions of uncertainty, inequality, and vulnerability of those who sell their labor power and of most consumers; and atomized decision-making within a market can produce long-term destruction.

All markets are shaped by social interactions, class distinctions, institutions, and, more broadly, governmental intervention. Free markets do not exist; rather, there are several ways in which the rules governing their functioning are established. This is especially true in very fragile and insufficient markets, when individuals who establish operations have a broad range of arbitrary powers. The Great Predators act as market makers within ambiguous character in this situation, occupying between the two positions of donor agency and profit-seeking financial intermediary. However, the complementarity between the two is only made possible because the profitability is material and measurable, while the development is asserted normatively. The profitability in weak markets is purposefully created, and while the Great Predators frequently lend at market interest rates and profit comes from repayments at these rates, it is crucial to note that, in the case of the world's poorest nations, these market rates are artificially created by the Predators themselves. The price of money is set by the supplier or suppliers, acting like a cartel, because there is an incomplete or nonexistent market for comparable products, such as long-term finance and equity, and because no private firms are exchanging. It is in this sense of incomplete markets that the Predators manage development [5], [6].

In addition, while markets are ingrained in society and have a variety of effects on it, including determining whether a nation can purchase industrial or productive resources, provide enough food and housing for its citizens, and support an equitable polity, they are created by a surprisingly small number of individuals. The IFIs and major banks are home to most of the market makers, or those who set the parameters of an operation and manage how international liquidity is distributed. They are present at the commanding heights, in the executive suite of the world economy, and their relative rarity helps to explain both the herd mentality of investors during turbulence in the markets as well as the extraordinary booms and busts of fortune as the system oscillates around its own measures of confidence. This dominant market for money, which is the commodity required to participate in any of them, in turn constructs the worldwide markets for commodities and services indirectly. Even in the height of the free market euphoria, one of these market makers, the IFC, provided the following explanation of the problem:

It has been suggested that the market economy concept indicates that government and government-financed efforts to aid the private sector should be restricted only to ensuring that the proper macroeconomic policies, legal framework, and accounting systems have been established. This argument goes on to say that within this framework, markets should be allowed to function and the private sector should be allowed to take care of itself. The viewpoint may be described as radical, yet not ideological. Markets do not always function flawlessly, even when government policies are ideal, and numerous obstacles and risk perceptions deter the private sector. Thus, it is legitimate for organizations like IFC to play a role in helping markets get past these obstacles and misconceptions, despite the fact that they are publically sponsored. According to the IFC analysis, private businesses have certain criteria that must be addressed for development to happen at all. The primary indicator of a market's quality is risk, which stands in

for a variety of other criteria and functions as a governing technology to limit access, exit, and participation in markets [7]–[9].

CONCLUSION

This has given a succinct overview of the liquidity that is available from the public and private sectors in the form of development finance and has looked at the conceptually and practically close relationship between money flows referred to as investment, debt and debt relief, and those classified ad said. They transfer social and economic relationships, or what Marxists would refer to as the capital relation, to other societies via institutional channels, primarily along the state's border, as said.

The next two sections discuss first how markets are produced and the primary use of risk as a form of liquidity management, followed by a second analysis of how the Great Predators are constructed. This is not as dull as it seems for readers who are not economists, and it sheds light on issues that go beyond money alone! Technical jargon used in the finance industry obscures how the gap between the world's haves and have-nots is maintained and serves to conceal and mystify more general relationships of social power, privilege, and status. Technical sleight of hand is the implementer of policy for the political economy of development. It is worthwhile to look beyond the jargon. The seeming generosity of debt relief and help is varied and meaningful only at the fringes of the larger capitalism in which it is entrenched, and by which it is eclipsed. In a similar vein, we saw in these how huge statistics may conceal systemic connections of power and inequality. We must now take a closer look at these markets for finance because, as Keynes famously observed, interesting things happen at the fringes.

REFERENCES:

[1] G. K. S. Tan, ‘Democratizing finance with Robinhood: Financial infrastructure, interface design and platform capitalism’, *Environ. Plan. A*, 2021, doi: 10.1177/0308518X211042378.

[2] R. P. Harrison, S. Ruck, Q. A. Rafiq, and N. Medcalf, ‘Decentralised manufacturing of cell and gene therapy products: Learning from other healthcare sectors’, *Biotechnology Advances*. 2018. doi: 10.1016/j.biotechadv.2017.12.013.

[3] J. M. Bravo-Sánchez, G. del Carmen Naranjo-Ramírez, and R. A. Hidalgo-Carrasco, ‘The Water Policy of Chile: a historical, legal and administrative radiography of water management in the hands of the neoliberal market’, *Agua y Territ.*, 2019, doi: 10.17561/at.13.3710.

[4] A. Guáqueta, ‘Harnessing corporations: lessons from the voluntary principles on security and human rights in Colombia and Indonesia’, *J. Asian Public Policy*, 2013, doi: 10.1080/17516234.2013.814306.

[5] S. Ewen, ‘The Mind Managers’, *Telos*, 1973, doi: 10.3817/0973017185.

[6] K. T. Hansen, ‘Changing youth dynamics in lusaka’s informal economy in the context of economic liberalization’, *African Stud. Q.*, 2010.

[7] J. Mackenzie, ‘Watered Down: The Role of Public Participation in Australian Water Governance’, *Soc. Altern.*, 2008.

[8] B. Pant and U. Shende, ‘The Impact of COVID-19 on the Sharing Economy in India’, *SSRN Electron. J.*, 2020, doi: 10.2139/ssrn.3653008.

[9] Z. Luo, S. Fu, M. Theis, S. Hasan, S. Ratnasamy, and S. Shenker, ‘Democratizing cellular access with CellBricks’, in *SIGCOMM 2021 - Proceedings of the ACM SIGCOMM 2021 Conference*, 2021. doi: 10.1145/3452296.3473336.

CHAPTER 4

RISK GOVERNANCE: THE POWER OF TECHNOLOGY

Dr Divyesh Kumar, Assistant Professor,
Department of Finance, CMS Business School, Jain (Deemed to be University), Bangalore, Karnataka, India,
Email Id:dr.divyesh_kumar@cms.ac.in

ABSTRACT:

An IT risk assessment may help you identify weaknesses in your current IT infrastructure and business applications before hackers take advantage of them. The risk associated with IT and the potential effects of any breach may therefore be reduced by taking the proper steps to patch and address these vulnerabilities. The issue of risk assessment in economic exchange and the distribution of costs and gains in the overall risk regime emerge as the main problems. In this chapter author is discusses the uncertainty risk.

KEYWORDS:

Banks, Credit, Market, Private, Political.

INTRODUCTION

Risk is a possible source of profit, and the capitalist entrepreneur anticipates above average returns for investment in hazardous initiatives, therefore risk is not in and of itself harmful to growth, development, or economic activity. To do this, however, the risk must be handled such that uncertainty in its most basic form becomes calculable and markets can grow. According to North and Haufler, institutionalizing risk ensures economic growth, with excellent business arrangements being ones that have a high degree of confidence regarding future returns, as shown by the protracted history of cartelization. This tendency is the opposite of the worldwide risk-taking approach that capitalism's promotion advocates. Investment, trade, and technical advancement will be halted if this risk is not managed since there is less assurance of results for investment and commerce in a foreign country [1]–[3].

The assessment issue raises the question of why some nations are considered risky, or even too risky, to draw private FDI or credit flows, while others are not, especially when the label also helps to deny some nations access to international credit entirely, while others experience a higher cost of industrialization and a higher rate of extracted profits where credit has been granted. Yet, regardless matter how complex the quantitative modeling is, risk assessment is always qualitative, and the accuracy of the risk assessment is also influenced by the requirements of the insurance contract buyer. High earnings and dangerous situations are associated and may be taken into account in company planning, hence one might argue that these expectations are excessive in comparison to impoverished countries. But, it might be argued that something more political has arisen with the development paradigm: a synergistic understanding that too hazardous implies we can gain public subsidy if the costs of risk can be socialized and carried by public institutions, the consequence is even bigger profits. As historically markets deemed excessively risky have routinely been subject to governmental subsidizing, the development financing system in this country may lead to rent-taking activities. Research has shown that in certain cases, risk assessments that are blatantly arbitrary and racialized are used to achieve this

impact. As a result, the absence of private investment in Africa is justified by the private sector as being too dangerous. But, even when chances present themselves, the homogenizing and racialized perception of Africa in the world's financial centers does little to encourage profitable investment. Research on foreign direct investment (FDI) by Mkanda wire revealed that: rates of return on direct investments have traditionally been substantially greater in Africa than in other emerging areas. Africa has not become a favorite among investors despite this, partly due to consideration of the intangible risk factor, which is fostered by the inclination to regard the continent as a whole and a significant amount of misunderstanding about specific African countries. There is a ton of data that suggests Africa is routinely evaluated as riskier than its fundamental economic features would suggest.

Mkanda wire also discovered that only a small portion of even these meager flows made it to the crucial manufacturing sector, with as much as 14% being driven by acquisitions facilitated by the increased pace of privatization to buy up existing plants that are being sold, typically under fire sale conditions. Another research that found that negative views about Africa are a primary source of under-investment supports these findings. Even prosperous African nations struggled to draw FDI in this situation because potential investors lump them together with other countries, as part of a continent that is considered to be unattractive, and because investors cannot distinguish between countries and tend to attribute negative performance to the entire region. Investment decisions are being made based on investor perceptions rather than objective data, according to Bhinda et al. and Ferguson. Ferguson adds that these perceptions don't just misunderstand social reality; they also shape it, and he concludes that it is clear that the spectral category Africa looms large in these perceptions, with powerful consequential results.

Since risk is present in transactions between people and in relationships between institutions, including governments and banks, at all levels and locally, nationally, and internationally, it further complicates the problem of risk assessment. This is because risk is negotiated to be paid for and underwritten. In addition to internal firm guarantees by a parent on loans to its affiliates and guarantees by host government agencies on loans to private firms within their country, the relationships between these institutions offer safeguards that reduce risk on some international loans. A significant portion of money lent to the private sector in developing countries has been guaranteed by sovereign governments. Public lenders from the North have often requested government guarantees from private sector enterprises in the South, but the IFC steers clear of this practice apparently because it might skew assessments of a company's viability.

As credit has become an increasingly competitive component of the conditions of export selling, the public risks regime has also evolved. At least 35 countries' governments had created organizations that cover export credit risks by 1992. Because states competing to extend the time period for which credit transactions are insured could spark a credit war, the Berne Union, formally known as the Union d'Assureurs des Crédits Internationaux, was set up in 1934 to regulate voluntary agreements governing credit terms. Members include the Export Credit Guarantee Department, several European institutions, and the UK institution for export insurance. As Union members, they must abide by the laws governing export insurance markets, yet pricing differences nevertheless have an impact on market results.

Since the range of economic activities that the private insurance market is willing to cover is almost always less than the potential market size wanted by businesses and governments, government engagement in export credit as a risk management tool has increased. International

development organizations fill the gap left by the private banking sector's refusal to lend, but the more credit-worthy nations there are, the heavier the burden placed on public institutions and the greater the risk that their limited resources will be diverted away from the poorest developing countries, who have no chance of being approved for loans from private banks. The public institutions will only attract business that is ultimately inefficient and unproductive, insofar as it has already been rejected by private markets as unethical and dirty, a criticism that has been increasingly leveled at the ECGD in the UK due to its disparate coverage of arms exports and environmentally harmful dam projects. This presents issues for DFIs. While potentially essential, expanding markets for the benefit of the underprivileged is merely one possible strategy used by a risk-taking public sector organization. Another strategy may be encouraging unclean industries.

In fact, governments and businesses use the same capital markets to finance economic activity by issuing government bonds and shares, respectively. As a result, reinsurance companies are aware that the public sector will pick up the tab if a country is excluded from their private sector client list or charged a high premium. Likewise, dirty industry work that could irreparably harm a private firm's reputation is better carried by a government whose electorate is weighing a numb thumb. So, in certain cases, public responsibility via voting is less severe than private accountability through the market. In other words, although a government cannot go bankrupt, a business may, and an election has never, to our knowledge, been won or lost due to export credit policy. Yet a more basic level also emphasizes the significance of government participation. Authors that emphasize that the state is the guarantee and enforcer of the capital relation and is itself paid by surplus value earned in private accumulation analyze the interconnectedness of both sectors with regard to the capitalist state. However, the value and purpose of money could not have existed in the first place without the state acting as a guarantee and adjudicator of class dominance in society.

This quotation emphasizes how dependency also has a political and social component. For instance, recent events in the credit crunch show the pressure on creditor governments to favor major companies with industrial policy subsidies and bail out banks facing bankruptcy in order to appease strong commercial interests. Governments may be overthrown as a result of the political consequences from recessionary economies and high unemployment if people withdraw their money. From this vantage point, the link between the two sources of funding for export credit and insurance is closer, and the susceptibility of risks insurance is heightened given the likelihood that both systems would be underfunded concurrently. In this situation, liquidity may be restored by greater public borrowing while waiting for the private regime to readjust to profitability. This readjustment would be overseen by creditor governments as it would entail them encouraging structural reform in the borrower countries. In order to decrease risk by monitoring and policing the borrowing country's part of the economic contract with businesses, structural adjustment, Poverty Reduction Plan Papers, and neoliberal conditionality’s more broadly may be understood as fulfilling this function. Then, states take action to modify the risk regime on behalf of private companies while also accommodating some of the excess demand for financing capitalist activity via a network of bilateral state guarantees. The cost is borne by employees and tax payers.

Businesses that desire to expand into underdeveloped regions outside of the insurable geography set by the private sector must turn to bilateral financing and guaranteed loans from quasi-public financial institutions. This may be seen as rent-seeking from an economic standpoint, as private organizations utilize the political system to ensure them a share of a market, lowering their risks

to almost nothing. As an alternative, governmental bilateral guarantees might be seen as a kind of Keynesian infusion to spur growth in less developed countries. The DFIs and export credit organizations represent their work to the public in this later context. So, a company or group of companies may petition the government to take steps to stop a loss or to participate in that loss. According to Haufler's summary, government involvement would be justifiable from the perspective of public goods as a remedy for market failure, but the redistribution of loss can equally be seen as manipulating public institutions for personal advantage. From the standpoint of the insurance company, turning to the government is appropriate given that insurance is a quasi-public asset that supports the market system and facilitates investment and trade [4]–[6].

DISCUSSION

Political Risk

Risk therefore controls market involvement and the benefits that flow from it in the form of profits. These risk evaluations are based on investor perceptions, which then influence market activities and, in turn, affect people's means of subsistence and income. Similar to private organizations, governmental institutions also employ risk calculation while making investment decisions. The market for development funding is rooted in culture, politics, and race, as we shall see in the next s, so the mathematical foundation in this case is much more flimsy, if not arbitrary. Two results, nevertheless, are essentially consistent. First, in most cases, a favorable rate of return is generated. For instance, the Morgan Stanley Capital International Emerging Markets Index and the Commonwealth Development Corporation both had rate of return on portfolios of 22% in 2004. However, in 2007, the Commonwealth Development Corporation outperformed the index by 20%, with a portfolio performance of 57%, up from 14% in 2006. Second, while there are outliers, such as the well-known CDC assistance for indigenous ownership in the South African hotel business, development funding has the impact of sustaining inequality and underpinning class systems [7], [8].

Qualitative interviews and data from several sources that hints that the empirical or scientific foundation of such procedures is less than absolute all demonstrate that risk assessment is fluid. As seen by the UK Financial Services Authority's oversights of Northern Rock and that bank's own sloppy risk assessment practices, banks and businesses continue to make mistakes and regularly alter their methods of risk assessment. International businesses employed sensitivity testing and expected rates of return often in their internal assessments of political risk by the early 1990s. The ongoing complex application of the scientific method is intended to reduce accounting risk, but as the credit crunch starkly demonstrates, large-scale failure to properly account liabilities and income can still happen. This is possibly because a monetized value is being applied in the futures and derivatives markets to expectations of income streams that may or may not materialize. In the credit crunch scandal, it came to light that holding corporations located in tax havens rather than the real asset owners were the ones who had the rights to an expected revenue. For instance, the global financial system was used to disseminate and resell risk, which proved to be very infectious and spread what has been dubbed toxic debt due to the extremely low possibility that it would ever be repaid, such as credit card debts and mortgages marketed to the poor.

Market makers and sovereign political risk in the past, colonialism in Africa provided a solution to the issue of political risk. Starting in the 1880s, trading companies' risk was increasingly managed by administrators and political authorities grafted onto African territories. These

authorities later claimed territorial control and enacted their laws through oppression and violence. This practice continued and aided a long tradition of state-sponsored capital export by European governments, which Hobson concisely summarized in a study for the British instance in 1902. It would not be an exaggeration to argue that the main focus of Great Britain's contemporary foreign policy has been the pursuit of lucrative investment markets. Great Britain has been transitioning into a country that depends more and more on tribute from abroad, and the classes that benefit from this tribute have an increasing incentive to use public policy, the public purse, and the public force to expand the scope of their private investments as well as to protect and enhance their current investments. This is perhaps the most crucial piece of information in contemporary politics, and the secrecy with which it is cloaked has posed the greatest threat to our nation.

These tributes, together with their contemporary analogues in the form of patents, licenses, and royalties, continue to provide a sizable income as the colonial conquering legacy is preserved in the pool of metropolitan-owned revenue-generating assets linked to previous economic processes. Intellectual property and ongoing patents are examples of this. As the North's head start, which still earns them money, was only achieved via conquest, pillage, and enslavement, this history lends moral weight to the growing calls for reparations heard in international and regional forums, often raised by activists from the Global Social Forum movement. During the colonial era, under the terms of the Colonial Diktat or contract, which specifically stipulated controls on trade and investment that might favorably compete with the metropole's manufacture, the imperial power and the local territorial administration forced markets to work in the occupier's favor. Since colonies could only import goods from the metropolis and tariff rates had to be low, typically 0%, colonial exports could only be made to the metropolis from which they could be reimported, the production of manufactured goods that could compete with those of the metropolis was prohibited, and transportation between colonies and the metropolis is only done on the metro.

In order to force the market to adhere to metropolitan interests, it was intended to limit industrial competition in the occupied areas. The CDC's early teething problems already included the issue of market construction and pricing. They also called attention to the lack of uniformity in Colonial taxation systems, land tenure laws that occasionally discourage large capital investments, and the high cost often unavoidable of public utility services, roads, and other engineering projects in the Colonies. Although describing His Majesty's Government's strategy as rather unclear, the CDC was already aware of the more specific interests of the primary producers who they would employ notwithstanding the essential necessity of markets and pricing for Colonial goods. They propose that the government be obligated to give closer attention to the relative position in the UK markets of the principal producers of the United Kingdom, Dominions, Colonial territories, and other nations, regardless of how complicated the circumstances involved may be. Risk was managed in the colonies during the post-World War II era by trading patterns that concentrated economic activity within firm structures that favored British parties, either subsidiaries of British-based companies, associates, or within economic spaces that were authorized and populated by settler populations.

After independence, private banks dominated lending in the majority of the world in the 1960s and 1970s. However, after the middle of the 1980s debt crisis in middle-income developing nations, central banks in core creditor states started to increase supervision and impose provisions against country risk in commercial banks. This resulted largely from the role central

banks played in removing bad debt in the 1980s. All UK incorporated institutions authorized under the Banking Act received guidelines on country debt provisioning with the matrix, an objective empirical framework for analysis of risk, in August 1987. The matrix was designed to identify countries with potential repayment difficulties, a task that made the matrix ever more complex. Yet, throughout time, specific to Africa, criteria were tightened to cause provisioning at earlier stages of risk. Not reaching IMF aims or being reluctant to go to the IMF were two circumstances in 1990 that may result in a provisioning need, with a nation receiving a lower score if it is in violation of IMF targets or is unable or unwilling to travel to the IMF.

As a result, the rising conditionality of loans in the 1980s was incorporated into country-risk management, and commercial banks were required to make larger provisions for nations that did not fully adhere to IMF policies. When the Treasury and Civil Service Select Committee questioned the Bank of England in 1990 about the likely result that virtually all lending outside the fully developed world will need to be provisioned for, the bank responded that the matrix was not a mechanistic tool where the central bank would impose provisions but was instead for guidance, with a forward-looking element, to encourage banks to take proper account of a country's economic position when making lending decisions. These remarks show that the Bank of England's real monitoring at this time remained largely discretionary, despite the 1990s seeing the adoption of further international regulations on provisioning levels. Following the debt crisis, the Basle Accord of 1988 established a framework for measuring bank capital and minimum capital adequacy standards. However, the increased codification of bank behavior accelerated, in part due to the security and anti-terrorist agendas, with the Financial Action Task Force from 1989 serving as a catalyst for the deepening of banking regulation on many fronts.

International Finance Corporation

International investment banks make currency and interest rate swaps accessible to large corporations in the core states, benefiting their financial circumstances. The International Finance Corporation has taken on a role of mediator, setting up swaps between businesses in poorer nations and the international banks since country risk reasons prevent international banks from providing similar services in poorer countries. For instance, the IFC explains how a loan it made to a Turkish bank in the early 1990s gave the bank access to further funding from Japanese, European, Scandinavian, and American institutions, who would not have done so otherwise because they thought Turkey was too hazardous. The IFC essentially underwrote the bank by offering convertibility insurance in an IFC-led and -syndicated liquidity backstop feature, and in doing so, it helped the international financial system become more integrated and cross-provisioned. This effectively allowed Turkey as a whole to join in, and Turkey moved closer to the European Union over the course of the following period. According to the IFC, cross-default provisions in IFC's loan and the assurance offered by IFC's reputation made these banks eager to lend to the Turkish bank. This reputation reflects the strength of the IFC as well as the core governments that support its operations and aid in lowering investment risk via political action.

In addition to providing direct liquidity to banks for on-lending, the IFC also intervenes to expand equity markets, in part through the direct involvement of the IFC's Corporate Finance Services Department, which manages privatizations and frequently invests in businesses that are being privatized, particularly in Eastern Europe. The IFC further promotes securities, mutual funds, and nation funds. In order for the IFC to shift its focus to assisting businesses in gaining

access to international credit markets, including European and North American pension funds, these functions are most frequently carried out as nations become more creditworthy and IFC-sponsored companies operating within them become more sophisticated? In order to decrease the potentially disproportionate risk associated with investing in a single company, the IFC organizes and promotes developing nation funds by pooling assets from many enterprises. Shares of the pool are subsequently offered on the global market. Since the IFC was founded in 1956, it has committed more than $49 billion of its funds and organized another $24 billion in syndications for 3,319 companies in 140 developing countries, resulting in a portfolio at year's end 2005 of $19.3 billion for its own account and $5.3 billion held for participants in loan syndications.

Despite these rather large-sounding figures, the IFC has a variety of fairly unique and maybe contradictory roles. According to the IFC assistance model, there is a desired progression brought about by good government policy and efficient assistance in which economic development reduces nations' capital limitations and the IFC is replaced in firm finance. Yet, after being replaced in direct firm financing, the IFC would still anticipate playing a part in capital market activities, which are less likely to be replaced, particularly for this examination of the political growth of the poorest, since such markets need state authority to function. Depending on the proportional size and profitability of the various capital circuits in the respective nations, these various objectives imply varied responsibilities for the IFC. The responsibility of ensuring profitability in the circuit of finance capital, particularly at the international level, falls to organizations like the IFC once profitability is assured in productive units of capital through direct participation and Programme funding with conditionality ensures the greater profitability of merchant capital through opening markets and the promotion of free trade. Countries are 'upgraded' to boardroom-level actions in a way.

The CDC advocates a similar progression, whereby the weight of its earlier interventions were directly at the company level, but it progressed, particularly from the late 1980s, into a heavier work- load in the finance sector, mounting increasing numbers of country funds, until the ultimate logic of this made it unnecessary. We examine in the bilateral history of the CDC in managing liquidity in the Anglophone colonies and subsequent independence era, but can just observe here that the CDC advocates a similar pro Other European bilateral DFIs acted similarly, as we explore in Chapter 8, with the result that the size and boundaries of the constructed market for finance are shaped by the IFIs - both multi- and bi-lateral - with their deepened institutional control serving as the dominant instrument. The explanatory mechanism is the allowable or prohibitive measurement of perceived country risk, which translates into various funds organized by cultural and political intermediaries. For instance, the Turkish syndication mentioned above is a part of a larger and contentious social process of Turkey's integration into the global economy, with 'Western' governments serving as its sponsor. As the debate over EU membership demonstrates, this process is still insufficient and troublesome.

In addition to financial instruments, sensitivity testing, and other methods of measurement and provisioning, bilateral DFIs nevertheless manage risk by drawing on common business cultures and post-colonial histories. Furthermore included in this is the contemporary world of discretion, arbitrary judgment, and general political maneuvering. Political risk was, according to the Monopolies and Mergers Commission's 1992 report, not often addressed directly in CDC's project assessments. Political considerations are essentially a topic for CDC's Board to address, and they are not required to be included in every assessment report, according to CDC.

Nevertheless, after looking at four CDC projects that were having trouble, the MMC found that the 'common feature' was the high level of government involvement, either as a shareholder, loan guarantee, or granter of derogations from existing legislation, without which projects would not be feasible at all. The MMC helped to highlight the reliance of the CDC on both the actions, legislation, and derogations from legislation given by host governments, as well as on a sphere of collectivized power that expresses itself in the institutionalization of DFIs as a grudge. The MMC noted that a change of government could cause further difficulties and that solving the difficulties would require resolution at a governmental level, or by a number of DFIs acting together, and not by CDC alone. The top-down perspective demonstrates the remarkably individualized foundation upon which important financial laws are based. It also explains why DFIs often find themselves in a dead end, constrained by their own history to continue lending even when there is little probability that the loan would be utilized effectively and much less chance that it will ever be repaid. For instance, a top CDC official observed in 1993 that the CDC would make investment choices in the case of Kenya. Instead of focusing on computers, by comprehending the personalities of these individuals, how they behave, and the politicians. Thus, I believe there is a lot of expertise that is brought into this industry of investing in developing nations. In reality, notwithstanding any meaningful attempt on the part of that administration to satisfy conditions at the national level, the donors as a whole continued to lend to Moi for two decades. The CDC's policy in the 1980s and 1990s was generally to reinvest as a means of encouraging debt collection or just to prevent blocked money from sitting idle when governments faced debt-servicing issues. So, the obstinacy of dictators could only lead to stronger political engagement and fresh funding given for debt rescheduling or expanded ownership holdings, ideally in a project that generates foreign cash. A cycle of export-focused enclaves supported by the CDC and a nation's reliance on foreign currency was created. Incentives for financial delinquency among the local elite coexisted with the covert elimination of some revenues for the CDC in the short to medium term. It would be difficult to characterize the outcome of such a Faustian bargain as developmental, nevertheless [9], [10].

CONCLUSION

In this article, we've looked at three different ways that human agency actually manipulates the appearance of spontaneity in markets theoretically, by examining the mechanics and logistics of actual markets; practically, by calculating risk at various levels, including the firm, the nation, and within banks; and finally, internationally, by examining the case of the IFC, the kingmaker of sovereign markets. It should be clear from this study's analysis that the political economy method is post-structural and heterodox. In other words, racial, geographic, and identity-related concerns are central to how the hierarchy of global space is organized, not residual elements in our research. This was shown in regard to the control of finances and the development of markets. The following section examines the individual connections between wealthy nations and their governing institutions before modeling the total of these systemic connections.

REFERENCES:

[1] M. Parent and B. H. Reich, ‘Governing information technology risk’, *Calif. Manage. Rev.*, 2009, doi: 10.2307/41166497.

[2] F. Huzair, ‘Risk and regulatory culture: governing recombinant DNA technology in the UK from 1970–1980’, *Technol. Anal. Strateg. Manag.*, 2021, doi: 10.1080/09537325.2020.1843616.

[3] R. Spaaij, ‘Risk, security and technology: Governing football supporters in the twenty-first century’, *Sport Soc.*, 2013, doi: 10.1080/17430437.2013.776249.

[4] P. Tagde *et al.*, ‘Blockchain and artificial intelligence technology in e-Health’, *Environmental Science and Pollution Research*. 2021. doi: 10.1007/s11356-021-16223-0.

[5] R. Slayton, ‘Governing Uncertainty or Uncertain Governance? Information Security and the Challenge of Cutting Ties’, *Sci. Technol. Hum. Values*, 2021, doi: 10.1177/0162243919901159.

[6] K. Kuhn, S. Bicakci, and S. A. Shaikh, ‘COVID-19 digitization in maritime: understanding cyber risks’, *WMU J. Marit. Aff.*, 2021, doi: 10.1007/s13437-021-00235-1.

[7] N. Ikawati and F. I. Handian, ‘Governing People through Risk Technology: A Case Study of Garbage Clinical Insurance in Malang, Indonesia’, *Policy Gov. Rev.*, 2017, doi: 10.30589/pgr.v1i2.46.

[8] S. Ahmad, C. Connolly, and I. Demirag, ‘Testing times: governing a pandemic with numbers’, *Accounting, Audit. Account. J.*, 2021, doi: 10.1108/AAAJ-08-2020-4863.

[9] R. Diprose, N. Stephenson, C. Mills, K. Race, and G. Hawkins, ‘Governing the future: The paradigm of prudence in political technologies of risk management’, *Secur. Dialogue*, 2008, doi: 10.1177/0967010608088778.

[10] K. Dooley, E. Harrould-Kolieb, and A. Talberg, ‘Carbon-dioxide Removal and Biodiversity: A Threat Identification Framework’, *Glob. Policy*, 2021, doi: 10.1111/1758-5899.12828.

CHAPTER 5

GLOBAL FINANCIERS: DEVELOPMENT BANKS AND CREDITOR STATES

Kambam Vedantam, Adjunct Faculty,
Department of OB & HR, CMS Business School, Jain (Deemed to be University), Bangalore, Karnataka, India,
Email Id:kambamved@gmail.com

ABSTRACT:

Nations that lend more money to the globe than they borrow from it are referred to as creditors. A nation has some leverage and authority when negotiating trade deals with debtor countries because of this. Global finances play an important role in both the economic and social growth of developing economies. This involves providing advice, money, and assistance on development initiatives aimed at reducing global poverty and improving living circumstances and standards. In this chapter author is discusses theglobal Keynesian multiplier.

KEYWORDS:

Banks, Capital, Economic, Institutions, Money.

INTRODUCTION

The Bretton Woods's banks and regional development banks also known as the Great Predators when bilateral development finance institutions are included can only create and regulate markets because their own risk is assumed and managed by their joint owners, the wealthy economies of the global system, primarily those that were the winners of World War II. They have combined their resources in a worldwide public credit system since 1948. Politically, this approach centralized control of the empire by managing the bilateral colonies' economy as a whole. With independence, when the majority of colonies were geographically lost to the creditor powers, they merged with the looser economic domains of the United States and Japan to form a new monetized zone for capital export that later came to be known as the Third World. At the board level, Saudi Arabia and other entrants from Europe have joined. A nation may join the global credit club by contributing money, and if the other members agree, that country will then get votes directly proportional to its ownership interest in the bank, in this instance the World Bank and IMF. With regional development banks, voting is a little bit more difficult since older members are less eager to swap voting shares for capital; instead, new members are often merely permitted to invest in rolling funds, which have less voting rights. Since power is also being shifted and redistributed, when the Bretton Woods institutions regularly increase their core stakes, which are denominated in special drawing rights or SDRs, it is a political and sometimes highly contentious exercise [1], [2].

These SDR contributions are then properly insured by a liability in the central accounts of the creditor nations. In line with the function of money in controlling the rate and output of production, the payments to the multilaterals then broaden the scope, reach, and volume of money flows in the global system. These funds are recycled across the less developed nations, serving as a gauge of their permissible liquidity and their permissible net current consumption of capital and working capital. When describing the liquidity situation of the poorest, there has even

been a propensity to emphasize the importance of such flows by using the yearly net receipts notion. These funds may make up a relatively small portion of the total capital raised for export by the creditor states, but they serve as the anchor for the rest of the private sector and bilateral investment, which is reassured that their risk is manageable by the presence of IFI capital in a given nation, industry, project, company, or bank. The multilateral DFIs' role as underwriters is what keeps the bilateral institutions' lattice structure intact and the businesses that will operate outside of the Westphalian capitalism system connected to them.

The core creditor nations become the underwriters of the multilateral financing organizations, who subsequently release money and make a profit, thanks to the direct transfer of cash to multilaterals, which provides provisioning for them. The fact that provisions made for the International Monetary Fund as a whole often result in a flow of money from the IMF to the central government of the core state is noteworthy to notice. For instance, the UK's quota at the IMF changes as debtor countries demand sterling, which the IMF then either takes from its reserves or draws from the UK National Loans Fund. This has the effect of increasing the UK's reserve tranche position, which is a claim on the IMF and forms part of the UK's official reserves. Interest is received on that portion of the reserve tranche which is remunerated and this is credited to the official reserves, according to the UK Treasury. In short, the drawing of sterling by the IMF raises the UK's reserve tranche position and, therefore, the amount of compensation it gets. The IMF owns securities that are part of the UK quota, which it gives to the Treasury when sterling is requested. Moreover, a mechanism known as burden sharing is activated when debtor nations fall behind on interest payments. As a result, charges to all debtors and compensation to all creditors are altered to balance the unpaid charges, which again results in an increase to the UK tranche position.

The creditor declares shareholder payments to the capital of the World Bank in this instance. Yet, this only accounts for a minor percentage of the money made available to borrowers by the Bank. For instance, only 3% of the Bank's capital had actually been paid in by members by the time of the Bank's General Capital Increase process in 1988, which involved a UK contribution of $110 million and increased the UK's callable capital total to £4.6 billion. The remaining 80% had been borrowed from international capital markets. The core states are thus stockholders and underwriters in the relationship between the Bank and these states. In the former position, they are entitled to profits in exchange for their efforts, which is represented in a growing share price. Given that the World Bank has never experienced a loss and has sizable reserves of its own, these gains might be significant. Thus, the contributions may be seen as a kind of underwriting or provisioning that enables the Bank to obtain Triple a ratings when it borrows from capital markets, allowing it to borrow at the lowest rates possible against the collective guarantee of the creditor nations and their governments.

Although the member contributions are on call, if required, to satisfy the Bank's commitments, the UK Treasury observed in 1990 that no claims on this element of the capital have ever been made. The capital of the bank that was contributed by the members is known as the callable or unpaid percentage. The unpaid percentage of the bank's capital, which consists of the contributions from the creditor nations and is in reality accounted for as liabilities in national accounts, would be used if the bank had a loss that could not be covered by its sizable reserves. Similar to this, the International Financial Corporation has a low gearing ratio between real contributions, or share capital from members, and borrowings, with members' voting rights proportional to the number of shares owned. It is also limited to investing solely in the private

sector, making it the greatest source of direct project funding for private investment in developing nations. In the early 1990s, private placements or public Triple-A bond issuance were used to borrow 80% of the required loans, while the International Bank for Reconstruction and Development was used to finance the remaining 20%.

The IFC showed that funds extended in this way, borrowed from capital markets and then on lent to private sector projects, attracted other investors to join in syndications and joint ventures, following a trend also seen in the rapid portfolio growth of the Commonwealth Development Corporation starting in the middle of the 1980s. All bonds issued by the regional development banks, including the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, International Bank for Reconstruction and Development, Inter-American Development Bank, and Nordic Investment Bank, were all triple-A rated in 2008, according to a summary by the African Development Bank. The AfDB has roughly 2.2 billion units of account (UA) in paid-in capital as of 2007, as well as $8.6 billion in AAA callable capital and $21.9 billion in other callable capital. The AfDB was using the foreign money markets to almost treble its available capital. Usable capital was defined by the bank as paid-in capital, reserves, as well as callable capital of nations with a Double-A rating and above. In December 2007, they anticipated a $1.9 billion capital market borrowing program for 2008.

DISCUSSION

Powerful Owners

The multilaterals frequently assert that their loans rarely default, thereby maintaining their reputation as responsible institutions and allowing them to continue borrowing money at low rates for the purpose of providing development financing to underdeveloped nations and thereby aiding development. Yet, the recent debt crisis shows that although creditor governments may work together to establish such organizations for the public benefit dividend, this is not without return to them and the cost of the available development is not as low as stated. According to the creditor governments, they get returns on their investments in the form of derived procurement advantages and rises in the market value of their stock holdings. The activities of their various bilateral finance institutions continue to be important and lucrative, especially insofar as they represent commercial constituencies and imperatives. However, the conflict between their various bilateral interests is not resolved so much as it is shifted to this other forum. As was said, the preferred method for advancing economic and geostrategic goals is still bilateral official development assistance. The international contributions aid in securing a market where genuine bilateral competition may thrive. In this latter meaning, the public benefit created is not so much development as it is the institutional framework of a global market for capital export [3]–[5].

Cooperation is successful when default risk can be decreased through programs like structural adjustment programs, the Highly Indebted Poor Country Initiative, and the poverty reduction strategy process, as well as through the Paris Club and London Club mechanisms, should a debt negotiation be required. Moreover, it implies that via standardized wage labor and taxation arrangements, the inhabitants of Europe and North America as a whole are prepared to make payments in the event that the system fails. In the end, for a poor country with unpaid debts to both bilateral and multilateral institutions, it is the multilaterals who lead adjustment negotiations, using debt to monitor and control access to usable liquidity or receipts net through an expanding number of rules governing the liquidity tranches that are granted. Although multilateral debt is growing increasingly significant as a percentage of the debt profiles of the

severely indebted low income nations, repayments to multilaterals are accepted as predominate in comparison to other debts due bilaterally or commercially. As a result of the debt crisis, debt owed to multilateral creditors increased from 22 to 28 percent of total debt stock and from 20 to over 50 percent of debt service payments between 1980 and 1997. This amounted to an annual transfer to multilateral institutions of between $3 billion and $4 billion.

In fact, the multilateral institutions have a history of being skilled at making sure they are ahead of other creditors in line when there is a credit crisis in the development financing system and poorer nations are under pressure to find new sources of funding. For instance, the 1996 Halifax G7 summit was meant to launch a coordinated framework for debt sustainability, focusing on an exit strategy where the target is overall debt sustainability, rather than the competitive pursuit of creditor claims.2 However, the interests of the different core states varied the UK was pushing for reform, while Germany and Japan remained opposed in principle to multilateral debt relief. At this time, the illiquidity and bankruptcy issues the SILIC countries were experiencing many of which were in sub-Saharan Africa were primarily affecting the institutions and businesses owned by the British state and placing a claim on their underwriting resources, which they then sought to share with other core creditors who were less financially precarious.

Yet the IMF was also working to further its own institutional and specific interests. Secondly, it systematically under-stated the scale of the multinational debt crisis, particularly that component which relate to its own activities, according to Oxfam. The IMF would only participate through its Enhanced Structural Adjustment Facility, which was only slightly concessional and had strict and deflationary conditions attached, and that it would not countenance involvement in such an initiative without prior action by the Paris Club of official creditors to provide a 90% debt stock reduction,3 effectively a precondition for IMF participation. According to Oxfam, the strategy used by the IMF contradicted the framework document of the boards of the World Bank and the IMF, which stated that multilateral institutions should contribute to debt relief on a generally equal basis, depending on their exposure in the target nation. Debt reduction should be prioritized for all creditors other than the Fund, according to the prevalent viewpoint there.

Given information on the IMF's exposure and percentage of debt service repayments, this institutional interest seems to have been successfully satisfied from the middle of the 1980s through the middle of the 1990s. For instance, the IMF received about 20% of service payments made in 1997, or about $600 million annually, despite accounting for about 12% of the total SILIC debt stock owed to multilaterals. In contrast, repayments from the years 1987 to 1997 represented a net transfer of $4 billion more in repayments from the SILICs than the IMF has transferred in new loans. The meaner concession laity conditions of the ESAF facility in comparison to other facilities, such as the World Bank's International Development Association loans, were cited by Oxfam as the explanation for this larger IMF share of debt payment compared to debt stock. The IMF argued that since money is fungible, if other creditors refinanced their debts first, this would free up liquidity to secure its own repayment via transfer and displacement processes in the developing nations. By permitting the accumulation of arrears on their own claims, bilateral donors cover the costs of multilateral creditors. The SILICs typically met less than half of the payments due in 1996, so by 1997 capitalized interest payments accounted for about 50% of total debt servicing and arrears had quadrupled to $56 billion since 1989.

Because of these transfers of obligations across institutions, which had no impact on nations' aggregate liabilities, debt relief in the 1990s was essentially a zero-sum game. A growing portion of the IDA's budget was simply recycled to cover the expenses of repaying previous loans from the IBRD. Oxfam conservatively estimates that roughly $2 billion yearly was moved from national assistance budgets to repay multilateral creditors. The World Bank used finance from the IDA to pay the IMF, filling the gap between repayments to the IMF and future disbursements! In fact, Oxfam cite the startling statistic that, in the case of Zambia in the late 1990s, well over half of the finance provided by external donors represents payments to, or between, themselves, and they add that viewed through anything other than the skewed lens of financial accounting, there is something curious about the concepts of cheques crossing 19th Street in Washington from the World Bank to the IMF, and about donors repaying themselves, ostensibly in kind. Given the evidence provided by Oxfam, even the House of Commons Select Committee concluded that there was a danger of an increasing portion of the ODA budget going toward refinancing multilateral debt while nations continued to be trapped on a debt treadmill, using aid to pay back money owed on prior loans.

As the system is still privately owned, albeit being publicly backed, not much has changed in the 2000s. If actual liquidity received is constant, it doesn't matter whether a country owes x amount or 100 times more from the perspective of receipts net: what is being adjusted is the valuable exchange of political claims, historical guilt and obligation, and what is being traded are relative moral claims and the possibilities of a better quality of life, or not, for numerous people. Yet, a tiny privatized cabal of bankers who seem to be acting in the interests of the public good negotiate and debate these representations, counterclaims, and discussions. And as we saw in the previous article, the perception of borrowing elites attitudes and behaviors in the boardroom of the system ultimately matter to calculations of country risk and profitability.

Accordingly, doing well is rewarded with a reduction in debt stock in the hopes of fostering future political compliance and pro-capitalist cultural responses. Notwithstanding whatever issues they may have, IFIs continue to have a good reputation in the credit markets because to the institution first strategy used in the actual talks, and many IFIs and RDBs have Triple A ratings. Since they are the greatest at intimidating other individuals into making payments, they are first in line for overseas money.

This private rating, for instance by Standard & Poor's, is an assessment of the long-term connection between capital owners and sovereign borrowers as well as the capacity of creditor nations to write-down or write-off any emerging bad debt. Yet, it would be false to imply from the Triple-A grade that DFIs 'always win' in a certain situation or with a specific nation: only the methodology is being approved. In the end, receiving compensation may depend on how well our representatives perform and how close they are to the government. Due to their institutional characteristics, ties with core states, and reputation, DFIs may also be able to withstand greater losses over time. Funders may choose to hold off until the borrowing government alters its policies. Losses in any commercial joint venture are split among the owners, and occasionally businesses or banks file for bankruptcy or receivership. Northern Rock was nationalized in Britain in a recent anachronistic turn. The peculiarity of international financial organizations, however, is that any bankruptcy or loss of payments brought on by debtors may have an impact on this year's net receipts, but may be rapidly absorbed and have no effect on the value of assets or future claims.

The IMF has long opposed debt relief because it worries about reputational harm, which would lead to a situation where borrowers would accept money with the expectation that some of it would be wiped off later. This argument, however, falls short because the crucial distinction between the IMF and a truly private bank mitigates this harm even when things go horribly wrong, as they did in Argentina in 2003, the bank appears to emerge unscathed, largely because markets believe the core creditor states to be a reliable safety net for their investments in bank bonds. As a result, the 1995–1996 financial crisis in Mexico, which affected 10% of the IBRD's portfolio, had little effect on bond markets, confirming the opinion of most analysts that it is the guarantee of its OECD share-holders which influences market views, according to one analyst. Since the asset value of the IMF's portfolio is more fundamentally based on bankers' and investors' faith in the ability of the creditor states to control risk on their behalf, ominously, by more abrasive political means if necessary, there is little correlation between the debtor's economic situation and it. The banks support the system's political administration.

As sovereign entities cannot, by definition, declare bankruptcy, the debtor country's failure to pay just results in the claim on its resources being extended, converted to soft currency, equity, or reduced to a resource claim. In the framework of a virtual bankruptcy, politics are altered, and power relationships between creditors and debtors are reorganized using the process of providing or denying a nation with cash. In this situation, debtors are bargaining for liquidity. When liquidity is granted, the arrangements made for its use can, however, also reveal how weak the borrowers' position is. For example, in 8, we see how even the liquidity given to a country is frequently walled in within an institutional setting that can be controlled vertically by the creditor state. The businesses and economic sectors that are of special advantage to contributors seem to get the most funding. In other words, after nation discussions were completed, the issue with the Nigerian Government's resistance would also be handled at a meso-level to safeguard upcoming firm-level investments. The planned, but abandoned, revenue structure for the Chad-Cameroon pipeline project serves as an example of the increased prevalence of such expanded involvement from the mid-1990s.

Through the network of bilateral finance institutions led by multilaterals, the process of capital export is carried out with these strong institutional guarantees in mind, giving each project a specific coalition of interested parties in addition to, of course, the domestic borrower state and people. Apart from having similar management styles, bilateral and multilateral DFIs often share stock and ownership. As an example, the British Government owns a significant portion of the IFC and encourages it to collaborate with the CDC since it is the latter's closest multilateral parallel. The political economics of development in the poorest and most indebted nations is built on this interweaving of justice and the institutionalization of risk that underwrites it. It preserves and restores to the old power centers of their current clubs and banks as well as the historical colonial invaders' riches from extractive industries, environmental resources, and the labor of millions of underpaid people in the global South. Newly industrialized nations have joined the clubs in the meanwhile.

Keynesian Multiplier Globally

As a global Keynesian multiplier, we may model this system of risk management and institutional underwriting of the political economy of development by the wealthy creditor nations of the OECD. Value in this system circulates clockwise around the diagram, beginning, where it is supported by the governments of the wealthy states. It first goes to bilateral, regional,

and global development financing organizations, or DFIs. They include the World Bank, IMF, IFC, and MIGA. The regional equivalents of these institutions are frequently called regional development banks. Moreover, export credit agencies profit. They all go on to lend the money to borrowing governments, who accept a liability in the form of sovereign debt that must be repaid by their citizens. However, some of these may be the subject of a future debt-forgiveness agreement, in which case citizens of creditor countries would be required to pay some of the debt back. The political elite of the soft currency state then uses the loan in foreign currency for a variety of purposes, including paying for infrastructure, social services, plant, and equipment, reducing fiscal deficits, paying public sector salaries, or just paying for themselves.

At its finest, the investment will behave as Keynes would have anticipated, supporting the title of this system, which is intended to generate multiplier effects by energizing and catalyzing further investment around it, which ultimately sparks a growth surge in the recipient economy. However, the majority of contracts that result from these purchases, when they are made, have historically been fulfilled by big businesses headquartered in creditor countries. Examples include large construction companies like Balfour Beatty, Halcrow, Acres, and others that construct hydroelectric dams. These companies then store their profits in large banks that are frequently based in creditor states and are subject to taxation by creditor governments. In other words, the market in development, which is governed by the core states, reaps the majority of its gains inside these same jurisdictions.

The impact on the national economy and pattern of earnings are similar when money is transferred directly, sometimes without a commitment from the government [6], [7]. The fact that there are several such circuits rather than a single incarnational entity, and that Asian sovereign wealth funds in particular are at least as large in scope and volume but are not included here, will be a major challenge to this paradigm. Another is that not all development funding is utilized in this manner and that much of it now funds NGOs and the private nonprofit sector instead of going via governmental institutions.

The multiplier's debts have been wiped off when it fails, as they have in the present time, which is another argument that the cost of capital reproduction is not really paid by the poorest. The claim about newcomers entering the industry is somewhat true, but as of now, this is the only system in existence that claims to and mostly actualizes a worldwide set of economic behaviors. Nevertheless, this may change in around 20 years.

The second point about monetary and non-monetary gifts and the private voluntary sector is also true in that they may provide goods for development, but once more, they do not constitute an institutional system that has the authority to support an accumulation process and do not make up for the shortcomings of the intergovernmental equivalent. The third argument really downplays the significance of democratizing capital allocation on a global scale debt may have been wiped off, but without a change in this systemic multiplier, nations would just cycle through again. Poorer people will need to be funneled through this system if they can't make a livelihood via other means, and debt will accumulate, just as it did the previous time.

The new proponents of more spending on the private sector would do well to keep this in mind. In other words, regardless of how historical liabilities are assessed, if a nation has nothing to spend now, it will likewise have nothing again tomorrow if nothing changes in terms of relative strength in the political economy of development [6]–[10].

CONCLUSION

This system does not seem to be bringing wealth to Africa, as we study more, and it also appears to be heralding a similarly gloomy future. Expectations have not been reached throughout the post-independence era, and in addition to domestically based procedures, a portion of this failure must be attributed to the experience globally of the political economy of development. Thirty years after Kwame Nkrumah said, Seek first the political kingdom, and everything else shall be added unto you, in response to Ghana's independence, Chinua Achebe said, we sought the political kingdom, and nothing has been added unto us a lot has been taken away. The economic kingdom did not follow, mostly due to the fact that all economic kingdoms are intertwined with the global history of capitalism in ways that include history, race, politics, geography, gender, and other factors rather than on an equal footing. In the case of Africa, economic kingdoms were left over from a previous nightmare in which other people-controlled power and the global democratic dream was still decades away. In conclusion, someone else had the wad of cash, and John Maynard Keynes once said that the significance of money ultimately stems from its being a connection between the present and the future. The previous two s have discussed how this connection is institutionally organized to control and manage economic activity inside markets.

REFERENCES:

[1] S. Connelly, 'The Tuna Bond Scandal: The Continued Lack of Transparency in Bank-to-State Credit Facilities Agreements', *J. Int. Econ. Law*, 2021, doi: 10.1093/jiel/jgab029.

[2] M. Chen, 'Infrastructure finance, late development, and China's reshaping of international credit governance', *Eur. J. Int. Relations*, 2021, doi: 10.1177/13540661211002906.

[3] A. Klochko, M. Kurylo, O. Kvasha, Z. Zahynei, and M. Logvinenko, 'Combating crime in the banking sector as a method for ensuring its stability (evidence from Ukraine)', *Banks Bank Syst.*, 2020, doi: 10.21511/bbs.15(1).2020.14.

[4] A. Demirgü-Kunt and L. Servén, 'Are all the sacred cows dead? Implications of the financial crisis for macro-and financial Policies', *World Bank Res. Obs.*, 2010, doi: 10.1093/wbro/lkp027.

[5] L. Rajnović and J. Subić, 'Corporate bonds as a way of financing companies in the Republic of Serbia', *Ekonomika*, 2021, doi: 10.5937/ekonomika2104091r.

[6] N. OVSIUK, Z. SHALIIEVSKA, and K. HULKO, 'Financial statements as the main source of information on the enterprise activity', *Econ. Financ. Law*, 2021, doi: 10.37634/efp.2021.11(1).5.

[7] B. Wessels and S. Madaus, 'Business rescue in insolvency law in europe: Introducing the ELI business rescue report', *Int. Insolv. Rev.*, 2018, doi: 10.1002/iir.1306.

[8] P. R. F. Matos and J. de Jesus Filho, 'On the drivers of BNDES credit to Brazilian state governments', *J. Financ. Econ. Policy*, 2019, doi: 10.1108/JFEP-06-2018-0088.

[9] E. A. Zvonova and A. V. Kuznetsov, 'Scenarios of world monetary and financial system development: Opportunities and risks for Russia', *World Econ. Int. Relations*, 2018, doi: 10.20542/0131-2227-2018-62-2-5-16.

[10] V. KOLOSOVA, 'Trends in the transformation of Bretton-Wood organizations in global space', *Fìnansi Ukraïni*, 2020, doi: 10.33763/finukr2020.08.072.

CHAPTER 6

A BRIEF INTRODUCTION ABOUT BRITISH MARKET MAKERS

Dr M H Sharieff, Professor ,
Department of Marketing, CMS Business School, Jain (Deemed to be University), Bangalore, Karnataka, India,
Email Id:dr.sharieffmh@cms.ac.in

ABSTRACT:

The Dynamic Landscape of the British Market, driving economic development, influencing trends, and changing industries via strategic decision-making, investments, and market interventions. A member company may choose to register as a market maker in one or more securities, but this position has responsibilities that must be met. A market maker must, at a minimum, set prices and trade on the order book, off the order book, or both. In this chapter author is discusses thecorporation operations.

KEYWORDS:

British, Corporation, Development, Market, World.

INTRODUCTION

This offers a case study of the British state, which has been a major source of power in the international system, to show the historical evolution of the global multiplier that sits at the center of the political economy of development. In order to govern and police such economic regions in favor of British businesses, the Commonwealth Development Corporation, Export Credit Guarantee Department, and Crown Agents are largely used to represent British economic dominance in the border zone.

Despite the fact that they were all partially privatized in the 1990s, they are all ultimately funded by the Government. The British Empire served as the foundation for each of these organizations. So, although while the Department for International Development (DfID) serves as the focal point for problems related to development, it is really a minor portion of the much bigger business of UK plc. A cynic would even claim that the British outreach's emphasis on social assistance is really a public relations stunt for the country's other, more lucrative industries [1].

It might also be likened to the visible portion of the iceberg that is leading a broader group of organizations that are focused on capital export.

Although the Crown Agents oversee global logistics and supply for the UK, World Bank, and Japanese bilateral assistance funds, the CDC and ECGD are the bilateral institutions of economic intervention, the former via investments and the latter through trade and investment insurance. They make up the submerged portion of the bigger iceberg together. In the past, the CDC and ECGD have both given out export credits and development financing that exceed the funds under DFID management. These organizations are figuratively situated in the internationalized or, to use Bayard’s word, extraverted portion of the frontier state, which is centered on the globalized economy as a whole. We will first look at each one individually, then assess how they all work together to advance a neoliberal global economy [2].

DISCUSSION

The Common Wealth Development Corporation

After a war in which, as George Orwell noted in 1939, six hundred million disenfranchised human beings would fight for the Franco-British alliance against Nazi Germany as members of their combined empires, hardly a coalition of democracies, the Colonial Development Corporation was established as the Colonial Development Corporation in 1948 by Act of Parliament. During the Second World War, even the British Ministry of Information had noticed that: By claiming to the world at large that we are fighting for human freedom, we cannot afford to treat the colonial peoples inhumanely. The emergence of the developmental discourse and associated institutions, such as the CDC, somewhat compensated this issue of a democratic deficit. The Colonial Office was alerted to the possibility of resistance even in 1937 and 1938 due to violent riots in the West Indies against colonial authority, increasing movement for independence in India, and the publication of Lord Hailey's harshly critical African survey in 1938.

The Colonial Development and Welfare Act that the government issued in 1940 offered £55 million over ten years, followed by a similar act in 1945 that promised £120 million over ten years. Moreover, Roosevelt and Churchill felt compelled to support the Atlantic Charter in 1941, a call for the restoration of sovereign rights and self-government to those who have been violently dispossessed of them. Hence, the British Empire was experiencing a legitimacy crisis in the colonies as a result of the massive military duty extracted from the people of the colonies, pre-existing resistance, and the extravagant promises made during the war in order to acquire supplies. In this light, Sydney Caine, the Secretary of State for the Colonies financial adviser, advised the Secretary of State for the Colonies in 1943 that it was necessary to establish a body independent of existing authorities to conceptualize and carry out major projects, preferably as a company dressed in a business suit but acting as the government's agent. Before US President Harry S. Truman invents poverty and underdevelopment in his Four Point Program of 1949, such a group was founded in 1948.

In order to prevent uprising as the hopes for freedom that had been aroused throughout the war were dashed and postponed, the Truman address needed to refocus on the basic necessities of the peoples in the South.

A chronology of further significant CDC historical events is presented. To generate hemp fiber, CDC buys Borneo Abaca Ltd. The region, which generated 7% of the world's production in 1996, was introduced to palm oil by BAL in 1957. UK Prime Minister Clement Atlee names Lord Reith CEO of the CDC in order to provide a solid foundation for expansion. The first query is if CDC is shifting away from real development and becoming into a financing house.

The organization changes its name to the Commonwealth Development Corporation when the former British colonies gain independence. CDC is granted permission to make investments beyond the Commonwealth in an effort to have a greater influence in underdeveloped nations. The loan portfolio of CDC totals £385 million. and the first on the Indian subcontinent is an investment in Bangladesh. Tony Blair, the prime minister of the United Kingdom, declares that CDC will become a public-private partnership so that it may profit from cooperation with the government and involvement from the business sector.

1948 Act Tailed

the responsibility of ensuring the study, creation, and execution of schemes for developing colonial territories' resources with a view to producing food and raw materials there, as well as for other agricultural, industrial, and trade development. Article 7 states that it shall have special respect to the interests of the people and Clause 15 mandates that income and costs must balance year over year. This means that the corporation must plan on a commercial basis for a small profit. Lord Howick, who served as the CDC's chairman from 1960 to 1972, subsequently described this Act as admirably flexible, with the exception of the strict provisions of funding only via loans. In fact, the Sinclair Committee subsequently criticized this exemption in 1959, but the Government nevertheless disregarded its call for equality. The CDC was mandated to maximize development, not profit, but. Function in a businesslike way. Although there were issues at the actual investment sites, this was an experiment and a forerunner of the application of ethical corporate governance, maintaining a triple bottom line, if not in accordance with environmental concerns at least in accordance with economic, social, and developmental prerogatives.

The CDC saw its mission as to demonstrate that viable projects could be found in developing countries in order to lower the real and perceived risk to other investors. It would augment capital flows, and it did so with the original intention. The UK Government hasn't noticed any overt conflicts between the CDC's commercial and developmental goals for the majority of the Corporation's history. In fact, in 1994, when the CDC was under review, the UK Government declared that the CDC's role as a provider of direct private investment was, in fact, of developmental benefit [3]. In contrast to the more orthodox viewpoints of the Colonial Office and later the Overseas Development Ministry, the Corporation's policies have always been liberal and participative. The Corporation saw its primary responsibility as of 1948 to be improving the quality of life for the rural people, and it believed that encouraging higher agricultural output would have the most immediate impact on this goal. Given the structural position of the colonies in the global economy and the sterling area, it was already in 1949 bargaining between two sets of interests those of the British state, which financed it, and the specific interests of the people it would employ abroad.

They thus asked the British Government in 1949 to give pricing strategies and the relative position of the main producers in the UK markets closer attention. Although from 1964 to 1974, it reclassified its agricultural processing plant as industry in a gesture toward the new independent governments, who tended to claim that their countries had been exploited by the former colonial powers as merely producers of primary products and to look to rapid industrialization as the key to economic progress. Its early interest in agricultural production also remained central to its portfolio. It successfully managed extremely large plantation systems and was a pioneer of the core-satellite estate contract farming model, similar to the Kenya Tea Development Authority model. The Colonial office pressured the corporation into large-scale food production and uncommercial ventures in its early years, which resulted in significant losses, as Rendell claims there was insufficient attention paid to land titles and contractual arrangements. This was due to the immediate needs of the British Empire and the general lack of dollars in the sterling area. It is desired that colonial peoples be able to comprehend, approve of, and cooperate in the Corporation's ideas and aims, the CDC said in a 1950 report. A rationale for future operations, which would start from the needs of the overseas territories themselves, was being worked out by 1955, but financial restraint, staff shortages, and the 1956–1963 British

Government investment ban mitigated against the policy, putting the CDCs future at risk from slow strangulation as its operational area shrank. Raising living conditions on a footing which may continue permanently after expatriate help had been removed was part of the CDC agenda.

Small holder agricultural programs, development firms that promote indigenous entrepreneurs, and home construction were prioritized since they were thought to directly benefit the person. Because to the special nature of these projects, CDC management duties were necessary, despite persistent official disfavor, as seen by the official regulation that said no solo projects, which was only grudgingly lifted in 1961. The Corporation asked the donor nations to increase rather than decrease their financial support in 1973 as a result of the sharp rise in oil prices and to have a better knowledge that the prosperities of the Industrialized and Developing Countries are inextricably connected. Demands for independence put the Corporation in an awkward position since they threatened its future while also ultimately reshaping it. After the death of the Far East Regional Controller in 1954 during the Malayan Emergency, colonial administrations on termination notice grew unwilling to take the initiatives that big development programs typically demanded. Land tenure was a difficulty, and the Mau uprising and post-colonial nationalizations of estates owned by CDC's commercial partners in Kenya and Tanzania, respectively, hampered activities.

The British Government's restriction on all new investments after a nation gained independence made matters worse since it hindered inquiries because the project would be deemed out of time. Reith, the CDC chairman, organized opposition against the permanent exclusion of the CDC from the newly independent nations during the passage of the Ghana Independence Bill in Parliament. He feared that this would when the government's judgment could not be overturned, make every attempt to get the exclusion mechanism amended, since this would mark the end of the Corporation as a distinct, functioning business. This served as the crucial basis for Lord Howick's persistent and effective effort for reinstatement in 1962–1963. The CDC's limited independence from the British Government finally served its purpose. Any indication of direct British Government involvement in the Corporation's operational choices, as Rendell writes at the time, would have seriously harmed the Corporation's acceptance by the majority of foreign countries, both before and after independence. The Corporation has in fact seen firsthand how problems often resolve themselves when local rumors that CDC's decisions were influenced by Whitehall are debunked.

Company Activities Continued in Newly Independent Nations

The British connection under circumstances that patriotic sensibility would have deemed unacceptable if carried out by a body directly under British operational direction. government. With the promotion of local residents and the presence of the Regional Controller and office, which took the edge off the expatriate image, vital for maintaining good relations, the Corporation arguably became the only accept representative of the British state. These remarks highlight the CDC's ongoing efforts to restore legitimacy to British business and governmental interests. The CDC was awarded the 1961 Financial Settlement, primary responsibility for keeping its own portfolio in a healthy state of balance, and restoration of the autonomous territories in 1963. As balance of payments issues started to loom, the CDC started publishing reports on its contributions to British exports and hidden revenues. At the same time, it backed requests for greater funding by highlighting its catalytic role in luring World Bank and IDA funding to the Commonwealth. Its future had been secured, and when the conditions of the

Exchequer loans were progressively loosened, growth became possible. A small amount of interest-waiver money was granted in 1965, setting out the idea that Treasury loans to CDC may have their interest rates subsidized. A watershed in the CDC tale occurred in 1967–1968.

The CDC was created as an integral component of the Aid Programme; the 1967 framework settlement permitted four-year planning and otherwise allowed the Corporation to run its own affairs; and the 1968 Treasury decision to roll over unused Treasury quota provided for greater financial flexibility. House of Commons Select Committees gave the CDC high marks in 1968 and 1970, and an Act of 1969 authorized it to operate beyond the Commonwealth with ministerial agreement in each nation. It also doubled its borrowing capacity and the Treasury's lending limitation. When the Treasury eventually agreed to approve an overt, fixed rate of 3% subsidy for renewable natural resource projects in 1972–1973, a new kind of concessionary money enabled it develop quickly starting in 1970. The CDC was able to create and reinvest in a lattice of interdependent arrangements with other IFIs that it had been developing from its inception thanks to the incorporation of the CDC under the official aid agenda of a Labour Government. In this way, it assisted in introducing the newly independent African colonies' governments to the larger global IFIs and served as a handmaiden of globalization. With the CDC serving as the head of the committee supervising the common affairs of the entire bourgeoisie, to misquote Marx, this helped to collectivize control over the reintegration of independent African nations into the global economy.

The Kariba Dam project in the former Central African Federation was co-financed by the CDC and the World Bank as early as 1950, making it far the biggest single CDC investment at the time. The first project that the IFC and Netherlands Development Agency collaborated on was the Kilombero Sugar Company in Tanzania in 1960. This project was later transferred to the Tanzanian government due to funding issues caused by the IFC's constitutional ban on holding common stock at the time and CDC's reluctance to contribute enough equity. The CDC began working with the World Bank and IDA in 1964 on the growth of the Kenyan tea industry, and by the early 1970s, it was collaborating with the EC and World Bank on oil palm farms in Cameroon. While this was going on, East African development firms served as a venue for the co-operation of European development agencies. By 1969, Washington, D.C.'s foreign development organizations and IDPs had excellent connections. CDC officials received formal invitations to participate at meetings of the Development Assistance Committee of OECD in Paris as a result of the European national agencies. Sir Andrew Cohen, the Ministry of Overseas Development's Permanent Secretary, said in 1968 before the Estimates Committee of the House of Commons.

I know the World Bank shares the Ministry of Overseas Development's opinion that the CDC is most likely the most effective kind of help offered by this nation or anyplace else in the world. This was confirmed by Robert McNamara, president of the World Bank, who described the CDC as a unique organization which has the way to the rest of us in 1971. A number of agricultural collaborations between the World Bank and CDC, as well as a contract under which CDC conducts agricultural research on the World Bank's behalf. Throughout the 40 years after 1968, the CDC and the other bilateral and multilateral agencies interacted financially and operationally, but how they did so varied over time. In fact, CDC went on to demonstrate remarkable adaptability, experimenting with various ways to work with the private sector, particularly as a lender, minority shareholder, joint-venture partner, independent project promoter, and venture capitalist. In other words, after government reviews held roughly every ten years, CDC changed

its operating character to match trends in development practice, or, as Tyler puts it, demonstrated a remarkable capacity to m It functioned as a Development Bank from 1964 to 1983, concentrating on the then-popular rural development, particularly small-holder agriculture where large profits weren't anticipated.

The CDC resembled the World Bank in terms of its emphasis on lending to governments for rural development following the 1975 Ministry and CDC review, which prioritized investments in Renewable Natural Resources, in line with a political environment that was critical of private sector exploitation and supported a state-led nationalistic model. Direct loans were given to corporations, state-owned businesses, statutory agencies, and governments, sometimes with a government guarantee. The goal was to ultimately transfer any ownership stakes to the national governments and localize administration. However, there were also large white elephants like the Southern Paper Mills venture in Tanzania and the parastatal Smallholder Sugar and Coffee authorities in Malawi, which eventually failed despite charging enormous rents to growers.6 Some CDC money was loaned for the purpose of nationalizing ventures on behalf of governments, such as for the Kilombero Sugar project in Tanzania. Overall, from 1975 to 1979, public sector partnerships predominated and little work was done with the private sector: 46% of projects were co-financed with the World Bank, 93% with a government or state agency, and just 29% included private sector involvement. Up until 1979, only three of the 40 new African agribusiness ventures financed by CDC between 1964 and 1983 were under the authority of private sector partners; one of them, Zambia Sugar, was later nationalized [1], [4].

When a loan was given to a government, Tyler summarizes this time as one in which it was difficult to determine the sustainability of individual initiatives, and that: Most of the time, sustainable agricultural operations were developed, but they often came at an excessive financial cost to the relevant governments, which in turn exacerbated the Third World debt issue. In reality, CDC has been contributing to the unsustainable expansion of the bureaucracy in the African public sector. At the time of the 1986 Overseas Development Administration Review, it was clear that investments in plantation agriculture and agribusiness in sub-Saharan Africa were considered to be high risk and poor return, characteristics that emphasized CDC's sizable exposure. After this ODA Review, a very negative Overseas Development Institute Assessment on the CDC's risk assessment assessed 14 projects and found that risk was seldom managed systematically and that risk treatment was often short and desultory. The CDC altered along with the shift in political trends. Tyler claims that from 1984 to 1994, the CDC operated as a Development Finance Institution (DFI) more akin to the IFC than the World Bank due to a perceived failure of state-led development.

The Thatcherite approach was paralleled in the 1985–86 ODA and CDC review, which placed a stronger focus on projects involving the corporate sector while weakening the aim for renewable natural resources. To prevent market distortions, CDC was told to achieve profitability levels comparable to the private sector. The 1980s model did, however, have a flaw: it still had developmental ambitions and bureaucratic inclinations, and it attempted to cooperate with and compete with private businesses. It was able to afford to fail more often, and it did fail frequently, but in the end, it was decided that CDC could only realistically be expected to operate commercially at private sector levels in developing nations and to compete fairly if it was under the direct ownership of private investors. When the CDC experimented with methods to privatize first the whole of itself and then a portion of itself from the 1990s to 2004, this conflict served as the impetus for the organization's subsequent adjustments. The mid-1990s assessment was

conducted at a time when CDC, along with the majority of other UK parastatal businesses, anticipated privatization. As a result, reforms to CDC included making it more privatisable, more liquid, and with good market rates of return on loan and equity. It was believed that development prerogatives had trumped professional commercial investment in the development of globally competitive enterprises. The solution, it was determined, was to specialize in world-class sectors where CDC had expertise and the targeting of venture capital investments in profit new sectors like telecoms and information technology, while incorporating separate venture capital funds with specific foci for other remaining parts of the portfolio. With New Labor's 1997 declaration that CDC would actually become a public-private partnership, equity investments were prioritized to the extent that financing all but ceased.

It was a statutory body until the CDC Act of 1999, when it was changed into a limited liability corporation called CDC Group plc. All of the company's shares were currently held by the British government, although attempts were undertaken to locate a partner from the private sector to acquire a majority stake. The portfolio was notionally divided into two in order to make it marketable, with CDC Capital Partners serving as the new-style private equity investor and CDC Assets serving as the old-style development organization. The latter's assets, mostly old loans, were to be liquidated via debt servicing and the sale of any equity shares, with the proceeds going toward financing the new, fully commercial investments of the more recent incarnation. The majority of these enterprises were placed under the CDC Assets umbrella to be sold off since the new top management brought in to spear-head privatization regarded agriculture as typically too low profit and CDC's previous portfolio as having a negative reputation. To reflect it's new for sale rather than going concern status, the portfolio of agricultural businesses was written down from $278 million in 1999 to £213 million in 2000.

The amount of assets sold off, some to management and others to specialized investors, caused the portfolio proportion of agriculture at CDC to drop from 20% in 2000 to 5% in 2005. This did not, however, prevent a new joint venture, Aureus Capital, established in 2001, from locating fresh investments in African agriculture, the food industry, and other industries at market prices. For the purpose of managing current and promoting future national and regional venture capital funds for Africa and internationally, Aureus is owned by CDC, Nor fund, FMO, and its management team. The idea of CDC Capital Partners was abandoned since, by 2002, CDC as a whole still hadn't secured a private investor at conditions that the UK Government would approve. The majority of the former senior staff of CDC own Actis, a fund management company that operates in emerging markets as a private equity fund and which was to become the main source or driver of the super profits recorded in 20077. CDC was thus not technically privatized, as the government instead chose to privatize just the management function. This was accomplished in 2004. Although though both companies have autonomous and distinct boards, the British Government still owns the majority of CDC and 40% of Actis via DfID. CDC makes investments in Actis funds and keeps tabs on Actis' effectiveness in its role as fund manager.

Both CDC and Actis are free to invest in emerging market funds marketed by other fund managers besides Actis. Actis is free to invite third parties to participate in its products. Without the drag of projects with a bad reputation, CDC has been unbundled, with Actis handling the majority of CDC's portfolio and Aureos managing smaller venture capital funds. As a result, over the course of its longer history, CDC gradually withdrew from direct investment in profitable businesses and, more recently, from direct involvement in domestic financial institutions. Instead, it transformed into a fund of funds for private equity in emerging markets,

choosing to invest its own money with Actis, which it has continued to favor since 2004. Consequently, the employees of the CDC and the government essentially contract out the use of public funds to a limited liability partnership. The CDC beat the MSCI Emerging Markets Index by 20% in 2007, thanks to the efforts of its fund managers, whose net assets grew by 33% and total post-tax returns were £672 million. In comparison to £375 million in 2006, these returns indicate a total return after taxes that climbed by 79%, while the annualized return on investments was 33%. By the end of 2007, the CDC still owed £1.4 billion to 100 funds with 42 managers, and its net assets had grown from £2 billion to £2.7 billion, sparking new discussions about privatization. As a result, criticism of Actis's increased and sometimes dubious revenues as well as the integrity of its initiatives has increased.

Actis promotes activities that many people would just ostensibly classify as developmental. The fund manages 62% of CDC's committed money as a recent example, it recently had the responsibility of overseeing a portfolio of electricity assets that included Globule. The sale of Globule's businesses in Asia and South America in 2007 for £621 million resulted in profits of £281 million, or more than a third of Actis's overall return for that year. Globule, a company founded by Actis, acquired energy generation and distribution assets in Asia, Africa, and Latin America. Many of these assets were privatized by closely related institutions like the Crown Agents and the CDC, including the recently privatized Umeme electricity distribution network in Uganda. Bilateral development financing and project money that were given to big MNCs to modernize power plants before privatization have further raised the value of these assets. The $167 million worth of electricity assets in sub-Saharan Africa still belong to Actis, which also employs Globule employees on its core business development team. Recently, CDC deposited an additional $750 million in cash for further investments via the fund in sub-Saharan power assets. But, there is already a lot of data demonstrating how lacking Meme and Globule's development credentials.

Ugandan customers sued Umeme for price increases, and a research by War on Want UK questioned Globule's track record for development, notably in the instance of Ugandan privatization. In practice, coordinated British bilateral aid delivery mechanisms have led to an increased British stake in the business of power generation and distribution in Anglophone African countries, particularly in the post-privatization period, through both technical assistance contracts and derivative business to power companies. In the energy and mining industries in Africa from 2000 to 2007, British businesses received supplier contracts for a total of $223,427 million, according to the World Bank's procurement database. Several of these initiatives, in which UK consultants and suppliers worked closely with the World Bank, also received cross funding from UK bilateral organizations. The CDC management who acquired Actis after the privatization of a portion of the company benefited personally from this well-executed initiative as well. CDC's management function was acquired for £373,000 under the direction of senior partner Paul Fletcher, which Private Eye, citing an executive familiar with the transaction, thought to be too cheap [5]. Private Eye said that many of the beneficiaries of the sale of the 60% became multi-millionaires, while government data estimated the remaining portion to be worth between £182 and £535 million. In 2007, CDC committed to 31 new funds, including 16 new fund managers, as it sought to diversify its investment portfolio, which includes large buyouts, venture capital, microfinance, mezzanine finance, small to medium-sized enterprise, and sector-specific funds. This was made possible by the company's excellent profitability. This is good news for those who favor a neoliberal approach to reducing poverty because, as CDC

CEO Richard Laing summarizes, it is only possible to defeat poverty through the generation of wealth. Similarly, Allan Gillespie, head of CDC Capital Partners, responded to Tony Baldry, then chair of the International Development Select Committee, who accused CDC of putting profit before poverty relief, in 2002, by saying, We don't carry the socially responsible As an illustration of this social obligation, CDC, through Actis, invested 19.1% of its capital in Diamond Bank plc of Nigeria, the first bank from a West African country to float on the Professional Securities Market of the London Stock Exchange. In other words, notwithstanding its low quality in that area, profitable private wealth growth that is supported by public subsidies is now touted as developmental [6]–[8].

CONCLUSION

By injecting liquidity, market makers aim to maintain the market's operation in the financial sector. They do this by making sure that transaction volume is sufficient to allow for flawless deal execution. Investors may purchase or sell securities more rapidly or in larger quantities thanks to market makers. In terms of money, they provide the market liquidity and depth. Markets are robust because market makers supply liquidity and depth during times of turbulence when other players would not. They may control this risk by transacting rapidly on the other side and earning compensation known as the bid and ask spread, but they primarily need to hedge their position by using a different product to counter their risk.

REFERENCES:

[1] S. Bracking, ‘The British Market Makers’, In *Money And Power*, 2017. Doi: 10.2307/J.Ctt183p82d.9.

[2] P. Mayer, C. S. Ball, S. Vögele, W. Kuckshinrichs, And D. Rübbelke, ‘Analyzing Brexit: Implications For The Electricity System Of Great Britain’, *Energies*, 2019, Doi: 10.3390/En12173212.

[3] P. N. Puthusserry, Z. Khan, And P. Rodgers, ‘International New Ventures Market Expansion Through Collaborative Entry Modes: A Study Of The Experience Of Indian And British Ict Firms’, *Int. Mark. Rev.*, 2018, Doi: 10.1108/Imr-01-2017-0001.

[4] A. Knotter, ‘Transnational Cigar-Makers: Cross-Border Labour Markets, Strikes, And Solidarity At The Time Of The First International (1864-1873)’, *International Review Of Social History*. 2014. Doi: 10.1017/S0020859014000443.

[5] D. Finn, ‘The “Welfare Market” And The Flexible New Deal: Lessons From Other Countries’, *Local Econ.*, 2009, Doi: 10.1080/02690940802645471.

[6] S. Pysarenko, D. M. Ren, And O. Kubatko, ‘Market Expectation Shifts In Option-Implied Volatilities In The Us And Uk Stock Markets During The Brexit Vote’, *Invest. Manag. Financ. Innov.*, 2021, Doi: 10.21511/Imfi.18(4).2021.30.

[7] M. Weiss, ‘Varieties Of Privatization: Informal Networks, Trust And State Control Of The Commanding Heights’, *Rev. Int. Polit. Econ.*, 2021, Doi: 10.1080/09692290.2020.1726791.

[8] S. De Benedictis, K. Allen, And T. Jensen, ‘Portraying Poverty: The Economics And Ethics Of Factual Welfare Television’, *Cult. Sociol.*, 2017, Doi: 10.1177/1749975517712132.

CHAPTER 7

NEOLIBERALISM AND THE FRONTIER INSTITUTIONS

Dr Monoo John, Associate Professor,
Department of Entrepreneurship and New Venture Creation, CMS Business School, Jain (Deemed to be University), Bangalore, Karnataka, India,
Email Id:dr.monojohn@cms.ac.in

ABSTRACT:

Nowadays, the term neoliberalism is used to describe market-oriented reform initiatives such as eliminating price restrictions, deregulating capital markets, decreasing trade barriers, and cutting state power in the economy, particularly via privatization and austerity. Globally, the implementation of neoliberal policies has resulted in a slew of negative socioeconomic repercussions, including greater poverty, unemployment, and a worsening of income inequality. In this chapter author is discusses thecrown Agents.

KEYWORDS:

Agents, Bank, Development, Private, Public.

INTRODUCTION

The Department of Export Credit Guarantee (ECGD) does not actively make investments, but without it, the private sector would not be able to either. As a result, it serves as a facilitator of trade and investment since economic interchange would not be possible without insurance coverage. In this regard, ECGD also functions as a market maker and a steward of both public and private liquidity. It is a department that benefits from the Treasury's sovereign guarantee for its investment portfolio, encourages long and big enterprise, and provides export credit to the world's poorest nations when the private sector is unable to engage due to so-called country risk. They have sometimes been in the headlines for their involvement in some of the most infamous major dam projects, such as the Ileus in Turkey, which forced many Kurdish people to flee, the corrupt Lesotho Highlands Water Project, and the Turk well Hydroelectric and Ewes Ngoro dams in Kenya. A persistent social movement aims to reform ECGD as well as other export credit organizations throughout Europe and the world. Although ECA Watch leads the worldwide effort and FERN is an organization working on European ECA reform, Corner house in the UK evaluates the effectiveness of ECGD [1]–[3].

The ECGD also developed as a channel for the insurance of significant shipments of weapons during the early years of New Labour in the late 1990s. While the Conservatives were in opposition, Robin Cook expressed worry that they had seen the ratio of ECGD insurance for military equipment increase from 7% of all capital goods to an alarming 48%. Nevertheless, this increased once again to a greater 52% in the fiscal year 1998–1999 when Robin Cook was appointed Foreign Secretary. ECAs are also known for supporting more mining, oil, and gas projects than any other kind of multilateral development bank, including the World Bank Group. In poor nations, half of all new industrial initiatives that produce greenhouse gases are supported in some way by ECA.

The Jakarta Declaration for Reform of Official Export Credit and Investment Insurance Agencies, which has been approved by over 300 Organizations, was created in 2000 as a result of this issue with their development function as well as a long history of affiliation with bribery and corruption. To escape social regulation, ECAs are skilled at using the national economic interest card. For instance, in the British situation, the International Development Committee, leading a Government review in 1999, asked the ECGD to follow best practice in investing, but the ECGD successfully refuted ethical regulation with the claim that doing so would damage competitiveness. To put it another way, they successfully argued against the Government imposing unilateral regulation on the basis of best practice by asserting that their clients would be priced out of the market in comparison to other national competitors like French and German firms. However, some commentators considered this to be not such a bad thing in light of arms to Indonesia and the forced eviction of Kurdish people to make way for the Ileus Dam.

The International Development Committee deferred making a decision in this case and suggested that any change be incorporated into internationally agreed-upon reform plans with other ECAs in the OECD Consensus Group. This was done in recognition of the collectivized but competitive interests of the businesses of the richer states and the transnational regulatory framework that they adhere to. Of course, similar claims are made by other national organizations as well, such the export credit insurance programs HERMES in Germany, COFACE in France, and DUCROIRE in Belgium, which are all owned or financed by the government.

Governments placate them as they each make national arguments for a competitive advantage, but the overall market and market abuses continue to expand. The strength and risk appetite of other types of financial institutions, the age and experience of the ECA, the support it receives from the public and private sectors, and its geographic region are just a few of the variables that affect ECA activity levels globally, according to Gianturco's summary. Support for exporting is strongest among the Asian ECAs when compared geographically. In the same year, ECAs in North America supported an average of about $46 billion in exports annually while those in Western Europe supported approximately $10 billion. In 1996, South American ECAs averaged just $50 million, Central and Eastern European ECAs averaged $276 million, while African ECAs covered an average of $881 million.

As a result, the market is sizable, and the subsidy to theoretically free commerce across borders is pretty remarkable, which helps to explain why it is so difficult for developing nations to join the exporting club. Although accounting for around 24% of the overall debt and 56% of the official debt of developing countries in 1996, and after expanding their new pledges from about $26 billion in 1988 to $105 billion eight years later, ECAs, for the most part, have neither developmental mission or duty.

The more obscure ECAs, according to the International ECA Reform Campaign, have as big, if not bigger impacts on the process of globalization because they are the largest class of public IFIs in the world, surpassing the size of the World Bank Group. This is despite the WTO and World Bank's growing visibility. Recent estimates place the amount of mid and long-term transactions supported by ECAs at $50 to $70 billion yearly, the bulk of which are substantial infrastructure and industrial projects in developing nations. Even the World Bank Group is hesitant to promote these transactions because of the potential for negative publicity since they often take place in the dirtiest sectors.

DISCUSSION

Crown Agents

The Crown Agents is the oldest organization in the British border state. Its contemporary name and some of its predecessors date back to 1749, when certain agents were also permitted to accept and account for gifts from the British Treasury made to the colonies they represented. These agents, who came to be known as crown agents, were chosen by the Crown on the British Treasury's recommendation. As colonial development and commerce accelerated in the second half of the nineteenth century, the need for ports, trains, roads, and bridges increased, and the Agents General/Crown Agents were often requested by their principals to oversee their construction. The Office acquired and transported the required materials and equipment, obtained loan funding, hired consulting engineers for the design work, and project managed the work until completion. So, before the contemporary age of assistance, the Crown Agents were founded to lower costs and promote efficiency in the purchase of products and services for the Crown Colonies, especially in the raising of development funds.

For instance, Crown Agents had already obtained more than £450 million for its principals via more than 200 loans before the start of World War II. Due to the reconstruction and development projects after World War II, Crown Agents had significant growth in the fields of engineering consulting, turnkey projects, credit financing, and fund administration. Also, they participated on their own behalf in the secondary banking and real estate markets. Due to the significant losses experienced by Crown Agents as a result of the global financial crisis in the middle of the 1970s, the 1979 Act established Crown Agents as a statutory corporation that would be overseen and answerable to the Minister for Overseas Development on behalf of the Secretary of State, who also appointed members of its board. Since then, Crown Agents has focused on providing agency procurement, shipping, and inspection services, as well as consultancy services primarily in the areas of economics, infrastructure, and natural resourcesas well as banking, fund management, and human resource development [4]–[6].

The idea of privatization was being discussed in the late 1980s, and an early institutional change was to establish Crown Agents Financial Services Ltd. as a distinct subsidiary company in 1989 to serve as a bank and a source of financial services for the parent company of Crown Agents, its other subsidiaries, and its customers. When regulatory authority in the UK shifted, the Bank of England and the Financial Services Authority took over regulation of CAFSL as a bank. The name of CAFSL was changed to Crown Agents Bank Ltd. in 2006. The Crown Agents for Foreign Governments and administrations Ltd, a private limited business that is 100% owned by The Crown Agents Foundation, a newly established holding company, was finally completely privatized in 1997, ten years after a change of status was initially mooted. NGOs, charitable organizations, major corporations, and even academic university departments including Leeds Metropolitan University, the School of Oriental and African Studies, the Institute of Development Studies at Sussex, and others are members of the Foundation. When it was privatized, it was not just a running business as a consulting firm with a sizable market share, but it also held assets like the ruins of old Imperial ships, ports, cars, and other things.

Regarding the duties of the Crown Agents, their successful entry into the assistance financing industry was made possible by their developing ownership structure. Crown Agents, a non-departmental public agency, received constant encouragement from the CDC and Natural Resources Institute to expand business with other international and bilateral organizations

throughout the 1980s and 1990s. It was successful in this, integrating itself into the global assistance infrastructure for derivative supply and logistics industry. By 1994: The Crown Agents' revenue from donors and beneficiaries of multilateral assistance has climbed to over 20% of their total revenue. In the last two years, revenue from World Bank projects has tripled.

In fact, Crown Agents has shown to be skilled at pursuing successful policy fads and agendas. Early in the 1990s, Crown Agents emerged as a major supplier of consultancy services in terms of the New Public Management agenda, offering guidance on public sector modernization and revenue management. Crown Agents did this by closely following the developing aid agenda on both privatization and transparency and accountability. The modernization of public revenue, nuclear safety, and customs reform all received specific interventions. For instance, Mozambique hired Crown Agents to manage its customs operation in 1996. Crown Agents grew as a result of these initiatives, notably the wave of privatizations, and by 2001 it was working for multilateral and bilateral donors on projects with an estimated annual value of $6 billion. By 2007, it had project offices in many other countries, agents in another six, and activities in 25 other nations, many of which were via locally formed businesses.

It currently has country offices in London, Japan, and the United States. Since its inception as a procurement agent for the Japan International Co-operation Agency, Japan Bank for International Co-operation, and Japan International Co-operation System in 1987, it has managed over 130 projects worth a total of 189 billion yen. In an ironic complete circle, Crown Agents, a global leader in debt management, was recognized for its assistance in assisting Nigeria to cancel $18 billion in debt when it was voted the Big Consulting Business of the Year 2006 at the annual British Expertise International Awards. In this capacity, DfID funded Crown Agents' technical assistance while working closely with the Commonwealth Secretariat to establish and then support a Debt Management Office in Nigeria starting in 2000. This office later developed into a world-class debt management office, and its credible database and improved transparency, efficiency, and professionalism in debt management provided vital technical support to negotiations with its creditors, efforts that were later largely responsible for the country's economic growth.

While certainly not theorized as they are here, the Conservative Government in 1979 was eager to boost the economic advantages to the UK of all the operations of the border institutions. The CDC's objectives for developing nations and renewable natural resources were scaled down by the Overseas Development Administration's Policy Assessment of the CDC in 1980, while the 1986 Review suggested increasing private sector support for CDC projects. A examination of the CDC's performance and efficiency with an eye toward eventual privatization was sent to the Monopolies and Mergers Commission in 1991. Notwithstanding MMC's recommendation for higher commercial lending rates, a CDC official said that the lack of enough profitability was the reason why it was not privatized. The Conservative Government's privatization agenda was extended to the ECGD in order to reduce the Treasury's liability in this area, but the ECGD did not escape the privatization of its short-term export insurance operations in 1991, with a significant portion of the ECGD portfolio being sold to a Dutch company, NCM. Nonetheless, as shown by the high rates of ECGD activity in the 1990s and 2000s, the demand for ECGD's remaining services in long-term bilateral trade insurance, where the private sector won't go, did not thereafter decline. As we saw above, The Crown Agents underwent privatization in 1997, and CDC finally did the same from 2000 to 2004. As a result, in the 1990s, all the key development financing institutions were relocated into the fron-tier state of fictitious private

mediators. From a developmental standpoint, the privatization of the CDC was the most alarming since, at least until 1993, it was a facility that received almost half of the whole UK bilateral assistance budget, redirected from DfID accounts. The CDC has a remarkable post-war history, which makes all of its numbers seem impressive. As an example, in 1993, 350,000 individuals were employed by businesses in which the CDC had an interest, 700,000 farming families were associated with CDC agricultural initiatives, and 40,000 more people were employed directly by the CDC's 30 directly managed companies across 18 nations. At the time of privatization, it possessed the majority of the world's palm oil and employed 17% of the whole Swazi labor force in sugar plantations and allied sectors. The CDC, at least in the Anglophone ex-colonies and the agricultural sector, may be seen as the main worldwide conduit for controlling the investment flows connected with the post-war development project and for squeezing a sizable portion of the South's workforce into wage labor circuits. The CDC was created to serve as a safety net organization and a middleman between the wealthy and the creditworthy, but it also has some highly successful businesses in its portfolio. Its historical dedication to development was reduced, upon privatization, to a Code of Business Principles and Prohibited Practices.

Its privatization chimed with a rising worry over a transition in development funding from public control to private initiative, via privatization procedures. A noteworthy illustration of this procedure, according to Mosley, was the privatization of the CDC in the UK in 1997. Although we have previously claimed that DFIs support the interests of the already powerful at the cost of the global South, Cammack saw CDC operations as part of the wider process of development that promoted capitalist profit growth on a worldwide scale, independent of poverty alleviation. Yet in addition to privatizing itself, the neoliberal economic hegemony that would develop in the 1980s also altered how the CDC operated, what it performed, and who it worked with. In many different situations in the countries in its portfolio, the CDC was in fact frequently tasked with restructuring corporate structures, commercializing parastatals and publicly traded companies undergoing structural adjustment, and altering corporate governance in order to prepare for privatization. In this way, it served as a Trojan horse for the sweeping privatization process that has plagued Africa since the 1990s and, as Bond's work on South Africa so amply demonstrates, has largely eroded public responsibility over essential utilities.

The selling of shares has been the privatization method most often utilized in sub-Saharan Africa, closely followed by liquidations and asset sales. Other techniques, including as leases, public offerings, transfers, management contracts, buyouts, joint ventures, concessions, trustees, and swaps, are employed far less often. Since the vast majority of privatizations documented in their book involved selling shares to private individuals, the authors implied that local elites are equally responsible for the results as external institutions because there was, ostensibly, a choice regarding the privatization's implementation method. The authors continue, What is achieved by privatization is essentially a clarification of the role of the state, underscoring their point that local elites' decisions, in collaboration with their advisors, have caused privatization processes to generally support growing inequality and individualized wealth creation. The sale of shares model, which has prevailed, has also retained power in many agreements including DFIs, even if the OECD authors argue that the IFIs did not exclusively push the share option. Nonetheless, the CDC cannot be held solely accountable for this. But, case study data and materials the CDC created as part of its function of assisting governments in their preparation for privatization do show a definite preference in this route.

In reality, donor goals for a safe and prosperous investment environment and local elites' ambitions for domestic wealth and accumulation may coincide around this result. Alistair Boyd, a senior CDC executive, provided a slide of the CDC model of privatization, for instance, at a seminar at the University of Leeds in 1992. In this model, a company moves from a monopoly market through a stage of deregulation to operating in the context of a competitive market, with the privatization process moving from left to right through these three types. The government first commercializes, then corporations, and then sells off the company. This slide was recreated using my current notes. Boyd observed that finding the correct price to sell was quite challenging. The East Sambora Tea Company Ltd. in Tanzania was one of the nine privatizations the CDC had completed up to 1992. Boyd said that although the World Bank and IMF preached this, it was up to the CDC to figure out how to implement it. Zambia Sugar Company Ltd., a producer of sugar with a mill run by Booker Tate, was about to be privatized at this point.

It required $50 million to grow, but was hampered by continual meddling at the board level and the issue that parastatals were not eligible for loans. Boyd said that shifting it away from governmental control would be the answer. The Kariba North Bank Co. Ltd electricity generating unit in Zambia, the Botswana Power Corporation, and The Compamia Do Buzzy Sarl, a cotton and sugar production unit in Mozambique that was described as being in a terrible state and worth nothing, were also on the list of privatization candidates. Boyd discussed the challenge of obtaining enough private sector funding to purchase big public utilities, while it may be possible to transfer ownership to the IFC, as was done in the past with power in Botswana. Another barrier to privatization, according to Boyd, is the reduction of excess management and labor. Another is the resulting concentration of ownership, with Lonrho mentioned as a company that may end up owning everything. Another is the touchy subject of foreign ownership and control in an economy. A final barrier is the loss of strategic enterprises [7], [8].

It is thus not surprising that there has been a high link between privatization and foreign aid as a result since the World Bank and IMF have often imposed conditionality that makes financial support reliant on the implementation of privatization. For instance, Guinea entered into a water lease with the private sector in 1989, which led to a transfer of $102.6 million to the government for investments in the water industry. The World Bank and other donors contributed $117 million to the renovation of the water infrastructure in Mozambique in 1999 after the government there agreed to a contract with Bouygues for the distribution of water to seven localities. In comparison to other funds, the quantities have likewise been substantial in favor of privatization. For instance, the World Bank spent $14.8 million on the Financial Sector Technical Assistance Project and $18.6 million on a Privatization and Regulatory Reform Technical Assistance Project in 2005, a year of famine in Niger.

These projects aimed to privatize the water system and make Niger suitable for investments from and exploitation by Western companies. Yet until many people had already perished, the allied states that control the World Bank were unable to obtain the $15 million that the Nigeran government had requested via the UN. Up to August 2, 2005, DfID had contributed $5.25 million, which was nearly matched by the United States and the European Union. This amount was too little, too late, and did not compare to the sums used to support capitalism technically. Moreover, there is a clear policy connection between the resource flow and the change in ownership, thus these correlations of money occurring at the same time as privatization procedures are not only coincidental. The responsibility of the CDC and other IFIs is increased by the fact that this outcome was anticipated; at the time, it was understood that privatization

may result in a concentration of ownership and control in the hands of some of the biggest international businesses. The difficulty with privatization down here is whether we want Lonrho to own everything, said the regional CDC Officer for southern Africa in 1994, echoing Alistair Boyd. At its worst, this pattern of ownership concentration has given 'aid-spoilt' elites the opportunity to join forces with MNCs in exclusionary politics, especially in important extractive enclaves. Then, MNCs, donors, and local elites worked together to run an accumulation system based on political kleptocracy and state authoritarianism.

Privatizations have not been prevented by a more recent focus on public-private partnerships, but the process has been hidden under an ideological fig leaf. Although some initiatives truly mix public and private funding to provide a benefit, such school textbooks or mosquito nets, others combine public technical help with a private sector buyout. Both are described by the ubiquity of the PPP model. For instance, the US Agency for International Development claimed in 2007 that International development has entered a new era of public-private partnerships and cited a sharp increase in private financing from the US to developing countries between 2003 and 2005 as offering a profound and promising change in the way international development is financed and conducted. In order to cultivate more than 600 alliances with 1,700 partners, USAID embraced this change and adopted the Global Development Alliance business model, using $2.1 billion in public funding to leverage $5.8 billion in private funding, including global level partnerships with Intel, Starbucks, Microsoft, and Cisco. It's unclear if this increase in funding is long-term or whether money is just racing to acquire Southern assets in order to avoid the Northern epicenter of the credit crunch. However, it is likely that the public money used to leverage the private has been used as a subsidy or technical assistance and does not result in assets that are profitable, whereas the private money will result in assets that are profitable for a considerable amount of time and for a very long time to come [9]–[11].

CONCLUSION

From the end of World War II, the Bretton Woods agreement has promoted financial regulation and coordination. Nevertheless, alongside this function of regulation, there have always been disputed zones of power: between a limited national sovereignty and the demands of a global capitalist economy. As shown by an early dispute in 1949 between the Commonwealth Development Corporation and the newly established International Bank for Reconstruction and Development, British market makers are not an exception to this rule. In this foreboding case, the management of liquidity in the British imperial state's foreign colonies was in question at a period of early postwar credit crunch and overall currency scarcity in the sterling region. As the IBRD was then seen as a channel exclusively for US money, the discussions were about American investment in the Colonies. Negotiations failed because the CDC board was convinced that the standard procedures of the International Bank are inappropriate in the case of this Corporation and rejected a level of conditionality they believed was only appropriate for less developed nations than Britain because the security offered for the loan was not and could not be challenged. In addition to the fact that the Corporation's assets much outweighed any loan that was envisioned, His Majesty's Government was supposed to guarantee the capital, interest, and transferability of both. The International Bank suggested a loan conditional upon the Bank's ability to exert a documented supervision over the multiple ventures in which some portion of the equipment acquired May at some point be employed, and the CDC expressed alarm that this amounted to impregnable security.

REFERENCES:

[1] 'Neoliberal Africa: the impact of global social engineering', *Choice Rev. Online*, 2011, doi: 10.5860/choice.48-3385.

[2] S. Benabou and A. Harms, 'Revisiting Green Neoliberalism in India through the Lens of Market-Based Restoration and Reforestation Projects', *J. South Asian Dev.*, 2021, doi: 10.1177/09731741211052197.

[3] R. Burns, 'New Frontiers of Philanthro-capitalism: Digital Technologies and Humanitarianism', *Antipode*, 2019, doi: 10.1111/anti.12534.

[4] D. L. Mason, 'Fraud: An American History from Barnum to Madoff', *J. Am. Hist.*, 2019, doi: 10.1093/jahist/jaz588.

[5] K. Hébert and D. Mincyte, 'Self-reliance beyond neoliberalism: Rethinking autonomy at the edges of empire', *Environ. Plan. D Soc. Sp.*, 2014, doi: 10.1068/d6312.

[6] J. Arvanitakis, 'The commodification and re-claiming of trust: 'Does anyone care about anything but the price of oil?', *Int. J. Interdiscip. Soc. Sci.*, 2007, doi: 10.18848/1833-1882/CGP/v02i03/52313.

[7] E. J. Balleisen and R. Chandler, 'Book review: Fraud: An American History from Barnum to Madoff', *Account. Hist.*, 2018, doi: 10.1177/1032373218764687.

[8] G. Radics, 'Seeking commonalities from across the south', in *Criminal Legalities in the Global South: Cultural Dynamics, Political Tensions, and Institutional Practices*, 2019. doi: 10.4324/9780429459764-18.

[9] K. S. Amanor, 'Securing land rights in Ghana', in *Legalising land rights : local practices, state responses and tenure security in Africa, Asia and Latin America*, 2009.

[10] O. Raviv, 'Chasing the dragon east: Exploring the frontiers of Western European finance', *Contemp. Polit.*, 2008, doi: 10.1080/13569770802396345.

[11] C. McCaig, 'Introduction: The Marketisation of English Higher Education', in *The Marketisation of English Higher Education*, 2018. doi: 10.1108/978-1-78743-856-920181001.

CHAPTER 8

AFRICA'S POVERTY: MULTILATERAL AID'S HISTORICAL IMPACT UNVEILED

Dr Vijayalakshmi.P, Associate Professor,
Department of Entrepreneurship and New Venture Creation, CMS Business School, Jain (Deemed to be University), Bangalore, Karnataka, India,
Email Id:dr.vijayalakshmi@cms.ac.in

ABSTRACT:

Official development assistance is measured through multilateral cooperation (ODA). These are formal donations made by certain countries to multilateral organizations, whose governing bodies have unrestricted discretion to distribute funds as they see appropriate under the organizations' rules and regulations. In this chapter author is discusses thecontemporary development research and poverty.

KEYWORDS:

Aid, Assistance, Development, Multilateral, Nations.

INTRODUCTION

This is a general summary of poverty in African nations before examining how the global aid system that has developed over the last 60 years has apparently helped to alleviate widespread poverty. It is commonly accepted that the majority inhabitants of African nations, in particular, experience severe poverty relative to their counter parts in Europe, Asia, or Latin America. The 24 nations with the lowest rankings in the UNDP 'shaman development index for 2007–2008 were all from Africa, as were 38 of the bottom 50. Just five countries in all of Africa Seychelles, Equatorial Guinea, Congo, Gambia, and Chad had foreign direct investment in 2005 that was in double digits. In 2005, in coming private investment was in the single digits or negative in all of the lowest 20 African nations by ranking. Another HDI category, other private flows, includes on-debt-creating portfolio equity investment flows, portfolio debt flows, and bank and trade-related lending. In 1990, 22 of these flows were negative, with eight of them not recording any value and Eritrea and Namibia not existing. Twelve of these flows were still negative in 2005, with seven of them not recording. In other words, in each of these years and probably the majority of those in between, there was a significant disinvestment of free-floating portfolio assets inside Africa.

The high levels of ODA receipts as a percentage of GDP, on the other hand, demonstrate the assistance dependency of the nations at the bottom of the HDI ranking [1]. They are important because social expenditure to reduce poverty is weakened without sufficient fiscal resources: if the government, and therefore the nation as a whole, lacks funds, it cannot be expected to pay social welfare. In other words, according to intuitive reasoning, the debt load must be reduced and assistance must be increased in order to theoretically raise government income, which would then be distributed to people in need of social welfare and protection. This is not to imply that the availability of aid and funding is the only factor affecting the quality of social services in

Africa on the contrary, there is a complex relationship between the quantity and quality of social, health, and educational services and the state of a country's fiscal balance. For instance, the wealthy Angolan oil elite managed to borrow $11 billion while generating $8 billion year from oil, and despite the borrowing, they had only managed to position a pitiful 162 nd on the HDI by 2007. However, the difference between modern poverty and traditional frugality and scarcity is to be found both in the context of increased growing inequality, which makes relational context more extreme, and in people's knowledge and perception of that inequality, which has also been augmented, not least because of sustained contact with development discourse.

It is also difficult to determine how far these aggregates translate to people's lived experience of poverty. So, economic hardship is not a straightforward experience for modern Africans, as Member reminds us, but includes an economy of wanted things that are known, that one may occasionally glimpse, that one desires to enjoy, but to which one would never have physical access. Likewise, there is a growing belief that socioeconomic rank and income are just a question of placement within a de-temporalized hierarchy, despite the fact that worldwide inequality has been rising quickly and the economic gap between the affluent and the poor is severe and seems to be unbridgeable. To put it another way, there is no advancement planned in order to catch up to people who already possess the desired items. The cruelness of appreciating one's poverty is increased by the fact that many African nations are in worse shape than they were 20 or 30 years ago. Not only are you poorer than your parents, but other people have become richer in that time, and it is unlikely that your situation will improve over the course of your lifetime.

The modernization paradigm's decomposition has resulted in a de-temporalization of the current hierarchy, and while culture has benefited from a shift to coeval pluralities and alternative modernity's, socioeconomic inequality is left with nowhere to go and no evolutionary promise of improvement. Instead of being behind, countries are now beneath or somewhere else. We can claim with some confidence that the total amount of money available in aggregate form is one factor in the failure of many African economies to support their people, and that this factor is then exacerbated or reduced by political environments and fiscal policies. It's crucial to strike the correct balance in the explanations; if internal politics and the former problem of money are overemphasized, this will simply help to pathologies African elites and political institutions and let them off the hook. The upshot of these two sets of processes is, in the majority of African nations, both unusually harsh and unprecedented, given other people's current affluence, yet it is nonetheless obvious in an absolute and relational context. For instance, this example from the health sector demonstrates the severe amount of service delivery failure for impoverished Africans. Africa presently loses about 8 million people a year, mostly due to TB, HIV, Malaria, and maternal mortality [2].

Weak or failing public health systems are to blame for this devastating loss, which is comparable to whole nations becoming extinct and more than deaths from all current wars combined. The political and cultural issue of relationship poverty is primarily this distance issue. In terms of the HIV/AIDS pandemic, Mayer summarizes that the real issue continues to be a lack of political will on the majority of fronts, first-world countries' social and political isolation from the realities and tragedies of HIV in sub-Saharan Africa, and their persistent belief that the African epidemic is still far off. Africans are constrained to being expendable because of their isolation or distance, which also adds to the failure of long-term relief efforts. This is not meant to imply that Africans are estranged from one another far from it. Instead, feeling remote and acting

elsewhere is a realistic explanation for why wealthy individuals and their governments fail to aid. Moreover, attempts to assist when solidarity is shown have failed for a number of reasons, some of which we discuss [3].

DISCUSSION

Contemporary Development Research and Poverty

A veritable cottage industry of poverty research has emerged in recent years as a result of the widespread statistical lows of poverty across Africa. A large portion of this research focuses on the likelihood of achieving the Millennium Development Goals, which were agreed upon in 2000 and set for 2015. The latest study on poverty, according to Woodcock, has established a number of linked claims, including the following: poverty has multiple dimensions, income is a key factor in these dimensions, and inclusive economic development strategies are vital but inadequate for decreasing it. According to him, poverty traps is now used to refer to the microeconomics of poverty in policy, whereas inequality traps is the same from a non-economic standpoint. Inequality traps are defined as durable institutions of economic, political, and social difference that work to keep poor people poor in its most basic form. Chronic poverty is sometimes passed down through generations and disproportionately affects women, children, the ill, and persons with disabilities. Via vulnerability analysis, the most susceptible individuals are those who are most impacted by bad life circumstances and shocks, often those who are also associated with lower socioeconomic classes and/or social stigma [4].

There has been very little study to determine why this would be the case in a relational setting, despite the fact that a large body of research has validated what was previously intuitively understood about who is poor the weak, ill, and vulnerable, as well as those who are unable to work. The above-mentioned theory of distance cultural, structural, and spatial which enables a lack of empathy for the poor is a potential key subject, nonetheless. According to Woolcock, distance reduces elective affinity and sense of shared interests between rich and poor, such that the wealthy, citing Sopel, live in a different moral universe, with political traits and liberal democratic mores that are frequently starkly different from the political contexts in which poor people live. As a result, political solutions that are advocated and which rely on these mores frequently don't fit the place they are intended for. In summary, the poor are frequently isolated within specific cultural and social networks that are essential to their survival and are frequently found in geographically remote areas where their social exclusion from the relative wealthy is ensured, not least by political systems that do not include them. This is first and primarily a spatial connection, constrained by both global and local power structures as well as the political economics of development.

Area, Deprivation, and Culture

Ferguson's book Global Shadows on culture and striving for a global position in the context of relational poverty is quite timely. That merits a lengthy quotation. He points out that instead of focusing on culture, scholars of Africa should pay attention to the political economy. Instead, the issue of cultural diversity itself is closely related to issues of inequality, ambition, and status in a made-up world. In other words, poverty is framed, understood, and felt by individuals because of culture and because they don’t look like affluent people. Yearnings for cultural convergence with an imagined global standard. Can mark not simply mental colonization or capitulation to cultural imperialism, but an aspiration to overcome categorical subordination. In addition, the resulting

African aspiration forces an unsettling shift from a question of cultural difference to the question of material inequality. While this is going on, it may seem as if the continued existence of cultural differences is a sign of social and

Economic Resistance

This is a crucial corrective to both an overactive academic political correctness that sees only cultural differences when there is economic poverty, as well as a popular reading of African life that suggests that poverty does not have as much of an impact awe in the West would suspect because areas of rural Africa are commodified or enjoy traditional way of life where $1 a day goes a long way. Ferguson's thesis has a significant influence on attempts to combat poverty in Africa because he calls attention to the cultural shift in social science that has made it acceptable to ignore economic injustice. The recognition of current African culture as modern as opposed to backward was therefore a success, but African perceptions of daily life and culture as a reflection of their poor socioeconomic standing have also been obscured. So, economic justice is devalued in development plans. The political ramifications of Ferguson's correction are as follows: even in the face of inequity and dependency, the most difficult political demands go beyond assertions of political independence and instead entail demands for connection and interaction.

In other words, economic hierarchy has to be brought back into focus, not least because, as Member reminds us, the poor's desire for inclusion and connection is correlated with their acute and precise understanding of what global inequality implies. Instead of asking what makes some people poor, we might ask what makes some individuals tolerate poverty and what keeps them from building bonds and empathy with their fellow beings instead. On this topic, which has received much less attention, we can only make a few speculative suggestions as to what might be preventing that relationship awkward and common accounts of cultural difference that suggest the poor are accountable or culpable for their circumstances, perhaps due to inappropriate alcohol or drug use; and blaming people's cultures for irrational behaviors that undermine the scientific interventions of aid organizations. There are also other justifications for non-intervention, which, to borrow a popular cliché, claim that nothing can be done since their own elites are too corrupt and assistance money won't reach them anyway, mimic the TINA argument in economics.

Ferguson may also be misunderstood, and the argument runs the risk of romanticizing African aspiration by overemphasizing culture in the sense of winning global inclusion through iconic global goods, such as cell phones, designer jeans, and so forth, and overemphasizing this in comparison to more commonplace desires for basic necessities, such as school fees. Ferguson's case study of a Zambian online magazine demonstrates how young people are looking for and adopting contemporary technology, but there is also a larger majority that would prefer bread and meat as a show of inclusion. Notwithstanding the finer aspects of this, the transnational epistemic assistance community continues to adopt resolution after resolution that promises and aims to eradicate poverty despite the fact that they are themselves generally absent and critically remote from the targets of their policies. In his Tajudeen's Thursday Postcard, Abdul-Raheem of the NGO Justice Africa labeled this method resolutions.

Thus, the African Renaissance, New Partnership for African Development, Commission on Africa, Millennium Challenge Account, and the process for reducing poverty all share the paradigmatic coordinates of an African crisis that is thought to have been made in Africa by unrecoverable and inappropriate failures and inappropriate behaviors, which re-presents Africa

as failed, intractable, and uniformly poor and needy. Elites with a history of corruption are given an especially evil central body. The present problem in African economies and welfare states was not caused by corrupt governments and predatory elites rather, they are a symptom of it, even if their actions may and often do exacerbate it. However, an accurate, scientifically supported, and historically informed interpretation of African reality is not being constructed; rather, it is being made via these keynote transcripts and prevailing cultural practices. Instead, it is a story that reveals more about the authors, promoters, and broader viewpoints of the development community than it does about the ostensible topics. It is a culturally ingrained concept of African socioeconomic processes and cultural life that ignores historical, present-day, and future connection and is mostly authored by non-Africans. Who said we simply intended to halve the number of people in poverty, rather than eliminating it entirely? Waiting for the MDGs to not be realized is also a dull intellectual environment. It has been incorporated into policy until 2015, despite other, more extreme recommendations that may have been made in the meantime [5].

In addition, resolutions discourages historical analyses of past attempts in favor of an impending future that may be reached with a little more work and investigation in the here and now. Furthermore, since the political economic processes that have led to poverty in the present are rarely investigated, this has a tendency to conservative prescription and practice. As the study in this book demonstrates, poverty was created not in the absence of efforts in the domain of development help, but rather despite, alongside, and sometimes because of them. With this in mind, the remainder of this essay and the following two will explore the argument that the political economy of concessional relationships and development finance may not be aiding in the achievement of the MDGs in the future and may even be a process in which poverty is embedded and produced. This is a counterintuitive proposition. What is assistance, how does it function, and why may there be issues with it?

Theoretical Impact of Multilateral Development Cooperation

Foreign aid can provide a much-needed global public good in addition to helping the poor, it also creates a shared infrastructure for international trade and finance and supports the maintenance of peace and political stability. This is one of the earliest justifications for multilateral action to fight poverty. The public good nature of aid, especially that provided by multilaterals, springs from its unique ability to overcome global market failures in international trade and finance, particularly adverse selection and moral hazard in international credit and insurance, according to conventional economic theory. As a result, the effectiveness of global resource allocation is increased. In other words, government development assistance increases the amount of credit available to developing nations. As we have shown, official creditors have greater access to strong nations in the event of a default, wide portfolios with a high degree of risk diversification, and the ability to cut the initial cost of capital via economies of scale in large-scale borrowing. Moreover, exchange rate and currency swaps reduce the cost of loanable capital, and retained profits from profitable businesses have been spectacular.

For instance, the World Bank had $5.2 billion in retained profits from operations by 1985, which was greater than its $5.1 billion in total paid-in capital from donors. For simply the International Bank for Reconstruction and Development, retained profits and other equity were evaluated in June 2007 at $27,127 million on a current value basis, which is also referred to as affair value, but slightly higher at $28,440 million on carrying value terms. Although while financing for

global public goods may present issues, with the free rider scenario being the most evident, according to neoclassical theories at least, development finance promotes banks and the market to operate more efficiently. It expands capitalist markets and controls dependent development, to use our language. To summarize preceding points, assistance in our words is referred to as development finance, which is the distribution of liquidity via public institutional frameworks, as opposed to ad, which conveys an uncritical kindness. Just a little portion of this, that minuscule grant portion that was used specifically for social welfare, is deserving of the label benevolent. Development money is a subset of second-line liquidity, the bulk of which is provided in the form of low-interest, long-term loans from one government to another, either directly via multilateral payments to IFIs or indirectly through bilateral financial institutions. It is customarily structured, especially after 1997, to lessen poverty. Yet in this case, further definitions of help are necessary. Official government agencies that have economic development and welfare as their main objective and at least a 25% grant component are considered to be providing official development assistance to developing nations and multilateral institutions. This does not include export credit that is only used to promote exports. Official Development Aid plus any multilateral flows with a focus on development are referred to as Official Development Financing, whereas other official flows are anything else with a hazy connection to development.

Development-oriented may refer to non-concessional flows as they are increasingly included in statistics for multilateral aid, with the main exception being IMF credit. Mellor and Masters explain that the Development Assistance Committee adopted this convention more and more. Because they believe that international assistance is not well described by interest rates and payment structures. No concessional multilateral aid, in instance, is extra to what would otherwise be offered at that interest rate, is often focused on public goods, and may be supported by beneficial technical assistance. For these reasons, it behaves more like bilateral ODA than like a non- concessional bilateral flow, and it may also act as a catalyst for additional funding. Since they cast a favorable development light on their institutional framework, money flows dispensed by multilateral organizations that may be more costly than commercial rates are being studied. These flows are considered concessional by those who lend them.

So, despite transactions at market interest rates or higher, the Commonwealth Development Corporation, International Finance Corporation, and other bilateral export and multilateral assistance disbursers might see their flows as concessional. Inflated generosity is also implied when the agencies' own actions are reported in the media, such as in press releases from the World Bank, because the vast majority of resource transfers made by IFIs take the form of non-concessional loans, which don't even meet the conservative OECD definition of aid. However, because the agency making the transfer is an IFI, people tend to think that these transfers are aid. In other words, when the CDC or IBRD announces a commitment, the inclusion of commercial flows exaggerates the appearance of generosity. Although a portion of these non-concessional funding is sent to ODA-qualifying nations and used to assist development projects, a considerable number is not and is instead, for instance, used to finance a new port for a wood exporter or export credits for the sale of military equipment.

In fact, Riddell makes the point that there are three different types of multilateral agencies that collectively distribute about one-third of all ODA: the group of IFIs, which is the main focus of this book; the UN agencies; and a growing collection of 'others', like the Bill and Melinda Gates Foundation or the Global Fund to Fight AIDS, Tuberculosis, and Malaria established in 2002.

Direct transfers of resources that can save lives make it easier to show the developmental worth of the two later categories. The IFIs' efforts, however, are more extensive than those of the other two groups, accounting for 44% of all net multilateral ODA payments in 2004 and 71% without considering EC funding. Nevertheless, this fact understates their actions since, on average, the amount of money that IFIs distribute that is technically classified as ODA, with the grant element, and that is utilized for this figure makes just a tiny part of their overall revenue. For instance, Riddell cites the year 2004 when the IFIs together gave little over $9 billion in ODA to countries that qualified for ODA, but their overall spending in these nations was just over $34 billion, more than five times that amount. Excluding EC assistance, the IFIs accounted for about 90% of all gross concessional and non-concessional monies sent to poor countries that qualify for ODA, with UN development and humanitarian organizations making up just 8% of the total. With a comparable figure for the early 1990s being that the UN agencies supplied 17% of flows, these discrepancies have also grown over time. Overall, the official ODA supplied by the IFIs in 2003 was twice as much as all the assistance given by UN agencies combined. In addition, their gross payments were 10 times larger, coming in at $36.5 billion vs $3.5 billion.

In other words the reach and effect of the IFIs is significantly more than the official figures would imply since official numbers show a lower than real disbursements. This added commercial reach will be seen as a nice bonus by analysts who believe IFI operations to be a complete success. As a result, the income and expenditure figures reported by the majority of multilateral agencies are considerably and consistently higher than their official statistics counterparts because the majority of their spending, such as money given to nations that do not qualify for ODA or who are not poor or that is tied to specific projects and therefore classified as bilateral, is not included in the more restrictive official statistics. The majority of it consists of commercial loans to the private sector, and there may be a big difference between official assistance and business that agencies report. For instance, according to Riddell, the less for-profit United Nations Children's Fund spent roughly $1.5 billion globally in 2003, compared to the OECD's $629 million estimate for net ODA payments.

Since one may fairly but mistakenly conclude that they are reporting ODA rather than turnover, which is often the case, it is feasible to read the s offered by the organizations themselves and receive an exaggerated image of their true grant-making or developing nature. Although in the instance of UNICEF, this would not be such a huge issue as their other expenses that are not ODA are likely to be spent mostly on employees, overhead, and welfare in any case, for other institutions, this disparity is more deceptive. In the case of IFIs, for instance, the officials conceal the true scope of commercial activity. This tendency is made worse by their propensity to announce net disbursements rather than balance sheet profits, which downplays the amount that is repaid. A reverse flow of $33 billion in loan repayments in 2003, for instance, wiped out a gross transfer of around $26 billion in non-concessional flows, leaving a balance of $7.2 billion in the IFIs' favor. The $10.8 billion in 'new' ODA for that year was skippered by these repayments, bringing the total net flow of concessional and non-concessional aid down to barely $3.6 billion. Thus, rather than the net amount with profits included, it is usually the former new assistance that makes top news or is proclaimed by development ministers [6], [7].

Another typical reporting mistake is. By mentioning concessional provision without placing it in the context of all the flows that are tallied when totals are reported, writers here exaggerate the developmental nature of IFIs' monetary flows. For instance, Calderas contends that a number of excuses such as slavery, imperialism, former colonialists, and others are used to place the blame

for African development failure on agents outside of Africa. He illustrates his point with a summary of development assistance that paints it as being incredibly generous. Since 1985, the majority of new aid to Africa has taken the form of grants or almost grants, according to Calderas. The World Bank received funding from a dedicated fund that enabled it to provide interest-free loans for 40 years. Instead of soft loans, the European Union, which oversees the other significant multinational fund for Africa, offers entire grants. Instead than complaining about how the world treats them, other nations would be happy to receive such assistance. Although he is true regarding these specific aid vehicles, he fails to contextualize his statement in relation to other aid flows, which gives the reader the misguided idea that the large amounts of help often mentioned pertain to grants of this kind. The reality is more complicated, since the majority of aid is commercial in nature, bilateral in nature, and pertains to export credits, leaving these kinds of special concessional monies to make up a considerably smaller fraction of the total recorded aid for development.

Multilateral Development Financing

Shows the flows of official development assistance, official development finance, and other official flows to developing nations overall from 1960 to 2007, and then the latter to Africa, keeping in mind these classifications and the resulting reporting issues. During the course of the time, ODA increases moderately, but from 2002 to 2003 forward, it begins to increase very quickly, hitting a new level of over $100,000 million from about $50,000 million in constant prices. The impact of this most recent increase in ODA on African flows is impressively. Some flows, however, undermine this narrative. Although though payments to the IFIs are somewhat intermittent, multilateral help makes up around one-third of the total and increases correspondingly to bilateral aid. Export credits are included in the total bilateral OOF, and from 2000 to 2006, six of the seven entries were very sharply negative, with only the single positive year of 2005, indicating that flows were returning to DAC members in the form of repayments and liabilities rather than being donated. In fact, the was $9,774 million in the deficit in 2006.

The OOFs were negative for five out of the seven years since 2000 for the two lines for Africa in particular, and only positive for 2002 and 2003. While the criteria state that they do, the ODF flows nevertheless show a healthy upward trend and include money moving at non-concessional rates. ODA, or official development assistance, may have increased, but other associated flows have jeopardized the net resource transfer. Early in the 1970s, at a time of rapidly increasing overall assistance, bilateral and multilateral lenders raised the proportion of funding going to the least developed nations, driven by the decade's focus on aiding the poorest. Although members of the OECD DAC's bilateral flows switched away from the least developed nations in the late 1970s, they did so again a few years later, however this time they did so at the cost of Asia and in favor of the Middle East, North Africa, and sub-Saharan Africa. ODA to multilaterals as well as bilateral and multilateral portfolio investments saw a sharp rise in the previous period, with the latter going from $204 million in 1960 to $6,204 million in 1985.

Seventy-seven percent of the total ODA available in 2005 was bilateral, compared to 23 percent multilateral in 1995, and 69 percent bilateral in 2005. Bilateral assistance made up 69% of all ODA in 2007 and 67% in 2000, indicating that 2005 was not a typical year due to the increase in bilateral spending, which was likely caused by the one-time debt cancellation agreements with Nigeria and Iraq. In essence, throughout the last 20 years or more, there has been a very consistent one-third/two-third split between the two. Midway through the 1980s, bilateral and

multilateral aid made for 26% and 8%, respectively, of all resource transfers to poor nations. It illustrates both the amount it had increased in absolute terms as well as the process of multilateralization of aid finance that took place in the years after the start of the debt crisis in the context of a decline in private finance. Ten years prior, the share of multilateral assistance had only been 0.05 percent of total resource flows. Multilateral help from all donors, as a percentage of overall resource flows in 2005, stayed at little over 8%, while bilateral aid from all donors, as a percentage of total financial flows available, has somewhat increased since the mid-1980s, to over 29%. As new donors, the Czech Republic, Hungary, Iceland, South Korea, Poland, the Slovak Republic, Turkey, Latvia, Lithuania, Estonia, Slovenia, Kuwait, Saudi Arabia, the United Arab Emirates, Israel, Thailand, and Chinese Taipei are included, the difference between the ODA of DAC members and the total for all donors.

According to these figures, a full 88 percent of ODA in 2007 came from DAC members, down from over 90 percent in 2000 but still a very high amount. This is despite accusations that new donors are undercutting Northern conditions on governance and human rights. What hasn't changed is that since 2000, ODA from DAC members and from all donors has increased significantly, almost doubling, while contributions from other donors have increased significantly, more than doubling from $6,041 million to $13,757 million. When viewed over a longer period of time, a number of characteristics of ODA have remained mostly constant since the formal introduction of international development aid in President Truman’s Point Four Program in 1948. These characteristics include:

1. A consistent increase in all types of foreign assistance as well as private transfers from the United States to underdeveloped nations.
2. Ever-growing flows, including private portfolio investments in development banks, are being channeled via multilateral organizations.
3. Rising numbers of aid organizations and contributors.
4. Substantial shifts in the distribution of assistance across nations, including the direction of certain flows.
5. A recent rise in contributions from private chair foundations and equity firms.

However, it is still crucial to keep in mind that these are not significant sums of money when compared to private market funds per se; rather, they are significant only when compared to other types of comparative benchmarks, such as significant when compared to the size of the markets in which they are invested or significant when combined with the additional financing they frequently leverage in, such as more strictly private fund managers who are willing to add funds to a fund once they know that the public institutions are willing to do the same. Although early indications point to a similar pattern of winners and losers emerging, with some developing countries experiencing a boom from rising commodity prices, particularly from oil, while non-oil producing developing countries are being hit worst in 2008 by rising food prices, it is still unclear whether the current global credit crunch or recession will prompt a similar multilateralization of funds as the crisis of the early 1980s did. In order to solve the food crisis, the World Bank launched a new $1.2 billion rapid track program in May 2008. Therefore, it can be anticipated that the current price increases in 2008 will cause many developing nations that are not oil producers to return to the IFIs in need of additional emergency assistance. This is similar to how the rapidly rising price of crude oil caused hyperinflation and indebtedness for developing countries in the 1970s [8].

CONCLUSION

The statistics on poverty in Africa as a whole are rather alarming. The headlines for income per head and available financing are sufficient to demonstrate that African governments have very little money to purchase food and medication should they so choose, even if the statistics for avoidable deaths from disease and starvation were not examined here. But, the official economy examined here indicates rising inequality and widespread income poverty. There is, of course, another, more informal, and potentially rather significant economy in Africa. When more qualitative perspectives on poverty are included, an even worse scenario results, one in which the relative position of the poor is situated in a highly unequal world, one in which distance does not prevent people from knowing how other people live but does prevent some from taking action to change it. Theoretically, both multilateral and bilateral assistance are considered as contributing to the global common good, reducing poverty and spurring economic progress while helping Africa with its balance of payments and investment levels. Examining the fairly convoluted methods by which these are accounted for revealed that the majority of the remaining assistance is of questionable vintage and that only a tiny fraction of the overall aid is extremely concessional, that is, existing in the form of untied grants. Inequality and poverty are cultural and societal issues that cannot be resolved by money alone, although money used intelligently may make a significant contribution. What will the recent increase in ODA be spent on.

REFERENCES:

[1] S. Bracking, ‘Poverty in Africa and the history of multilateral aid’, in *Money and Power*, 2017. doi: 10.2307/j.ctt183p82d.10.

[2] K. Strong *et al.*, ‘Monitoring the status of selected health related sustainable development goals: methods and projections to 2030’, *Glob. Health Action*, 2020, doi: 10.1080/16549716.2020.1846903.

[3] World Health statistics, ‘Status of the health-related SDGs’, *World Heal. Stat.*, 2018.

[4] J. Brohman, ‘The critical development studies handbook: tools for change’, *Can. J. Dev. Stud. Can. d’études du développement*, 2011, doi: 10.1080/02255189.2011.647440.

[5] ‘2 Rural livelihoods in a context of new scarcities’, in *The Companion to Development Studies*, 2021. doi: 10.4324/9780203528983-52.

[6] Y. H. Park, H. Jeon, sung-nam kim, and M. Kim, ‘(Strategies of Major Nations for Economic Cooperation with Africa and Their Implications)’, *SSRN Electron. J.*, 2018, doi: 10.2139/ssrn.2322569.

[7] *The Companion to Development Studies*. 2014. doi: 10.4324/9780203528983.

[8] R. Abrahamsen, ‘The seductiveness of good governance’, in *Is Good Governance Good for Development?*, 2012.

CHAPTER 9

DERIVATIVE BUSINESS AND AID-FUNDED ACCUMULATION

Dr Lubna Ambreen, Assistant Professor,
Department of Entrepreneurship and New Venture Creation, CMS Business School, Jain (Deemed to be University), Bangalore, Karnataka, India,
Email Id:lubnaambreen@cms.ac.in

ABSTRACT:

Financial contracts known as derivatives are those entered into by two or more parties and whose value is derived from an underlying asset, collection of assets, or benchmark. A derivative may be traded over-the-counter or on an exchange. Derivative prices are based on changes in the underlying asset. In this chapter author is discusses thedomestic constituencies and national shares.

KEYWORDS:

Business, Bank, Finance, Money, Shares.

INTRODUCTION

This article examines how the bilateral, regional, and multilateral development finance institutionsthe Great Predatorsplay a direct sponsorship and financing role in an economy and a set of supply and procurement activities that provide products and services to the development industry. To put it another way, if a nation takes out a loan from the World Bank to build a port facility, this action alone would result in contracts for technical support, the supply of cement and steel, the supply of soft infrastructure like customs systems, as well as a set of contracts for the facility's actual construction. They all go to consultants and businesses, and in this article we investigate who wins the contracts and the work. Maybe not surprisingly, the countries that control the development banks as well as those nations that just have indisputable price competition, like China, are the usual answers.

Early in the 1990s, core creditor governments tended to be the primary beneficiaries now, newly industrialized nations like India and China have joined them as important receivers. This means that the next round of greater spending on the private sector won't just be a tight imitation of the last one instead, benefits will be dispersed more broadly, which might worsen Europe's and North America's trade deficits.

Even in the high skill consulting and supply sectors, permitting some new nations to join the feeding frenzy has not significantly altered the pattern, and African businesspeople are still generally shut out of the feast despite their populations having adopted the contractual costs as sovereign debt. This article examines the area of the global Keynesian multiplier where core nations choose to invest their money and how that decision affects the locations of the enterprises to whom the money borrowed as sovereign debt is re-loaned. In sections 8 and 9, we take a deeper and longer-term look at bilateral ODA, which, despite the global nature of the industry, still dominates multilateral development money. In general, we are looking at how the private sector is helped, as well as the system's beneficiaries and the distribution of risks and benefits [1]–[3].

Goals of Development Financing

We may hypothesize that historically, official development aid has had three goals and has served those goals in varying ratios and at various periods for three noncommensurate purposes. The goal of commerce is to increase and encourage exports. A geostrategic goal and, last but not least, the development goal, which is of course the one that receives the most attention. We can include aid to change political ideologies, such as promoting capitalism or socialism during the Cold War, under the category of geostrategic motivation. This is an important factor in why the Asian Tigers emerged as a bulwark against the spread of communism, significantly due to very large injections of US ODA. Although grant financing and social welfare expenditure via the public sector are more often focused at the third purpose, private sector development instruments, or PSD instruments in the jargon, are more likely to be utilized to pursue the first two of these three goals. This association is not exclusive, however, and there is now interest in PSD as a purportedly effective strategy for pro-poor development in the effort to eradicate poverty.

Since bilateral lending is more likely to be guided by lenders' short-term security, geopolitical, and ideological concerns as well as the commercial priorities recommended to governments by influential industrial constituencies in their home countries, multilateral aid does not show the extremes in aid per capita and apparent misallocations of bilateral lending. Since the multilateral International Finance Corporation is the largest PSD lender, this is not to say that multilateral lending is more focused on welfare and development. Rather, it is to say that at this level, individual nation states' priorities are somewhat weakened because they are combined with those of other lenders. Nevertheless, certain international organizations only focus on welfare, such as those that aid children or refugees, or, to a little lesser degree, those that promote food and agriculture or development, making the desire of profit less pronounced in their actions. Because of this, multilateral assistance has historically been of special relevance to the world's poorest, who have high aid to GNP ratios yet often have little strategic or political significance to multilateral donors, which is likely one of the main causes of their initial poverty.

Hence, it is believed that the stability of multilateral help, as compared to bilateral aid, considerably contributes to its efficacy, especially for impoverished nations. Also, the policy tools and objectives that determine how money is spent are used to create the macro public good gains that result from multilateral assistance. In other words, program aid for structural adjustment, especially support for the balance of payments, trade, and foreign exchange liberalization, and the efficiency benefits to capital of the various good government and technical assistance instruments, contribute to the development of free market economies, which in turn benefits the greater accumulation of capital in its current core areas. As contrast to the more direct market making tools in PSD, which we will discuss again in the following, these impacts are what are presently referred to as investment climate effects. The Heavily Indebted Poor County Initiative and PRS have extensive and economic-wide policy tools in place that influence how other government expenditure is distributed, even when that spending does not originate from outside contributors. The whole package is what has sparked criticisms of the poverty agenda, claiming that it primarily encourages the accumulation of more capital on a worldwide scale and trains workers to submit to the capital relationship. We continue to examine the purported benefits and various PSD instrument types, which are primarily created to support bilateral private sector investments.

Throughout the years, there has been much discussion over the policy power that ODA gets for its donors, in part because the global South has found neoclassical economics and the solutions it promotes to be utterly unpopular. From the early 1980s, the age of permanent adjustment has been distinguished by frequent food riots, rent strikes, labor disputes, IMF riots, and theft of utility services since individuals often cannot afford to pay. All of these social conflicts have been a major feature of this period. Although maintaining the energy of a legendary occasion, such as the Battle at Seattle, the riot at the WTO Ministerial Meeting in 1999 in Seattle, has proven as notoriously difficult as coordinated class organization has in previous historical periods, such as within the First International and Second International, when such struggles seek to end the yoke of debt peonage, it has sponsored a wave of international social movement events and struggles.

DISCUSSION

One feature of IFIs' authority has remained largely constant throughout this time of ideological and social conflict: their ongoing and consistent profitability as institutions, without regard to whether or not their programs are enforced or recommended, in and of themselves. Both the institutions and the consultants and businesses profit. There is seldom any attention paid to this component of development funding. In Chapter 4, we learned that the creditor governments control the IFIs, a relationship that helps to institutionalize and collectivize the risk associated with doing business abroad. At this level, the supposed global public benefit that they are supposed to provide for populations as a whole seems much more constrained, acting as an oligopolistic source of contracts for the businesses of creditor governments. In other words, creditor states contribute funds that are ostensibly lent to developing nations in the sense that they are encouraged to adopt portions of the funds as sovereign debt. The funds are then organized into a pool of investment funds that Northern companies can access in order to cover their overhead costs and investment costs for plant, material, new factories, and the construction of infrastructure. As contractors, the companies may profit directly from these agreements, or indirectly if they employ the infrastructure services offered in conjunction with their own factories and plants, such as energy or roads. Simply stated, by paying off their debts, people in the developing world are purchasing the instruments of their own enslavement [4]–[6].

Hence, from the middle of the 1980s, there has been a stronger multilateralization of assistance, which has resulted in a huge derivative industry, many of whose contracts are benefited collectively by the creditor governments a list of beneficiaries that more recently has included some newcomers. In the early 1990s, the amount of derivative contracts. The distribution of benefits resulting from the expenditures of the multilateral agencies, in turn, reflects the pattern of who is paying into the kitty. At an aggregate level, the difference in the economies and international articulations of core creditor states are clearly present with respect to where they choose to invest their money. They will each be covered in turn. Creditor states have different expectations regarding domestic constituencies, both public and corporate, when it comes to where money can be spent. However, the latter of these has a more powerful voice in relation to PSD instruments because it organizes into a variety of industry-based lobby groups. Different holdings in the DFIs and preferences over which funds particular governments contribute to are the effects of these national impacts on a global scale. An earlier period, from the mid-1960s to the late 1970s, saw the United States and Sweden accelerating the build-up of multilaterals with larger contributions. However, the United States currently has one of the lowest bilateral

contributions to net Development Assistance Committee aid flows relative to GNP and one of the smallest proportions of its total aid channeled through multilaterals in recent times.

This relatively low contribution to multilateral aid is likely a result of the United States' low GNP to international trade ratio and lack of historical colonial ties, which would otherwise link it to domestic constituencies that would support and motivate increased multilateral flows of a humanitarian nature. The US public has a greater proclivity than Europeans for charitable giving through private foundations and a culture of private philanthropy, so the two main US official development assistance (ODA) expenditures that have garnered support since the 1970s have been more commercial in nature: first, the significant sums spent on food aid under Public Law 480 because of domestic subsidies that result in perverse surpluses and the influence of the agribusiness lobby; and second, the large sums spent on health aid As the United States pursues geopolitical influence in these regions, security-related aid has traditionally been centered in Israel and the broader Middle East, especially Egypt. In line with neoconservative theories, the Bush administrations have also been characterized by a retreat from multilateralism to Fortress America, which is best exemplified by withdrawal from the Rio Convention on the Environment and non-membership in the International Criminal Court.

In contrast to other, structurally more distant countries and newcomers, the United States still enjoys exceptional influence within important multilaterals like the World Bank and IMF because of geographic, cultural, and political ties related to its role as the post-war global hegemon. As a result, current expenditure on these institutions to maintain or increase influence within them is less necessary. Germany, for instance, spends a greater percentage of its ODA multilaterally than the French and Brits do, despite not having many significant ex-colonies. While this was happening, Japan, a more recent big player in the world economy with less historical clout in matters of finance and trade, spent a significant amount of its gross national product (GNP) on assistance, most of which was distributed via multilateral organizations. With over $28.8 billion committed, it has the second-highest contribution to the International Development Association, the World Bank's more lenient arm. Japan also leads funding for the Asian Development Bank and invests a higher percentage than other major donors on large-scale capital projects in the utilities sector, which reflects the country's industrial strength.

It's interesting to note that Japan, a new creditor, employs the British Crown Agents as the means of managing the global logistical services and procurement requirements of its bilateral program, using the institutional advantages and expansive global reach of the British state's imperial heritage. As a result of the post-Second World War settlement, Germany and Japan are still joining a club where their political power does not correspond to their respective economic might. Hence, multilateral finance patterns are influenced by the way a creditor country is connected to the global economy and by the organization of its industrial sectors. The distribution of derivative economic gains in the spending of funds, compared to who paid it in, is thus obviously associated to these nationalities and industrial arrangements, which is our second concern. In other words, the nationality of organizations that are successful in obtaining contracts is influenced by the nationality of important contributors, and the businesses that get the most business often operate in the nation's most competitive industrial sector. As can be observed, the United States, which ranked first among receivers, spent the least amount of multilateral assistance relative to GNP in the early 1990s, yet it nevertheless received 14.4% of all derivative procurement contracts resulting from World Bank spending.

This demonstrated its omnipotence and dominance inside the Bank, as well as the fact that it was the biggest shareholder. The rank order of the nations' firms that gained from derivative business resulting from contracts when the assistance funds were used for different regional banks, the EU, and the World Bank is shown by the numbers in parenthesis. EDF V and EDF VI are two further assistance payments made by the EU. With an amazing 30% and then 26% of all business produced, France was ranked first in contracts obtained from the EU. It also topped the table of receivers from the African Development Bank. In the meanwhile, the United States was able to control more than 50% of the Inter-American Development Bank's derivatives business in 1991–1992! The World Bank, IADB, and AfDB awarded contracts to Germany in second place. Japan is the largest donor to the Asian Development Bank, but in this early 1990s case, the advantages it received were comparable. Japanese enterprises received 33.5% of the deriva-tive benefit, with the United States coming in second at 30.6%. Only five major creditor countriesthe United Kingdom, the United States, Japan, Germany, and Franceaccounted for a whopping 96.8% of the ADB's total derivative contract business, and with Italy included, they also account for 96.5 percent of the IADB's activity.

As compared to the other multilaterals' concentration of money that accrued to core creditor states in the early 1990s, the African Development Bank's low allocation of just 25.1% to the five is partly attributable to the participation of more aggressive bids from middle-income industrial nations. Although the UK has traditionally been one of the four primary recipients of procurement contracts produced by projects supported by the bank, together with France, Germany, and Italy, the AfDB highlighted in 1994. According to further research, the UK's influence in the construction industry is actually declining, although nations like Italy, France, and Germany are quite active in that continent. Construction firms from nations like China, the former Yugoslavia, and Korea who joined the Bank specifically to offer their building expertise via projects funded by the Bank seem to be filling the void that has been created. It follows that there is a direct correlation between belonging to a multilateral development finance organization as a creditor and purchasing derivative contracts, both experimentally and in light of the members' stated aims.

The AfDB also reported in 1994 that, despite Germany and Japan's steady exports of capital goods based on supply agreements across Africa in the early 1990s, they saw a drop in the participation of UK-based businesses in the supply of items for projects that the Bank was financing. This is often a sign that the manufacturing sector of the supplier nation is having trouble competing on the open market for contracts where high standards of technical specifications are necessary for a variety of products and machines that are up for worldwide competitive bidding. So, the derivative procurement that the UK gets from the AfDB reflects the relative fall of UK manufacturing in comparison to its rivals. The UK still has a strong presence in the field of engineering and consulting, but the bank warned of fierce competition from American and Canadian corporations operating in the same English nations in Africa as well as from French and German enterprises with more bilingual staff. So, it is possible to think of the multilateral organizations as the middlemen in an institutionalized market that controls the rivalry between the core nations in terms of the commerce that their contributions generate.

UK plc, a historically creditor state with sectoral strengths in supply, merchant banking, international consulting, and supply, favors relatively large contributions through multilateral channels for a variety of reasons, not the least of which is the fact that it profits from the use of those funds, especially in the form of consulting services through technical assistance budgets.

The ADB figures demonstrate this strength in consulting as well as the high rankings for EDF funds in 7.2, which were tied to UK derivate gain from the expenditures on supplies and equipment, consulting, and technical support within those two programs. The emergency response function for supplies and equipment that the Crown Agents have created more recently may quickly satisfy the supply demands of development institutions in the case of natural catastrophes. The UK favors further untying of program assistance and balance of payments support as well, one again because it anticipates taking advantage of a sizable natural share of the run-off revenue from these programs.

The UK's multilateral contributions largely provide doors for supply, technical support, and consulting possibilities. The UK received more derivative procurement contracts for consulting from the World Bank in 1992 than any other nation, while it placed second for consultancy business and first for technical assistance contracts at the ADB. Multilateral development agencies' availability for works contracts indicate that the UK obtains substantially less business in this sector. The Crown Agents' involvement in handling supply contracts for the EC and providing logistical services in turn likely explains the high ranking for supplies and equipment contracts from the European Community development funds. In fact, more than $30 billion was distributed by multilateral development organizations, regional development banks, and the United Nations during the 1990–1991 fiscal year.

After the United States, Japan, and Germany, the United Kingdom now owns around 7.5% of the business sponsored by the agencies. As an example, the World Bank alone gave contracts to British firms in 1990–1991 totaling US $875 million. Yet, there is definitely space for British businesses to capture a greater portion of this market. The sums, proportional shares, and positions of the UK in different program spending categories for a few chosen international development organizations in 1991–1992. By 2007, fewer derivative contracts by value were going to the World Bank's wealthiest shareholders, and more contracts for civil works reflected China and India's increased competitiveness in the world market for industrial manufacturing. Below is a list of all the nations obtaining at least 4% of contracts. China and India have joined Germany as beneficiaries for the top-ranking nations in terms of contracts for products. The UK continued to have 7% of the market share for derivative contracts in the consultant services sector in 2007, although Indonesia and Russia had entered the top-ranking nations by percentage list, and the UK and the US had proportionally lost market share.

These statistics do show that the population of recipients has increased and the share of each has been diluted since 1992, though they are not accurate for all World Bank contracts4 and are of a cumulative lesser value because the database they are taken from leaves out a large number of small contracts that are not subject to prior review. As a result, by the 2000s, the main creditor governments' and the Bank's owners' cumulative proportion of contracts had decreased from its 1980s and early 1990s peak. These lists, in percentage form, include all the nations that rank among the top five in terms of the volume of goods contracts and civil works contracts received in any of the years 2002–2007. If a cell is empty, it means the nation did not rank among the top five in the relevant year. The proportion of that country's total revenue that year is shown by the s, and their ranking is indicated by the square brackets. Likewise, as we saw above, the distribution of goods contracts shows the strength and competitiveness of China's and India's economies on a global scale, despite Germany's continued presence at the top. A significant challenger lately emerged is the Russian Federation [7]–[9].

Even more glaringly, China and India dominate the market for civil works contracts, with Brazil coming in a solid third. For instance, China and India together accounted for nearly half of the value of derivative business from World Bank civil works contracts in 2002. China alone won contracts for $1.3 billion out of a total budget of $4.2 billion. In actuality, China was the biggest provider for the whole six-year period, with the exception of 2006, when India narrowly overtook China, albeit they still account for 20% of the market on rounded percentages. The total row in this World Bank spreadsheet lists the value of all the contracts for all nations, including those subject to previous review but excluding a large number of smaller contracts. It also indicates the proportion of the total value of contracts granted to the top three suppliers. Just three nations won more than half of all contracts in four of the six years given; China, India, and Brazil were the top three in four of the six years listed, winning more than 47% of all contracts in each year. In three of the six years, China won more than 30% of all contracts by value.

Derivative business at the Asian Development Bank

The regional development banks did not all have the same level of business opening, which was notably noticeable in the civil works sector. While the UK had expanded its share of the derivative market from 8.2 to 12.1 percent, the distribution of derivative contracts from the ADB in 2007 was comparable to that in the early 1990s. Since joining in 1966, the UK has contributed $1.14 billion in capital subscription and $1.23 billion to special funds, ranking it as the fourteenth-largest shareholder in the ADB. Since 1967, UK-based businesses and consultants have benefited from $2.29 billion in procurement contracts on ADB-financed projects. The UK held little over 2% of all ADB shares in 2007 hence, its contribution to funds is more than that of the share base. The proportion of contracts with the ADB for products, labor, and consulting that were awarded to the UK in 2006 and 2007 and in all other years since 1966. The interests of the UK in the past and present are vividly shown by two recent Memorandums of Understanding between the UK and ADB.

The first MOU from 2001 provided £20 million in funding, followed by another £30 million, for technical and poverty-focused operations in India, resulting in a total of 48 projects. The second MOU, signed in 2002, provided £36 million to a multi-donor Poverty Reduction Co-operation fund for research on poverty and technical support for 106 projects in chosen member developing countries. Co-financing of projects between the UK and ADB from 2003 to 2007 also added eight additional investment projects, co-financed to $296.65 million, consisting of five grant packages in rural infrastructure, health, water services, and health, education, and social services, as well as three commercial co-financed projects in cellular telephony, municipal natural gas infrastructure, and hydroelectric. Additionally, 58 technical assistance projects, co-financed to $90.55 million, and another 58 investment projects were added. It is not surprising that the actual contractors and suppliers from the UK who have benefited from contracts from the ADB between January 2002 and December 2006 for loan projects are mostly in the education sector, but also in the water supply, sanitation, and waste management sectors, given the type of co-financing provided and the overall policy objectives of the MOUs.

At the end of 2007, the ADB had granted loans totaling $133.3 billion for 2,080 projects in 41 countries, grants totaling $3.27 billion for 221 projects, and technical assistance programs totaling $3.26 billion for 6,347 projects. These sums resulted in contracts for the purchase of commodities, labor, and consulting services valued at $94.37 billion as of December 31, 2007, with $6.49 billion granted in 2006 and $7.13 billion in 2007. ADB also said that both regional

and non-regional businesses and people from ADB member countries received the majority of contracts that were granted based on international competition. Summarizes the UK's portion of the $94 billion, totaling $820 million, or more over 12% of the total in that sector, while the total for goods and works was close to $1.5 billion, or 1.68 % of the sector's cumulative total. In all, the UK has contributed $2.37 billion, while UK businesses have earned $2.29 billion in contracts, therefore the ADB is effectively recycling money as a kind of subsidy from the UK government to UK businesses. The rate of return is reasonable, especially in light of the fact that only $79.87 million of the $1.14 billion in paid-in capital subscription really changes hands the remaining amount is recorded as an accounting debt on UK national accounts.

Between 1 January 1985 and 31 December 2007, ADB financing projects produced $3.08 billion in consulting contracts, with $276.57 million, or little under 9%, going to UK consultants. UK consultants received $295.8 million, or less than 14%, of the $2.14 billion in ADB technical support projects during that time. Roughton International, Scott Wilson Kirkpatrick & Company Ltd, Halcrow Group Ltd, Mott Macdonald Ltd, WSP International Management Consulting, and four other firms with contracts worth between $4.88 million and $1.39 million were the top consultants for ADB loans between January 2002 and December 2006. Individual British consultants were hired 388 times for a total of $26.43 million on technical support projects, but numerous recognizable organizations were hired a small number of times apiece for contract values ranging from $4.28 million to $1.71 million [10]–[12].

CONCLUSION

In addition to being very dangerous, derivatives are a requirement for investors to lower risk in an unpredictable market. The two major uses of financial derivatives are speculation and investment hedging. A security having a price that is based on or derived from one or more underlying assets is referred to as a derivative. A contract between two or more parties based on the asset or assets is the derivative itself. Derivatives are used by investors to cover a position, raise leverage, or make predictions about the direction of an asset. Both over the counter and on exchanges are options for buying and selling derivatives. Derivative contracts come in a variety of forms, such as options, swaps, and futures or forward contracts.

REFERENCES:

[1] F. Sial and J. Doucette, Inclusive partners? Internationalising South Korea’s chaebol through corporate social responsibility-linked development cooperation, *Third World Q.*, 2020, doi: 10.1080/01436597.2020.1782185.

[2] D. Anissa Miranti, Diplomasi Australia Ke Indonesia Dalam Penurunan Bea Masuk Gula Mentah (Raw Sugar) Periode 2017-2018, *Mjir) Moestopo J. Int. Relations*, 2021.

[3] K. F. Khaled and M. A. Amin, Electrochemical and molecular dynamics simulation studies on the corrosion inhibition of aluminum in molar hydrochloric acid using some imidazole derivatives, *J. Appl. Electrochem.*, 2009, doi: 10.1007/s10800-009-9951-x.

[4] H. R. Bhat, P. K. Pandey, S. K. Ghosh, and U. P. Singh, Development of 4-aminoquinoline-1,3,5-triazine conjugates as potent antibacterial agent through facile synthetic route, *Med. Chem. Res.*, 2013, doi: 10.1007/s00044-013-0521-8.

[5] F. A. Macías, A. Oliveros-Bastidas, D. Marín, C. Carrera, N. Chinchilla, and J. M. G.

Molinillo, Plant biocommunicators: Their phytotoxicity, degradation studies and potential use as herbicide models, *Phytochemistry Reviews*. 2008. doi: 10.1007/s11101-007-9062-4.

[6] D. A. Sari *et al.*, Evaluating policy coherence: A case study of peatland forests on the Kampar Peninsula landscape, Indonesia, *Land use policy*, 2021, doi: 10.1016/j.landusepol.2021.105396.

[7] Anonymous, Report of the Finance & Transactions Committee, *Energy Law J.*, 2011.

[8] C. R. Warren, Use of chemical ionization for GC-MS metabolite profiling, *Metabolomics*, 2013, doi: 10.1007/s11306-011-0346-8.

[9] A. G. Golub *et al.*, Structure-based discovery of novel flavonol inhibitors of human protein kinase CK2, *Mol. Cell. Biochem.*, 2011, doi: 10.1007/s11010-011-0945-8.

[10] A. D. Mosnaim, O. H. Callaghan, T. Hudzik, and M. E. Wolf, Rat brain-uptake index for phenylethylamine and various monomethylated derivatives, *Neurochem. Res.*, 2013, doi: 10.1007/s11064-013-0988-1.

[11] E. G. Barbosa, K. F. M. Pasqualoto, and M. M. C. Ferreira, The receptor-dependent LQTA-QSAR: Application to a set of trypanothione reductase inhibitors, *J. Comput. Aided. Mol. Des.*, 2012, doi: 10.1007/s10822-012-9598-2.

[12] K. Hanhineva, I. Rogachev, A. M. Aura, A. Aharoni, K. Poutanen, and H. Mykkänen, Identification of novel lignans in the whole grain rye bran by non-targeted LC-MS metabolite profiling, *Metabolomics*, 2012, doi: 10.1007/s11306-011-0325-0.

CHAPTER 10

A BRIEF OVERVIEW ABOUT HARMONIZATION PROCESS

Dr Sakshi Chabra, Assistant Professor,
Department of Entrepreneurship and New Venture Creation, CMS Business School, Jain (Deemed to be University), Bangalore, Karnataka, India,
Email Id:sakshichabra@cms.ac.in

ABSTRACT:

Harmonization is the process of focusing on complimentary areas so that the plans may work together to accomplish a larger strategic goal. Harmonization enables various departments within local governments to collaborate, share a same vision, and make the most use of available resources. In this chapter author is discusses thederivative business at the African development bank.

KEYWORDS:

Business, Economy, Harmonization, Money, Network.

INTRODUCTION

In 1994, the House of Commons Select Committee on Trade predicted that South Africa would join newer industrialized nations in displacing the traditional European suppliers at the AfDB, becoming both a major shareholder and major borrower. It will, therefore, be in a position to absorb internally the majority of the procurement contracts that are generated the AfDB emphasized that South Africa's competitive position would mean that, in a regional context it will displace many European and North American firms that have been active in the southern Africa region in addition to absorbing all procurement contracts relating to projects financed in South Africa [1], [2]. British companies are advised to invest directly in the creation of South African subsidiaries and to forge strategic alliances with pertinent local partners in order to increase their competitiveness in the procurement processes in other southern African nations north of the Limpopo River. Otherwise, they stand to be among the major losers in the region.

Although it now seems foolish to have encouraged more business in Zimbabwe, strategic agreements with new South African companies in the industries of infrastructure, hotels, paper, packaging, finance, transport and logistics, electrical equipment, and platinum were made, especially by the Commonwealth Development Corporation through Actis. As we saw in 5, the Globeleq corporation in particular helped considerably to the success of the recently privatized Actis and the swelling pockets of senior staff by gaining crucial continental influence in power. We saw how CDC was significantly engaged in power and energy assets in Africa via its Actis fund firm Globeleq, including, starting in May 2004, a group known as Umeme that was established to provide electricity in Uganda. With its company Globel, CDC has a 56% share in Umeme, with Eskom owning the remaining 44%. Ugandans dislike Umeme a lot because to price increases and disconnections.

This instance, however, exemplifies the Great Predators' ability to recycle funds in such a way that funds contributed to them may seem to have a global origin yet ultimately serve bilateral interests by backing companies of the same nationality. In Umeme's case, the World Bank, via

the IDA, provided an additional loan of $11 million to support the CDC/Actis/Globeleq investment, and Eskom subsequently received a further $500 million loan from the AfDB, a regional development bank in which the UK is listed as the bank's top bilateral non-member contributor. It's interesting to note that Globeleq also owns 30% of Kenya's Tsavo Power and 70% of Tanzania's Songas Power. To put it briefly, an agglomeration effect may be seen, where a cluster of DFI loans supports critical assets in favor of a private sector interestin this example, Globel with a sizable national embeddedness, in this case British. By 2007–2008, UK contributions to the AfDB were at an all-time high. In the eleventh replenishment of the African Development Fund 2007–2009, the UK doubled its prior level of support, going from about £200 million for 2005–2007 to £417 million for 2008–2010.

This made the UK the largest single donor to the AfDB, surpassing France for the first time. This increase was in line with both the recent growth in UK ODA spending overall and the rising amount of over 40% via multilateral institutions, which mostly benefits regional development banks. The Department for International Development gives the AfDB more money than any other RDB, but the International Development Committee was worried that the board structure did not provide DfID the power to match this level of support. With one seat on the board that alternates between Germany and the UK, the UK is a member of a constituency made up of the Netherlands, Germany, Portugal, and the UK. One-third of all donor funding went to ADF11 from the constituency as a whole, with Germany raising its prior contribution by close to 80% and the Netherlands and Portugal doing the same with increases of 50% and 40%, respectively. Votes, however, are determined by share capital owned, of which the UK has 1.676%, putting it in sixth place among non-regional shareholders, as opposed to fund contributions, where the UK tops the list [3].

As a result of a 2007 High Level Panel Study that informed the AfDB of its competitive advantage in this area, infrastructure creation and improvement is one of the top goals of ADF11, with a 60% budget allocation. The New Partnership for Africa's Development, established in 2001, tasked the AfDB with leading the NEPAD agenda on regional integration, including the crucial role of hard and soft infrastructure. In line with this, DfID specifies four goals for the AfDB in its joint constituency strategy paper from 2006,8 the first of which is to strengthen the bank's contribution to infrastructure. The second and third goals are to increase bank effectiveness both in-country and at the headquarters level. The fourth goal is to sharpen AfDB's contribution to good governance in African countries. It's interesting that private sector development is emphasized more than the fight against poverty as a strategic aim. In fact, the AfDB's growth area is the development of the private sector, with lending to private businesses expanding seven-fold since 2004 and being designated as a priority area for ADF11 with activity expected to pick up again. Since African governments hold 60% of the AfDB, employees apparently believed that the private sector is where the AfDB's competitive advantage lay. As a result, the Bank gained a reputation as one of them and a honest broker.

According to the AfDB, $1,580 million in goods and services were contracted to non-regional members in 20049, compared to $585 million to regional member nations, a ratio that is around 1:3. In recent years, the UK has received a very small share of the contracts granted by the AfDB 0.49 percent in 2007 and 0.59 percent in 2006, with the majority of these contracts when expressed as a percentage of the UK total going to goods, followed by services, and the remaining contracts going to civil works. The s for all nations are instructive, and the AfDB reprinted them in full and online in a commendable display of openness. China received the most

contracts out of the 70 nations that received them between 2003 and 2008, totaling $1,220 million in 2007. When the nations with less than 1% of the market are excluded for the years 2003 to 2005, the averages leave 29 countries with more than 1% of the market, collectively accounting for 88 % of the total, and 40 countries split the budget evenly at 12%. 10 14 nations hold 67% of the world's derivative industry after excluding those with less than 2% of the total, as shown by this five-year average [4].

These are copies. The proportion of total contracts for 2006 and 2007 is shown, followed by the cumulative share for the average over 6 years from March 2008 to April 2008. After China, a group of middle-income African Francophone nationsMali, Morocco, Tunisiaand Francewith a cumulative average of 12% of all derivative activity, but a startling 18% for 2007 alone. The absence of some of the most anticipated African economic powerhouses, including Nigeria, Kenya, and Egypt, from this list is arguably what stands out the most. China has done well in this area compared to its overall shareholding. It is ranked fifteenth on the list of non-regional members with voting rights and has reportedly little involvement in AfDB activities. The UK's International Development Select Committee, citing the High Level Panel Report on the AfDB, wants the AfDB to persuade China to increase its participation, join the Infrastructure Consortium for Africa since it is Africa's third-largest investor and trade partner, and improve transparency in its English-language operations.

DISCUSSION

Crony Networks and Closed Procurement

The empirical information that is publicly available nevertheless implies that Northern creditors may support competitive bidding and thereby claim the seeming moral high ground, confident in the knowledge that it benefits them disproportionately, notwithstanding some diluting of advantages. Creditor governments may also keep significant qualifiers and deviations from the lofty concept hidden in technical processes, similar to how they advocate for liberalization in financial and trade systems. Hence, promotion of worldwide competitive bidding does not preclude the World Bank from utilizing alternative systems in reality itself, as we can see in this section. This is similar to how international trade policy has only a limited influence on the protectionism of Fortress Europe. The core states often benefit from a large concentration of derivative business from international development money as a result of their relative technological, spatial, and financial advantages over less developed nations. Although DAC laws assure regulated competition among its members, chances to preserve a competitive advantage still exist since the financing of research and consulting related to bid solicitations may be covered entirely by the government of the firm that is soliciting the bid.

This helps to explain why 'technical support' is allocated a certain percentage of the British aid budget. The Commercial and Aid sections of the British High Commissions can send sensitive information about potential contracts to registration-only services in London, coordinated from of the UK Trade and Investment website, and involving proactive alerts to subscribing companies of opportunities which match their business. These are just two examples of the other technical and geographic advantages enjoyed by companies from richer states. In contrast, a local business in the country where the contract is created could be forced to depend on surface postal services given the constrained time and information available for bids. The Aid-Funded Business Service, which was established to assist British firms move forward in aid-funded business, is now available in the UK. Whitehall and foreign embassies work together to offer a

variety of services to help businesses access the system. These services include subsidised attendance at specific trade fairs, outward missions, and customized market intelligence. As UK Trade and Investment Services puts it, we can help you crack foreign markets and get to grips quickly with overseas regulations and business practice. According to the Aid-Funded Business Service, 4–17% of international aid-funded businesses. The industries of healthcare, building, consulting, Technology, the environment, and transportation are those where knowledge is most in demand.

These benefits are supported generally for core states as a group compared to businesses from poorer nations by the discursive practices and processes of the multilaterals themselves, and are justified via the language of efficient business. For instance, consulting contracts derived from EDF-funded humanitarian initiatives are often awarded to shortlisted, registered firms after a rigorous qualifying process. These procurement rules, which date back to the early 1990s, established a pattern: as more projects were subsequently opened to more untied aid, allowing for the normalization of seemingly competitive environments and open tendering, the qualifying technicalities of registration continued to work against businesses from farther away locations, including those where the project would be built. Large Northern businesses have continued to be solely responsible for the huge and iconic projects of modern African development, such as the Lesotho Highlands Dam, the Chad-Cameroon pipeline, the infrastructure improvements at Cabinda in Angola, and so forth. The employment of relatively small consultancies is discouraged by the European Commission, which has also advocated big size to work with organizations who are fully capable of completing projects. As size is seen to be related to efficiency, arguments that only giant businesses would do recur often. This undoubtedly helps established businesses from core states recruit derivative business in general. Moreover, international organizations do not generally adhere to the usage of open bidding, which would let new businesses join these exclusive networks [5], [6].

An analysis of the World Bank procurement database13 provides a glimpse of how procurement has changed between the 1980s and 1990s, when business communities were effectively closed, and after the entry of new donors and economic powerhouses like China and India. The World Bank qualifies the use of its database by pointing out that it does not contain details of all bank-funded projects, which result in the award of approximately 20–30,000 contracts worth $20 billion annually, but only 7,000 of these, though these do include major contracts financed under investment lending which were reviewed by Bank staff before they were awarded. The requirements for prior review differ from loan to loan and nation to country, the bank notes. Between 2000 and 2007, 503 contracts total262 for consultants and 241 for Goods and Workswere awarded to UK companies across all industries and in all African nations. The 262 consulting contracts totaled more than $144 million in value, and when those projects are broken down to account for smaller portions that are given directly to other subcontractors or, in the majority of cases, UK companies registered in other nations, such as Scott Wilson Kirkpatrick & Co. in France and Ivory Coast or PricewaterhouseCoopers Consultants Limited in Senegal and South Africa, the total comes to 277 contracts, which are distributed.

The World Bank received 6,215,14 successfully awarded contracts from all supplier nations for work done in Africa between 2000 and 2007 in the domain of consulting services, which is around $2,253 million to a supplier. Column one of the table contains the choices of the types of purchases. The results demonstrate the most 'competitive' method of selection: 'quality and cost-based selection' was utilized in 57% of contracts awarded to British consultants and in 49% of all

instances; in the other cases, it wasn't. The procurement office of the nation borrowing the funds is supposed to evaluate the applications when a firm submits a proposal for a contract financed by EU authority. According to the OECD, all 39 HIPC nations now have entirely untied assistance, allowing them to purchase products and services locally at the greatest price as a result of the recent initiatives to increase aid effectiveness after the Paris Declaration. Yet, the procurement process itself is still governed by standards of competition that favor companies in the know, thus it is still unclear if these new efforts will be able to effectively take on powerful interests. Current figures, which continue to be disproportionately high, and prior efforts of a similar kind do not indicate the quantities of business that go to Northern consultants.

A successful business must, in general, be close by and, in accordance with EU regulations, use marketing resources to strengthen relationships with both the Commission and the national authorising officer in-country, who governs the procedure and pertinent financial ceilings for negotiations with beneficiary states. The national authorising officer is typically the minister and is in charge of issuing tenders, overseeing evaluation, and awarding contracts with the EC delegate, up to certain financial limits. Even when legality is rigorously followed, these tasks may be expensive. As a result, enclaved networks might form and business jargon is needed to denounce any hints of favoritism or corruption. When Crown Agents built an office in Washington, D.C. before the Second World War to influence the newly developing institutions that would become the World Bank, they were aware of the value of proximity. The key is to be near, but not too close. For instance, the World Aid Section UK Representative urged consultants in the poorer countries who had good relations with government in 1991 to refrain from displaying proof of preferential access at the Commission, especially if the consultant had assisted in both the project's inception and the government's preparation of the application for funding to Brussels. This is what the UK Representative says.

It is crucial to keep in mind that project definition studies may prevent the consultant from taking part in the primary research. Hence, it could be strategically advantageous to downplay the significance of any prior contribution. Therefore, good relations and proximity to important political figures in the borrowing countries, as well as the capacity to provide them with resources so that they can submit a bid to the Commission, are viewed as assets of the concerned companies, though not necessarily assets that should be made public within the Commission. The need for the Commission to institutionally regulate the competition between the consultants from each member state in a way that seems fair explains the justification for such behavior. In contrast, projected new business at the AfDB in 2008 is systematizing procurement to a level never previously achieved. Because of the historically higher level of funding and the increased focus on private development, the AfDB may anticipate more procurement possibilities overall, but how they are distributed will depend on the procurement processes.

The UK is supporting the AfDB's transition to procurement arrangements in line with the Paris Declaration's guidelines for assistance effectiveness, including aid untying, the use of in-country procurement systems, and alignment with other multilateral development banks headed by the World Bank. This may be due to the fact that the UK receives relatively little derivative business when the bank itself manages the procurement system. The Institution of Civil Engineers and Engineers Against Poverty concluded in a memorandum of evidence that the AfDB had not yet progressed very far in its goals of using in-country procurement systems. While the Water Department is leading the way with international competitive bidding in Uganda and Tanzania, in other departments the bank retains consid- erable control over procurement and ICB. In other

words, in-country dynamics would take the role of preferences at the AfDB as the primary determinant of winners and losers. The crucial question of whether foreign or local enterprises get the cash will remain unresolved despite this shift away from the AfDB. Regarding this, ICE and EAP acknowledge that: The AfDB was very worried that a large portion of the capital spent in African infrastructure goes straight out again in the form of contracts granted to foreign suppliers and contractors.

Surprisingly on the surface, ICE and EAP reinforce the argument for the developmental advantages of local supply in boosting capacity and promoting economic growth and poverty reduction. The widespread use of foreign contractors, according to the AfDB, did not guarantee quality, and project execution was often subpar, with original social policies not reflected in procurement and contract agreements and therefore not implemented. AfDB has its hands somewhat tied by aid harmonisation commitments to multilateral development bank procedures, which typically insist on international competitive bidding and acceptance of the lowest evaluated bid. ICE and EAP suggested that AfDB shift its procurement focus from lowest price to best value, but AfDB has limited options due to these commitments. While many African nations are reforming their procurement proce- dures under the auspices of the World Bank, new procurement legislation in several of these nations reflect this development. The ICE and EAP come to the conclusion that: Corruption is rampant under the current regime and lowest price does not necessarily offer the best value for money with a negative impact on the quality of the infrastructure asset, despite the World Bank marketing this change as an anti-corruption policy.

They add this fascinating footnote: For many years, the large donors have had some expectation that rewards in the form of contract awards would be proportional to the magnitude of contributions and donor country corporations. The fact that the UN favors buying from developing nations yet still has to put companies from Under-utilised Major Donor Countries on tender lists would appear to confirm that there is still some relationship between donations and awards. We can test the idea that, similar to free markets and liberalization policy, it is frequently the market leaders and market makers who disproportionately benefit from the introduction of competition in any case. Anti-corruption policy may be the means of reform in this area, but it may not be the driver. At the very least, their firm suffered less of a loss than you may have anticipated. Free trade has undoubtedly tended to favor the economically affluent where it is there. In this case, the AfDB maintains the preference for African businesses built into the system, according to which, all other things being equal, African businesses that fell within a 10-15% margin of competitor bids would be successful, within the bounds set by the competitive tender system and a over-riding concern with quality. Nevertheless, the AfDB cautioned that it was not trivial to ensure that businesses could demonstrate they were wholly locally-based. On two levels, it seems that a policy fudge is at play here.

Although open competition is seen to be optimal for efficiency, local competition is thought to be best for growth [7]. According to the IDC, local procurement, for instance, creates more sustainable outcomes and helps generate skills, income, and employment, but they also urge the AfDB to ensure it is doing all it can to support local business, while continuing to harmonise its procurement processes with other donors in line with the Paris Declaration on Aid Effectiveness. The actual breakdown of contracts between regional and non-regional members of the AfDB by value, with a rather equal distribution between the two. The second possible fallacy is that nationality may, in any event, be concealed via intricate business alliances, nationally established corporations claiming to be local residents, subcontracting, and other similar tactics. The second

fudge may not be entirely harmful if it encourages vertical integration and market access, but it may surely sabotage indigenization and the development of the African private sector's capabilities [8].

CONCLUSION

The Great Predators operate to generate economic possibilities for themselves, or for themselves in the form of opportunities mostly reserved for the businesses of the nations supplying the loans, as well as for other individuals who need developing, for development, and to reduce poverty. The Great Predatorsthe bilateral, regional, and multilateral development finance institutionsunderwrite and regulate a global market for goods and services for development; they inject liquidity to spur growth that resembles a public subsidy to already privileged Northern private sector companies; they have an institutional framework that supports a Keynesian multiplier, which we modelled in 4.

Insofar as the projects that are actually developed are profitable, the money that the borrowers repay to the DFIs should, in an ideal world, only represent a tiny portion of the additional flow of revenue that the project's operations will generate once it is finished and operating.

This ideal situation is uncommon, though, as many projects are infrastructure-related and don't directly generate income; others are simply ineffective; still others are located in regions where excessively generous profit repatriation policies are in place for the controllers of the resulting asset, who are typically foreigners.

Some DFI-funded assets are nothing more than white elephants, and the history of development is replete with abandoned projects, failed projects, and virtual projects, or enterprises that never even materialized because unscrupulous individuals stole the money at the project's genesis stage. Consequently, inasmuch as debt has been repaid with interest but pertains to these failed projects, the Southern tax payer pays the price.

In reality, the public subsidy to the corporations comes from the purses of the world's poor, who the 'aid' was presumably intended to assist in the first place.

REFERENCES:

[1] M. S. Pinto *et al.*, ‘Harmonization of Brain Diffusion MRI: Concepts and Methods’, *Frontiers in Neuroscience*. 2020. doi: 10.3389/fnins.2020.00396.

[2] S. Giarola *et al.*, ‘Challenges in the harmonisation of global integrated assessment models: A comprehensive methodology to reduce model response heterogeneity’, *Sci. Total Environ.*, 2021, doi: 10.1016/j.scitotenv.2021.146861.

[3] S. Hörber, P. Achenbach, E. Schleicher, and A. Peter, ‘Harmonization of immunoassays for biomarkers in diabetes mellitus’, *Biotechnology Advances*. 2020. doi: 10.1016/j.biotechadv.2019.02.015.

[4] J. Regan-Lefebvre, ‘John Bull’s Other Vineyard: Selling Australian Wine in Nineteenth-Century Britain’, *J. Imp. Commonw. Hist.*, 2017, doi: 10.1080/03086534.2017.1294243.

[5] I. Fortier *et al.*, ‘Maelstrom Research guidelines for rigorous retrospective data harmonization’, *Int. J. Epidemiol.*, 2017, doi: 10.1093/ije/dyw075.

[6] D. Moyer, G. Ver Steeg, C. M. W. Tax, and P. M. Thompson, 'Scanner invariant representations for diffusion MRI harmonization', *Magn. Reson. Med.*, 2020, doi: 10.1002/mrm.28243.

[7] D. Finn, 'The "welfare market" and the flexible new deal: Lessons from other countries', *Local Econ.*, 2009, doi: 10.1080/02690940802645471.

[8] F. Orlhac *et al.*, 'A postreconstruction harmonization method for multicenter radiomic studies in PET', *J. Nucl. Med.*, 2018, doi: 10.2967/jnumed.117.199935.

CHAPTER 11

BILATERAL INTERVENTIONS AND PRIVATE SECTOR DEVELOPMENT

Dr Preetha Chandran, Associate Professor,
Department of Finance, CMS Business School, Jain (Deemed to be University), Bangalore, Karnataka, India,
Email Id:preetha.chandran@cms.ac.in

ABSTRACT:

In the field of international development, the phrase private sector development (PSD) refers to a variety of methods for fostering economic development and eradicating poverty in developing nations via the establishment of private firms.The private sector is critical to the economy because it creates employment, provides goods and services, and stimulates economic growth. It is a significant source of revenue for governments. In this chapter author is discusses the European development finance institutions.

KEYWORDS:

Bilateral, Business, Micro-Environment, Polices, Sector.

INTRODUCTION

Together, bilateral financial institutions handle foreign direct investment from inside national institutional frameworks and make investments across the developing world, employing umbrella guarantees to protect their business partners. They play a particularly unique function in managing liquidity in connection to investment and finance capital as a whole, all under the aegis of the directly multilateral International Finance Corporation. In this, a key outcome of bilateral interventions is the function of connecting North and South firms, as well as customers and commercial partners. This looks at the theoretical advantages of private sector development tools before examining how these interventions really work in the real world. This is not meant to imply that multilateral assistance only benefits the public while bilateral institutions have a monopoly in the private sector. Since both types are used in both sectors, it is rather the case that bilateral aid to the private sector plays a special role in fostering trade and investment ties between national economies, and as a result, has a significant impact on reproducing and reshaping previous patterns of inequality and power between nation states [1]–[3].

The Advantages of Private Sector Development Tools

Instruments for private sector development are programs and materials created with the goal of growing the private sector. There are typically two main categories: macrointerventions at the level of the market and economy as a whole, sometimes known as market development methods, and direct interventions and subsidies at the business or sector level. Together, they are meant to spur economic development by enhancing the business environment, which would, in turn, provide impoverished people more opportunity to engage in markets, according to the British Government. PSD instruments are said to function most effectively when they are strategically applied, or, to put it another way, as summarized by these researchers from the Overseas Development Institute, when they: focus resources where maximum impact can be leveraged on

business models with high potential for replication and demonstration, on pump-priming expansion of domestic commercial financial services, or on investment climate reform to supplement direct business support.

With the purpose of promoting the expansion of the private sector and, in turn, capital accumulation, policymakers have been urging the employment of both kinds of instruments in a complementary and integrated manner. Over 30 years ago, there was a broad shift toward more enabling or facilitative tactics, at least verbally, moving away from direct action by governments and direct subsidies to individual enterprises. Powerful organizations have sometimes benefitted from exceptions to the norm within this general pattern, such as the liquidity back-stops or transfers of public funds to banks in the aftermath of the credit crisis. According to the Organization for Economic Co-operation and Development, the current consensus is to address coordination weaknesses in the areas of investment, innovation, and R&D. Governments are tasked with enabling commerce, providing public goods, reducing externalities, and fostering international trade. PSD was given priority for African development in the Enhanced Private Sector Assistance program, which was introduced at the Group of Eight Summit Meeting in Gleneagles in July 2005.

Five intervention areas were identified fostering an enabling environment, bolstering financial systems, constructing competitive economic and social infrastructure, fostering the growth of small and medium-sized enterprises, and fostering trade and foreign direct investment. After reviewing these initiatives, the OECD suggests a strategy for addressing coordination failures that entails building well-functioning institutions and appropriate incentive mechanisms in an effort to avoid direct interventions in favor of indirect inducements, as well as a whole-of-government strategy to create that elusive s macroeconomic environment, complete with secure property rights and effective contract enforcement. The main characteristics of aid to the private sector that are considered to be developmental are that it creates new and previously untapped markets, lowers country risk as a result, including for other businesses in an agglomeration effect, and can be organized to support and strengthen recipient governments' commitments to broader changes to the market architecture and macroeconomic policy environment, not least because bilateral money is frequently used as a reward.

The primary ideas used by the development financing institutions to expand and explain these consequences are outlined below. The demonstration effect is a key idea, in which the project is promoted in the hope that others would see how effective it is and follow their lead, either in a previously underdeveloped industrial area or because the risks have turned out to be manageable. A related idea is the augmentation of capital flows, where private effort is significantly aided by the DFIs along the way, both via their financial and non-financial contributions, the latter of which mostly consists of the application of technical know-how and expertise. The third is known as the catalytic effect, in which further private players are encouraged to imitate one another using public funds. Going back to the ODI overview of the advantages of PSD instruments, we find out that they are meant to have a demonstration effect, a multiplier effect to attract investors, and a broader developmental impact. Additionally, assistance is marketed in a variety of ways by DFIs as cutting edge, strategic in the development of industrial sectors or markets overall, as helping to catalyze and crowd in new and otherwise reluctant investors, as well as as helping to select and promote the most experienced and skilled local entrepreneurs and fund managers - and so forth [4]–[6].

DISCUSSION

Assisting Accumulation

This lengthy list of highly generic policies, tools, and principles conceals the fact that equity and development finance acquisitions continue to predominately be the major forms of intervention, favoring certain constituents over others. Moreover, macro policies do not always favor everyone evenly since neoliberal free markets sometimes favor the powerful and amplify inequality. Although our analysis demonstrates that there is also a risk of dependence for large equity funds and their managers, a process more generally described by Larry Elliott and Dan Atkinson in their recent book, The Gods That Failed, the ODI researchers warn of the risk of a escalator of donor- assisted instruments, resulting in donor dependency on the part of African entrepreneurs and enterprises. According to this interpretation, private investors are content to repeat free market maxims while the economy is booming but rush to central banks for bailouts when things start to seem gloomier. . In other words, and as is typical for many public programs, PSD establishes a constituency that becomes acclimated to the subsidy, which has a larger impact on shoring up the constituency's relative economic and social status [7]–[9].

The fact that PSD instruments are relatively clandestine and opaque is only one of several paradoxical and negative impacts. For instance, the endeavor to play a supporting or auxiliary role is essential to the growth of the private sector, not the least since many international financial institutions are constrained by size to refrain from dislodging the private sector. For instance, the IFC is constrained by its Articles of Agreement, which stipulate that the Corporation shall not undertake any financing or that the Corporation shall not undertake any financing for which in its judgment adequate capital might be secured on fair conditions Its participation must, in other words, make things happen that otherwise would not happen in a timely manner; it must also make a special contribution that supplements or complements the role of market operators ideally, this contribution should be made in economies and sectors where a successful IFC project's demonstration effect encourages imitation. So, increasing capital flows must be evaluated in light of the difficult to prove counterfactual caveat that if DEG, AFD, or IFC, among others, hadn't existed, it would not have occurred. Investment decisions are subject to cronyism and abuse because it is impossible to prove this.

When additional participants appear quickly, it can be said that the demonstration effect has augmented flows rather than that the businesses were waiting in the wings for a public sector subsidy to materialize after their initial protestations about insurmountable risk were met with promises of assistance. This is especially problematic when complete commercial profitability is anticipated, which historically began in the middle of the 1980s and led to several conceptual omissions between the discourses on business and development. The IFC and Commonwealth Development Corporation, for instance, defined their duties as parallel to real market processes by the early 1990s: the core of IFC's job is to integrate the purpose of profitability with that of development. This concept of profitability was expanded by the CDC and the IFC to include a scenario in which development is equated with capitalist profitability in its purest form. This forced complementarity was justified by the IFC in terms of the business concept, according to which funds transferred under market disciplines are then exposed to full commercial risk, meaning they are more likely to be utilised effectively. The Articles of Agreement prohibited the IFC from receiving a government guarantee of repayment for its own funding in this regard since

doing so may undermine the business concept by shifting part of the whole commercial risk. Having fully explained, the IFC continues.

IFC effectively transforms money from official sources into market-like funds by operating like a company and attempting to maintain a healthy bottom line. Profitability should be seen as congruent with, not in opposition to, the corporation's core purpose of development, which is not profits. The performance of the client firms that IFC financesprivate businesses that operate in niche sectors where profitability is the key metric of successdetermines the organization's bottom line. Therefore, 'development' and capitalist profit became synonymous, a shotgun marriage that provided as an ideological justification for the effective privatization of much development money starting in the mid-1980s in bilateral and multilateral development finance organizations. In the CDC's instance, it aimed to attain private sector levels of profitability, in part to dispel claims that it distorted the market. Nonetheless, because of its complete commerciality, it sometimes imagined extremely irrational scenarios where it was outbidding competing private corporations to obtain recently privatized enterprises and providing justification for its actions by emphasizing its value-added characteristics. As Tyler concludes:

1. When certain African agricultural operations were privatized, it was unclear what the public policy reason was for CDC outbidding legitimate private sector companies.
2. Similar to the IFC, which claimed that its unique contribution set it apart from the private sector in general.
3. only person with an interest in the project's success alone.
4. other parties typically have other goals related to the project's success but that ultimately take precedence over it.

This highlights the conflicting interests that various outside parties may have in a project, even while just a portion of it is beneficial to the general welfare, even though it is not further developed. Companies have a high trading interest in the supply of upstream processing and retail businesses in plan- tation agriculture, but they have little interest in investing in sources of supply if it can be avoided. In order to sustain their plantation businesses' low equity bases, international agribusiness corporations often enlist the aid of IFC and CDC, which fill the equity gap with public funding. Even if this were accurate, the argument would simply serve to imply that the IFC indirectly supports its other, more mercenary partners.

The Great Predators also try to set themselves apart and establish their credentials by making claims of reliability and trustworthiness, which lowers risk for others. Their publications are loaded with mentions to their rank, history, knowledge, and connections across the globe. The home creditor government, who may intervene to remind the hosts of their commitments should the need arise, is among their list of significant friends. This has resulted in DFI investments over time becoming concentrated in nations with macroeconomic policies in place, such as a structural adjustment program or, more recently, a poverty reduction strategy, or in nations that have gone the farthest in ratifying treaties and codes of conduct that bind nations to the governance modalities of the neoliberal order. A few of examples are the 1999 OECD Convention on Combating the Bribery of Foreign Public Authorities in International Economic Transactions and the Financial Action Task Force guidelines.

Several basic issues with the above-mentioned business concepts are shown by these more recent tendencies in the codification of neoliberalism. Nowadays, there isn't much that is brand-new, embryonic, or catalytic that can be created or discovered; the global capitalist boundaries simply

don't exist to support the IFIs' pledge to avoid displacing anybody. The contrary, attractive middle-income nations with a moderately sophisticated investment environment, seems to be favoured, as seen by their practice of concentrating investments in managed climates. According to Altenburg, public-private partnerships for development may have three possible benefits: more funding; the use of additional development experience; and creative solutions that would not be thought of by conventional assistance organizations. Altenburg also raises the possibility of taxpayer money going to good initiatives that private banks would have funded otherwise, a concern known as the wind-fall waste issue. In contrast, and in contrast to the dilemma of windfall waste, the prospective investment has no private interest since it is foolish or profitable.

How many advantages of development aid to the private sector might be disputed is shown by bank funding for mobile telecommunications in Afghanistan. The fact that the telephone loan was an intervention in a market that was already expandingwhere there were already two other mobile network providers and a government-run fixed line providerindicates that it may be a case of the windfall waste issue. In reality, such a subsidy would run afoul of EU norms that govern state assistance since they distort markets by favoring a single participant. In this instance, the firm in issue provided currency transfer services over the network to enable Afghans to use the phones to send remittances, or financial transfers, to family members in order to serve the needs of the rural poor. The argument that this loan is developmental or that this firm is more worthy than its competitorsas well as the suspicion, in this specific instance, that security interests also played a role in the selectioncould be made using these features of added value as evidence for public support. The fundamental issue with DFIs, according to Storey and Williams, is that they either pick up losers from the market or cause market distortions.

The Institutions for European Development Financing

A 1992 study by the Monopolies and Mergers Commission offers both a rare window into the profitability of the Great Predators and an intriguing exercise in gauging private sector development more generally. According to the gross return on investment that each organization obtained for the fiscal year 1990–1991 expressed as a percentage of its investments, the MMC rated the profitability of the CDC and other bilateral counterparts. With 10.3%, the German DEG had the highest profi, followed by 3i, EDESA, OPIC, IFC, SIFIDA, EIB, IFU, CDC, FMO, SBI, and CCCE. The average return over the two years for the four companies considered to be the most equivalent to the CDC is somewhat greater for DEG and IFC than CDC, while it is slightly lower for FMO and IFU. Moreover, CDC had built up a sizable surplus by 1992 and hadn't experienced a deficit since the 1950s. In both years, the rates of return for DFIs in Europe and North America were all respec and above 5%, in some cases reaching 10%.

Contrary to the portrayal DFIs make of their work, where profitability is believed to motivate departure and disposal as the job has been done, evidence of huge and consistent profits is in contrast to that. Of course, the sale itself generates profits, and losses may be covered by the creditor government's larger assistance budget. For instance, the CDC's investment in Tanwat, Tanzania, failed in the 1980s, but additional funding was still given, allowing losses to be shared. Comparatively, the prosperous Usutu Pulp Company in Swaziland was sold off to the private sector proper, in Usutu's case to SAPPI of South Africa, by a first tranche in 1990 when Courtaulds sold its stake and then through CDC's remaining stake in 2000, after the issue of full South African ownership had been made more agreeable to the Swazi Government following the end of apartheid. In order to build a good balance sheet over time, enough projects were

completed successfully and enough bad debts were absorbed by independent Third World governments and the Northern owners of the DFI clubs. In the Usutu pulp and paper success story, for instance, CDC invested roughly £18 million in Usutu between 1950 and 2000, and all loans were returned with interest such that Usutu's stock generated a compound return of around 13% annually in sterling.

The MMC Review's compilation of the CDC's and eleven comparable organizations' levels of activity in 1991, sorted by the value of investments on the balance sheet, topped the list. Nine of the twelve organizations, as can be seen from the, are entirely or substantially owned by governments, while the three private entities were held by alliances of banks and significant American and European industrial firms. The majority of the organizations were making investments in the form of loans and equity, with the exception of the EIB and OPIC, which exclusively made loans, and the French CCCE, now AFD, which favored loans over equity. Only later, in the 2000s, was the grant component of, say, EIB funding expanded. The EIB was primarily focused on the EC, but it also provided financing outside of the EC in the 69 African, Caribbean, and Pacific countries, twelve Mediterranean countries, and several in Central and Eastern Europe. In contrast, the CDC and other DFIs were making investments exclusively in poorer countries. This profile is intriguing because current debt cancellations can be largely attributed to loans made under this model for development purposes at rates close to market.

As a result, failures in the 1990s and 2000s must be understood in the context of the commercial risk model and the associated provisioning. However, to put it another way, any full value write-offs indicate more generosity on the part of creditors than the real book value of the loan would warrant, since this would have been written down many times against its relevant provisions in the years that followed. When the MMC evaluation took place, the organizations seemed to be in good shape. While the Overseas Private Investment Corporation is rated tenth in the, it also had a substantial amount of US Treasury securities available to it for the purposes of insurance and investment risk guarantees, making the quantity of the US contribution unclear. The Export-Import Bank, the primary government agency, the Foreign Credit Insurance Association, an unrated association of private commercial insurance companies working in collaboration with Eximbank to provide export credit insurance, and the Private Investment Corporation are just a few of the quasi-public and private organizations in the United States with similar functions.

The Export Credit Guarantee Department in the UK is the counterpart to Eximbank in the US. It was founded in 1934 with the primary goal of promoting and facilitating commerce with the Soviet Union, and it was rechartered in 1945 to allow for its current worldwide scope. By securing export loans made by US banks to foreign borrowers and through a direct lending operation with private partners, Eximbank makes it easier for Americans to finance their exports of goods and services from the US. These loans are made to borrowers abroad so they can use the money to buy US goods and services. Eximbank also offered funding at this time to pay the expenses paid by US businesses for engineering, planning, and feasibility studies for non-US customers on significant capital projects; this benefit, as we observed in the previous section, helped tilt derivative business in favor of creditor governments. Each institution is funded by the US government. As all of PEFCO's loans are guaranteed by Eximbank and PEFCO is not required to evaluate credit risks or assess nation circumstances on its own, this supports a coalition of private interests, particularly those with an exporting focus. Commercial banks make up the majority of PEFCO's stockholders, which fell from 49 in 1992 to 24 in 2008.

When these institutions are combined, the value they can add to the world's liquidity is small compared to private markets in the system's core regions, like North America and Europe, but large relative to smaller markets in the world's poorest nations and also large in comparison to the contributions of the members. This is due to the little sums that members actually contribute; instead, the majority of the funds are subsequently generated on financial markets by leveraging the members' reputations. Due to the members' good standing, there is little chance of nonpayment, and investors may rest easy knowing that bank earnings are often significant. For instance, the EIB has only a tiny percentage of useable money given by member states in the form of an interest subsidy and risk capital taken from the European Development Fund or Community budget resources, comparable to the World Bank, IFC, and AfDB that were studied. The majority of its funds are financed via capital markets, mostly through the issuance of public bonds, where it has consistently received support from the Triple-A or AAA grade given to its securities.

The European Development Financing Institutions organization now has 17 European members. By the end of 2007, the consolidated portfolio for all EDFI members was €15.1 billion ($24 billion), although members make fresh commitments every year to the value of around one-third of their portfolios. Also, 10 EDFI members have partnered with the European Investment Bank since 2004 to create a joint venture business called European Finance Partners to finance projects in ACP nations with whom the EU has a special connection under the Cotonou Agreement. 8.3 displays more DFIs that were not covered by the MMC study; this is in large part due to Storey and Williams' work. These EDFIs illustrate how, by their collective membership of states that cannot declare bankruptcy, credit resources are created for other impoverished states that, technically, if not in practice, cannot declare bankruptcy. The goal of Interact Group is to harmonise processes and to offer the tools of co-financing, not as an organization but as a club.

In the early 1980s, Interact had eight members who were collectively in charge of £1.6 billion annually. Now, Interact is a part of EDFI, with working groups that meet on a regular basis and a CEO group that meets once a year for the purpose of exchanging opinions on development themes. While the Caisse Centrale de Coopération Economique introduced CDC to the Ivory Coast, the European institutions had widely differing relationships over- seas, which resulted in fruitful areas of co-operation, with, for instance, the CDC specialization in agriculture used to provide know-how to DEG, who had long wished to participate in agricultural development but lacked German partners, while by 1982 their funds were becoming available for projects in Anglo In Tyler's periodization of the CDC, which included The Development Bank, The Development Finance Institution, The Emerging Private Equity Investor, and The Fund of Funds, this cross-investment assisted the CDC in transitioning from its first to its second model, with a number of significant agribusiness ventures being jointly promoted, acquired, and managed.

The CDC is now the main vehicle of the British PSD, with private businesses acting as recipients and investments made on or nearly on commercial terms. By 1996, CDC was in charge of investing 25% of all new capital in equity. Even in nations whose governments had defaulted on their financial commitments to CDC, arrangements had been reached, and CDC had agreed to take debt service payments in local currencies in order to reinvest them. In 1996, agriculture accounted for 54% of CDC's overall African investment portfolio. According to Tyler, however, generally, investing as a minority partner alongside private entrepreneurs was not a success because some had little money of their own, saw projects as low stakes gambles, lacked

experience, or were expert fraudsters. As a result, the CDC made a significant loss on the African agribusiness investments it made during this time, writing off more than half of the capital invested. Insofar as state-guaranteed loans were connected to the failures, this drive to assist private-sector growth left behind an enriched state class of new equity owners and an impoverished capital account on the balance of payments of developing nations.

Many parastatals agricultural development agencies also acquired stakes, including ARDA in Zimbabwe, in the Cold Storage Commission, South Downs Tea, and Rusitu Valley dairy production, and were subsequently left with increased debt loads when the project failed but no income streams when the project succeeded and was privatized, as was the case with the renovation of the Hippo Valley and Triangle Sugar estates on CDC's exit. In other words, this investing strategy creates a moral hazard in which private business owners can never lose and the public coffers can never gain. The least worst effect in certain nations was the emergence of a mostly upright governing elite with skill at acquiring wealth via capital investment and retaining equity holdings, which is a crucial role of a capitalist ruling class. Consequently, this phase of development financing contributed to the expansion and accumulation of financial capital. The listing of major, exchangeable equity-created enterprises backed by DFI, for instance, served as the catalyst for all the high turnover African stock exchanges in Anglophone nations. CDC, IFC, and other DFIs developed venture capital fund pools at this time to liquidate the new exchanges [10].

Although the Great Predators continue to play a key role in listing shares for firms, supporting financial institutions, and growing certain private sectors, there is a revival in private sector finance at this time. The International Finance Corporation (IFC) established its Capital Markets Department in 1971 and initiates a high proportion of financial sector interventions on its own, acting as an advisor and investor.

The IFC views its role in the financial sector as transmitting efficiency to the economy as a whole and of changing ownership conventions away from family firms to listed companies as a competitiveness measure. According to the AfDB, the drivers include debt alleviation, global growth, and macroeconomic stability. For instance, debt reduction programs have decreased foreign debt to GDP from 55.4% in 2002 to 22.7% in 2007, while debt servicing as a percentage of exports has decreased from 13.6% in 2002 to 6.3% in 2007. Moreover, new investors like China and India are making large interventions, including the $10 billion invested by Indian national oil corporations. Growth, however, is not always a guarantee of success. The thesis of this book is that before repeated debt simply confirms dependent growth, systemic transformation is necessary to democratize the political economy of development [11], [12].

CONCLUSION

A senior CDC official lamented the avarice of the new commercial bankers, who were replacing his generation at the board level, in a 1993 interview in London. The political benefit of the CDC to the British elite was then clearly explained by him, notwithstanding the commercialization of the organization's core developmental mission. This official correctly foresaw that privatization would result in the CDC losing its purpose; by 2008, the new generation of bankers had completed their tasks.

The government's ability to continue to claim that it is doing all possible to support the growth of the private sector in underdeveloped nations is probably what surprises the most. It is where the

Great Predators' metaphorical armament derives its immense potency. Since the privileged have a structural capacity to obscure and confound the material meaning of their actions by employing symbolic power and the moral language of development, a criticism of development aid to the private sector is still a voice from the margins even after 15 years. Globally, the Great Predatorsmost often a position attained by devotion to neoliberalismstill effectively determine whether a nation is allowed to receive more financial capital infusions.

These materials are then sold under the PSD brand and are intended to boost regional markets, businesses, and economies as well as promote participation, growth, and development. Nevertheless, a large portion of the froth of support for PSD instruments has turned out to be false.

The PSD tools themselves are not the novel, catalytic, cutting-edge, and better policies that are claimed, but it is a suitable ideological cover for market interference carried out on the Predators' own behalf. Instead, at least in the case of European and North American DFIs, they often favor capital exports and aggregations of their national and regional interests outside.

REFERENCES:

[1] R. Davies; and M. Callan, The role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region, *Dev. Policy Centre, Crawford Sch. Public PolicyThe Aust. Natl. Univ.*, 2015.

[2] S. Bracking, Private sector development and bilateral interventions, in *Money and Power*, 2017. doi: 10.2307/j.ctt183p82d.12.

[3] I. Haščič, M. Cárdenas Rodríguez, R. Jachnik, J. Silva, and N. Johnstone, Public Interventions and Private Climate Finance Flows: Empirical Evidence from Renewable Energy Financing, *OECD Environ. Work. Pap.*, 2015.

[4] A. D. Dangour, Z. Diaz, and L. M. Sullivan, Building global advocacy for nutrition: A review of the European and US landscapes, *Food and Nutrition Bulletin.* 2012. doi: 10.1177/156482651203300202.

[5] I. Haščič, M. Cárdenas, R. Jachnik, J. Silva, and N. Johnstone, Public Interventions and Private Climate Finance Flows, *OECD Environ. Work. Pap.*, 2015.

[6] M. Langan, Private sector development as poverty and strategic discourse: PSD in the political economy of EU-Africa trade relations, *J. Mod. Afr. Stud.*, 2011, doi: 10.1017/S0022278X10000662.

[7] FAO, Rapid Assessment of Aid Flows for Agricultural Development in Sub-Saharan Africa, *Investiment Cent. Div. Discuss. Pap.*, 2009.

[8] M. V. Kinney *et al.*, Implementation of the every Newborn Action Plan: Progress and lessons learned, *Seminars in Perinatology*. 2015. doi: 10.1053/j.semperi.2015.06.004.

[9] CDC, CDC's Malaria Program, *Cent. Glob. Heal. Div. Parasit. Dis. Malar.*, 2019.

[10] B. Brockmyer, Global Standards in National Contexts: The Role of Transnational Multi-Stakeholder Initiatives in Public Sector Governance Reform, *SSRN Electron. J.*, 2017, doi: 10.2139/ssrn.2883203.

[11] T. Alliance and Global Health Alliance, The role of the private sector in promoting economic growth and reducing poverty in the Indo-Pacific region Submission 59, *Dev. Policy Centre, Crawford Sch. Public PolicyThe Aust. Natl. Univ.*, 2000.

[12] S. White, A Conceptual Framework to Guide Research on Private Sector Development in Developing Countries, *IDRC Work. Pap. Glob. , Growth Poverty*, 2008.

CHAPTER 12

CAPITALISM : A LONG-TERM PERSPECTIVE ON ECONOMIC PROMOTION

Dr Vinoth.S, Professor,
Department of Finance, CMS Business School, Jain (Deemed to be University), Bangalore, Karnataka, India,
Email Id:dr.vinoth@cms.ac.in

ABSTRACT:

Capitalism is driven by the profit motive, or the desire to make money via commercial activities. It fosters a competitive atmosphere where companies fight to manufacture a given item at a cheap cost in order to increase market share. In this chapter author is discusses thedestinations for investment by industrial sector.

KEYWORDS:

Bank, Capitalism, Debt, Investment, Nations.

INTRODUCTION

In lesson two, we learned that weaker nations must rely on three types of funding: private investment, debt relief, and new help. In general, the poorer a nation is, the more it depends on public funding. This case study examines British assistance, investment, and debt-relief transfers to underdeveloped nations. The case study demonstrates, at least for Britain, that while recent rhetoric about enhancing the generosity of the political economy of development has garnered a lot of attention, it is evident from the numbers that the system of international economic relations has not changed significantly and continues to be one that primarily benefits Britain's privileged capital owners. The balance sheet figures have only been adjusted. By first examining the real money flows and then in-depth analyzing previous British involvement in the private sectors of Ghana and Zimbabwe, this demonstrates how the s just don't add up to growth in our British case study. The facts show that these nations supported ring-fenced privilege pools, significant profits are produced there, and that the debt relief that has taken place mostly pertains to write-offs of funds handed to British and African elites, at the cost of both the British taxpayer and the impoverished in Africa. Both Teresa Hayter's Assistance as Imperialism and Susan George's The Debt Boomerang arguments are recalled, updated with actual data, and reinforced in this conclusion [1]–[3].

Disinvestment After Colonialism

The effective rate of return in sterling to parent companies was much lower even when companies made a healthy profit in local currency rates of return in the 1980s, according to Bennell, because subsidiaries found it difficult to remit money. This was due to chronic and persistent shortages of foreign exchange in English speaking Africa. As a result, disinvestment in the years 1989 to 1994 was made worse by the lack of foreign currency in English-speaking African nations as businesses sought to get their profits out. In actuality, outbound investment to a few sub-Saharan African nations did not increase from their mid-1980s low levels to the mid-1990s a issue made worse by the considerable variability of year-to-year investment flows and

therefore their relative unreliability 1996. In fact, although the worldwide pool of private credit had been expanding, little had been reaching Africa, and in the case of UK private investment to Anglo-phone ex-colonies, there has been little general recovery after 1982, but rather a long-run trend of firm withdrawal to date. In fact, it is a terrible irony that despite being a year of relative profits growth abroad, UK corporations historically withdrew their investments from Africa in 2005, the year of Prime Minister Tony Blair's Commission for Africa.

Therefore, British corporations increased their direct investment overseas to £49.4 billion in a single year in 2006, which helped to create an international investment position of £734.7 billion at the conclusion of the year. This led to profits of £84.6 billion, the highest amount ever recorded. Africa had a significant decline in net direct investment flow from £5.8 billion in 2005 to £0.3 billion in 2006, and a corresponding decline in profits of £2.3 billion, despite rises in all other geographic regions. With a drop of £5.3 billion in one year, just 2% of the book value of British corporations' foreign direct investments were made in Africa by the end of 2006. In 9.1, the destinations of UK investment flows in millions of pounds are shown visually to be Europe, the Americas, Asia, Australasia and Oceania, and Africa. The comparatively small amounts of UK foreign direct investment, measured in millions of pounds, made to a handful of African nations, including the big five Egypt, Kenya, Nigeria, South Africa, and Zimbabwe which historically received the majority of investment from the UK, between 1997 and 2006. The total for Africa is comprised of the individual s for each country listed below as well as statistics for all other African nations.

The entries total all the years from 1997 to 2006 inclusive, and other sections are added to provide context for these data. Almost £550 billion of the total net UK FDI flows to other nations during the years of 1997 and 2006 inclusive went to OECD members, while over £311 billion went to Europe. Africa got about £22 billion, which is still more than China ($4 billion), Australia ($10 billion), or Central and Eastern Europe ($3.6 billion). Investment flows to South Africa eclipsed all other investment flows to Africa during this time period, accounting for more than 71 percent of the total for all of Africa and more than four times the amount of investment flows to all other nations mentioned combined. An investment position in Africa of around £15.5 billion at the end of 2006 was made possible by the over £22 billion investment flow during the period of 1997–2006, rising from just under £6 billion in 1997 and reaching a peak of nearly £21 billion in 2005. Investment positions are different from investment flows in that they show the overall amount of foreign investments at the end of the year. With the exception of South Africa, the net investment positions for British investment in Africa represent historical legacies while also exhibiting little expanded investment stocks for the contemporary era.

The total investment situation between 1997 and 2006 has just started to improve, although once again, just over half of this new British investment in Africa may be attributable to South Africa. Investment hasn't changed much in Kenya or Nigeria. In 1997, British investments in Kenya were valued £361 million, but by 2006, they had decreased significantly to $315 million. Again, not much changed during these years in Nigeria, where an investment position valued at £1,009 million in 2006 was the same as one worth £1,060 million in 1997. Despite a sizable investment flow of £378 million during the same years, much of which is likely to have been lost or subject to local devaluation, investment in Zimbabwe decreased throughout the time from £192 million in 1997 to £58 million in 2006. As a result, South Africa had the highest increase and is by far the largest donor to Africa as a whole. British investment there increased from from £2.5 billion in 1997 to over £8.6 billion in 2006, culminating at £13.7 billion in 2005. In other terms, South

Africa accounts for nearly 55% of all British investment in Africa. The ONS also possesses information on the industrial sectors in which corporations choose to invest, albeit most of this information for sub-Saharan Africa is inadequate and not made available due to confidentiality concerns. These issues emerge primarily because there are so few investors in certain nations and industriespossibly only one business reporting for each cell categoryand because a knowledgeable party could be able to identify them, which is prohibited by the laws for the distribution of government information. According to the information included for Africa as a whole, the financial services, retail, and wholesale industries generate the most revenue, though the country-specific data for the former is largely under embargo. There are also some sizable investments in mining and quarrying, particularly in South Africa.

With the exception of South Africa, these investment positions are relatively tiny globally, unevenly distributed, and essentially static, but their profitability is nevertheless quite high both in absolute terms and in comparison. If the profits from these investment positions are stated as a percentage of the investment's value, the profits for Africa as a whole in 2006 were more than 22.5%. In other words, profits were little under £3.48 billion compared to an investment position of almost £15.45 billion. In 2006, the corresponding profit rates for British investments in Kenya, Nigeria, South Africa, and Zimbabwe were 27.9, 13.2, 18.7, and 17.2 percent, respectively. These figures indicate that, with the exception of South Africa, investments in Africa have dropped rather than expanded for the great majority of nations, but have continued to be very profitable for their owners. While in business parlance this would be explained by reference to high risk, a quick look at the data for all the years 1997–2006 shows that this is not an exceptional year, in fact, in the boom year of 2005 profitability shot to 27.6% for Africa as a whole. These types of returns are largely unheard of in more developed countries. In other words, there is no proof that any of the years under investigation had reduced returns due to the purportedly high risk.

Given that they must perpetually cede such substantial amounts of their labor to capital owners, it is unclear how poorer nations can be expected to finance effective public services. The increase in investment value based on South Africa is shown in the graph below. It is shown for the years 1997 to 2006, with the top line representing the value of investments in Africa as a whole and the second representing the value of investments in South Africa [4]–[6]. An assessment of the equity of British economic connections abroad The s above indicate outgoing investments, but what may be most important to determining if international relations between states are fair is the relationship between what one country invests in comparison to what it gets out.

This is known as the payments stance in economics, but when one nation or group is allegedly developing, it is more complicated than just comparing private flows since it also has to take into account presumably concessionary ones.

We can now examine the magnitudes of assistance, debt, and investment in relation to one another for our British case study based on the information we studied above. The Department for International Development provided $1,107 million in bilateral aid to sub-Saharan Africa in 2006–07. Meanwhile, UK companies' net foreign direct investment position in Africa was $15,455 million in 2006, and their net earnings from foreign direct investment in Africa were $3,479 million. In other words, despite rhetorical support for the Millennium Development Goals and the widespread perception that a creditor country's generosity is expressed by transferring

resources abroad, the payments position in this continental account appears to be well in the UK's favor rather than the reality of a situation where the flow is in the other direction in terms of many of the poorest countries and is in the UK's favor overall. What about the well publicized debt relief then?

DISCUSSION

Institutions in Britain

Although the real obligations that states that default on intergovernmental loans have accumulated are accounted for over a longer period than in the creditor states' annual balance of payments statement, their eligibility for renewed borrowing may be limited for a while. The bottom-tier institutions play a crucial role in this situation as repositories for debts, which may be used to mitigate their detrimental effects on short-term liquidity. In other words, a large portion of the debt that African nations owed to the British state as a result of the 1982 crisis and the economic downturn that followed in 1991 was transferred to the British state's border institutions. In this regard, it is interesting to note that, rather than debts owed to the Df ID directly, a large portion of the debt write-off by the UK Government in 2005 and 2006 referred to debts owed to the Export Credit Guarantee Department and Commonwealth Development Corporation, and we can infer that these were of some vintage. Indeed, according to a research paper published by the House of Commons Library, the majority of the debt relief provided by the UK pertains to debts owed to the ECGD by low and lower-middle income countries under Paris Club debt rescheduling agreements, amounting to more than $4 billion from 2004 to 31 January 2007. As we can see from, Zambia and Nigeria both relate to debt that was acquired in the past since neither country was permitted to borrow such sums throughout the 1990s. Nigeria's cancellation was by far the highest [7]–[9].

The obligations to ECGD, CDC, and DfID make up the greatest portion of the debt stock held against the British state, respectively, as seen in the graph. The majority of these historical obligations are tied to development financing payments made in the 1980s and 1990s. Since some of the flow relief could relate to stock that was later cancelled, which is an indirect form of double counting if the debt is not performing, the debt cancellation granted for low-income countries in relation to ECGD from 2003-04 to 2005-06 was over £4,000 million, with nearly two-thirds going to Nigeria. In contrast, the comparable sums for CDC were only £42 million and for DfID were a pitiful nearly £12 million. In 2005-2006, low-income nations still owing CDC a total of £23.4 million, while DfID and the World Bank, where DfID is a creditor, were due £9.1 million and £26.3 million, respectively, according to a House of Commons Library study.

In terms of debt relief, the Commonwealth Development Corporation is the tail wagging the dog since it has larger transactions than the Department for International Development, which is supposed to be in charge of it. These figures show that, for the past 30 years or so, aid to the private sector in developing countries has been significantly larger than aid to the public sector and its social institutions. They also show that a significant portion of the current debt relief is related to liabilities created there, such as unpaid loans for ports, bridges, sugar processing plants, and other infrastructure. The ECGD's export of equipment is by far the biggest source of liabilities. This includes military equipment where the buyer simply didn't pay up, forcing the UK public to pay out in insurance claims against the ECGD, which were later written off. In this most typical example, the original assistance not only had a poor initial developmental value,

which barely warrants its accounting as a component of a sovereign development debt, but these non-payments were also in any event covered by British Government reinsurance cover. Guns were obtained by some dictatorship, British people paid the bill, and the debt was suddenly cancelled.

In fact, according to the big transactions, the UK's debt write-offs seem to be focused in a small number of strategically important nations and are related to the previously described long-term obligations of frontier banks. As an example, DFID debt reduction across all routes totaled £145 million in 2006/07. $1,649 million of the $1,867 million in non-DFID debt reduction is related to Nigerian debt relief. In addition, debt write-offs are additionally counted as increases in ODA in the year they are impacted, allowing the British Government to portray itself as a generous global citizen and gain political capital, despite the fact that the majority of the money actually goes to debt that was originally connected to commercial transactions in the wealthier nations. About all of the debt forgiveness in this case goes to the ECGD for its prior insurance for business transactions in Nigeria when the UK supplier was not paid, but since this is afterwards added to the general amount for all other nations, a picture of generalized generosity may be painted.

The UK has exceeded its debt relief pledge by canceling 100% of all bilateral loans for severely indebted poor nations that qualified for debt relief under the Multilateral Debt Relief Initiative, according to a House of Commons research study. While the Democratic Republic of the Congo, Republic of the Congo, and Ivory Coast had received full debt flow relief and were awaiting full stock cancellation once they reached HIPC completion point, the UK had cancelled all of its outstanding sovereign claims for Cameroon, Ethiopia, Ghana, Madagascar, Malawi, Niger, Senegal, Sierra Leone, and Zambia as of February 2007. This is only applicable to the lesser £145 million, albeit it sounds amazing. Moreover, it has been stated that overall, between 2004 and 2005, UK ODA to Africa went from £1.3 billion to £2.1 billion, an increase of approximately 60%. When the debt relief is taken out, however, the amount of assistance to Africa actually fell between 2004 and 2005. Parallel to this, bilateral assistance to sub-Saharan Africa increased by 41% from £2.1 billion in 2005 to £2.9 billion in 2006, but when debt relief is omitted, the growth is just a smaller but still considerable 29%. A deeper summary of debt relief options is provided.

The last three rows of the top five rows show loans to the private sector during the prior years 2003–2006, with the majority of these loans being intergovernmental. Once again, the majority of write-offs go to the business sector, while the well publicized programs HIPC and MDRI get substantially less funding. Even loans from the World Bank's Debt Reduction Fund have been given directly back to the private sector in order to lower commercial debt. These grants allowed low-income nations to purchase back their commercial debts at a 90% discount, which helped them pay off $8 billion in debt. This initiative aids in defending low-income nations against vulture fund lawsuits, in which their commercial debt is acquired at a reduced price and then enforced via the legal system. Therefore, in addition to the payments made to commercial banks, debt relief, which includes a write-down of ECGD liabilities, as well as the investments made by the CDC Group and the promissory notes deposited in respect of the World Bank, the United Nations, and regional development banks and funds, are also counted as overhead increases in ODA. It is understandable why writers like Bond speak to phantom help.

In the past, the CDC has often been directly involved in production to lower risk. It frequently owns or manages its greatest commitments and uses the firm's institution to more securely enclose its assets. The CDC has owned and managed a sizable number of projects, the majority of which, up to the sale to Actis, were in African estate agriculture, making it unique among DFIs. Many of them were investments from the earliest colonial plantation investments the majority were in the production of primary export commodities like oil palm, cocoa, rubber, tea, coffee, sugar, and forestry; and CDC remained the largest shareholder in the majority of them, accounting for 62% of the portfolio's combined equity in 1992. The CDC said that each had a valuable demonstration impact in demonstrating estate agriculture's sustainability. If the market circumstances of the Zimbabwean investments are any indication, however, this demonstration effect would seem to be stymied the crucial CDC loans were in industries like sugar and beef where EU trading concessions under the Lomé Conventions guaranteed an export market in the 1990s, which would not be replicated for others. Moreover, and again avoiding demonstration effects, local enterprises could not be catalyzed in Zimbabwe and other nations because CDC corporations were so big that their production effectively saturated marketplaces.

This was especially true for CDC enterprises that were significant businesses in developing nations, such as the Soloman Islands Plantations Ltd, an oil palm and cocoa estate that, in the early 1990s, produced all of the oil palm on the islands and generated 10% of the country's export revenue. Similar to this, the Mhlume Sugar Ltd. sugar complex in Swaziland, which is 50% owned by CDC, milled one-third of the country's output in 1992 while also growing one-third of it. A second third of mill throughput was provided by the Inyoni Yami Swaziland Irrigation Scheme, which is also 50% owned by CDC. Sugarcane grown by out-growers participating in the Vuvulane Irrigated Farms Scheme, whose general manager was supplied by CDC, was also processed at the Mhlume mill. Tanganyika Wattle of Tanzania and Usutu Pulp of Swaziland are both significant exporters in their host countries; the latter was the largest block of man-made forest in Africa in the early 1990s, producing 10% of Swaziland's export earnings.

In forestry, similar large estates crowd out, rather than in, other firms. Actis still holds forestry properties with a strong market share, such as Kilombero Valley Teak in Tanzania and Shiselweni in Swaziland. Therefore, it is impossible to infer from even a quick scan at Actis' current portfolio that they are interested in emerging markets or experimental impacts. For instance, a recent acquisition was a 14% equity stake in Flamingo Holdings, which has a wholly owned subsidiary in Kenya and is Africa's largest exporter of vegetables and flowers to the UK with a 15% market share of Kenya's horticultural exports. Flamingo Holdings is a fully integrated horticultural company that grows, processes, packages, markets, and distributes fresh vegetables and flowers. Moreover, Flamingo has facilities for processing, distributing, and marketing in the UK. It is the country's top supplier to supermarkets such Marks & Spencer, Tesco, Sainsbury, and Safeway.

The company's expansion goals, which include the purchase of other horticultural firms in Africa and the UK to improve its supply chain and increase its capacity and product line, will be supported by CDC's investment. When Actis acquired its interest in Flamingo, the company also sourced from Zimbabwe, South Africa, Guatemala, Thailand, Spain, and the Netherlands and had a $250 million global annual sales. According to reports, Flamingo is exactly the kind of company that CDC is looking to invest in an integrated business with control over the entire supply chain, managed by a superb team of experienced, committed, and professionals with a successful track record. Michael Turner, CDC's East African director, reportedly said as much.

Its status as a leader in innovation and a provider of goods of the highest caliber implies that it has promising growth possibilities.

While Flamingo allegedly complies with CDC's social and environmental standards, none of the justifications from the 1990s for the role of CDC capital as augmenting and not displacing capital, and as being innovative with a potential demonstration effect in a particularly risky environment seem to be relevant in this case. Actis left just four years later, in August 2007, when 100% of Flamingo Holdings was sold to James Finlay Ltd, a long-established company and wholly owned subsidiary of John Swire and Sons Limited hardly a sale likely to promote a deepening of Kenyan capital or ownership.

The additional CDC annual report classic, of being prepared to be in for the long haul, also seems insulted. The sale tends to support a rather different effect of DFI investment, that it seeks out and then promotes privileged market leaders at great profit to itself and to them, with Actis pocketing the profits and John Swire lengthening its market lead; more of a predatory behavior than a developmental one. Flamingo had tripled in size while Actis was a shareholder, and John Swire already owned premier tea plantations in Kenya, Uganda, and Sri Lanka [10], [11].

CONCLUSION

Private ownership of the means of production, particularly in the industrial sector, and the payment of wages as the sole form of compensation for work are characteristics of capitalism. The protection of private property rights, which provide incentives for capital investment and efficient use of capital, is essential to capitalism. The best course of action is direct government supply, especially via public alternatives that may displace subpar and exploitative commercial ones. Public power may be utilized to promote innovation and competition in the private sector as well as to thwart extractive or unfair results. The desire to earn a profit is capitalism's fundamental characteristic.

REFERENCES:

[1] S. Bracking, ‘Taking the long view of promoting capitalism’, in *Money and Power*, 2017. doi: 10.2307/j.ctt183p82d.13.

[2] J. E. Merchant, ‘The role of governments in a market economy: Future strategies for the high-tech industry in America’, *Int. J. Prod. Econ.*, 1997, doi: 10.1016/S0925-5273(96)00072-2.

[3] H. A. Weber, ‘Literature as a Social Tool: Education and Cohesion or Class Domination?’, *Inq. J.*, 2012.

[4] T. Hove, ‘ADVERTISING, ETHICS, AND THE CITIZEN-CONSUMER.’, *Am. Acad. Advert. Conf. Proc.*, 2009.

[5] S. Kowalczyk, ‘Jeremy Rifkin’s utopia of the economy of abundance’, *Kwart. Nauk o Przedsiębiorstwie*, 2017, doi: 10.5604/01.3001.0010.4678.

[6] J. Zienkiewicz, ‘“The Right Can’t Meme”: Transgression and Dissimulation in the Left Unity Memeolution of PixelCanvas’, *M/C J.*, 2020, doi: 10.5204/mcj.1661.

[7] M. C. Nisbet, ‘Ecomodernists Spark Rhetorical Heat’, *The Chronicle of Higher Education*, 2015.

[8] N. E. Morse, ‘Authenticity, Captioned: Hashtags, Emojis, and Visibility Politics in Alok Vaid-Menon’s Selfie Captions’, *M/C J.*, 2017, doi: 10.5204/mcj.1240.

[9] J. Humphry and C. Albarrán Torres, ‘A Tap on the Shoulder: The Disciplinary Techniques and Logics of Anti-Pokie Apps’, *M/C J.*, 2015, doi: 10.5204/mcj.962.

[10] TUC &&childer ENgland, ‘An introduction to child protection legislation in the UK’, 2016.

[11] D. Bottrell, ‘Responsibilised Resilience? Reworking Neoliberal Social Policy Texts’, *M/C J.*, 2013, doi: 10.5204/mcj.708.

CHAPTER 13

UNDERSTANDING PRIME INVESTMENTS IN DISPUTE

Poonam Mishra, Assistant Professor
ISDI - School of Design & Innovation, ATLAS SkillTech University, Mumbai, India
Email Id- poonam@isdi.in

ABSTRACT:

Investment banks and other significant financial organizations provide prime brokerage, a collection of services, to hedge funds and other customers in a similar industry. A prime brokerage bundle may contain services like securities lending, cash management, and other things.National ownership, alignment, harmonization, management for outcomes, and shared accountability are the five separate important pillars of assistance success. In this chapter author is discusses theAid effectiveness.

KEYWORDS:

Assistance, Development, Dispute, Economic, Impact.

INTRODUCTION

Private Sector Development

The CDC asserts that its capacity to lower risk is based on its standing, expertise, and global links. In actuality, institutional monitoring at the level of the business, or its parent national development financing corporation, secures risk reduction more directly. Moreover, the CDC and the Great Predators in general have often mentioned their connections with governments since the early 1980s, claiming that these connections may lower risk at a higher and perhaps more decisive level. For instance, the IFC informed investors that by using its discretion to say no, IFC may convince governments to reform rules that hamper capital market growth because to its extensive expertise with economic circumstances in developing nations. The authority of development finance institutions is based on their capacity to say no, which has been the foundation for conditionality from the beginning of such organizations [1]–[3].

The CDC Board stated in 1949 that it had cordial relations with most of the government and government departments in the colonies and viewed their cooperation as desirable, to say the least. However, the Board also made an early assertion of conditionality, stating that: The Corporation would hardly feel justified in considering any substantial investment in the area concerned unless a sufficient minimum of consideration and active assis- tance is forthcoming.By codifying a more intricate set of laws and connections that influenced the chances of a DFI answering yes, the age of structural adjustment and conditionality enabled an expansion of this historical authority. This was caused by the adjustment's favorable impacts on the institutions' own profitability, which in turn stimulated additional investment as a reward, as well as indirectly by the adjustment's benefits on the macroeconomic environment, which decreased perceived nation risk as a whole. The two kinds of PSD instruments that were

described in the market and investment environment have so been utilized in conjunction for a while. The CDC acknowledges the connection and claims that its investments assist to motivate Governments to persevere with economic change, since they are perceived as part of the rewards of reform, citing the example of Ghana where its portfolio quickly expanded after the start of an adjustment programme. This observation is supported by a quick glance at the CDC national portfolios for post-adjustment African nations from the 1980s and 1990s there was a general trend of new investments occurring mostly after the start of adjustment programmes. For instance, the CDC applauded the 1983 Economic Recovery Project in Ghana, which was funded by the IMF. As a result, the CDC's portfolio increased from £4 million in the middle of the 1980s to more than £29 million towards the end of 1992. The CDC portfolio in Ghana after structural adjustment is shown in Figure 9.5. By 2008, the origin of the assets is then shown.

Only the initial investment predates adjustment, and while some funds were used to support the public utility sector, CDC's involvements are primarily export-oriented or in the financial sector, illustrating the role of DFIs in providing institutions and structures for the export, and later recycling, of finance capital from the core states. As a founding shareholder in Continental Acceptances Ltd., a merchant bank that started operations in 1990 as a 30% shareholder in Ghana Leasing Co. Ltd., the CDC worked in collaboration with the World Bank-sponsored Financial Sector Reform Programme in Ghana. Additionally, the CDC and USAID established Ghana's first venture capital fund for emerging entrepreneurs, with the CDC serving as the general manager. British company Alcan Chemicals Ltd was engaged in the financing to Ghana Bauxite Co. Ltd., whilst Lonrho invested in hotels. Also, the CDC provided funding to British contractors for the restoration of the Tropical Glass plant and the Electricity Company of Ghana Ltd.'s transmission infrastructure.

After 25 years, Ghana

Before Ghana's Economic Recovery Plan, the CDC could only uncover one sui investment, but after it was implemented, activity rose up strongly. Tanzania, Zimbabwe, and Malawi all followed same trend. By 2008, it will be possible to evaluate the assertions that DFI funding promotes the long-term expansion and development of the private sector. Tyler conducts this for all CDC agricultural investments made after 1948, and the results are often inconsistent throughout the portfolio. Summarizes ERP investments and their outcomes with regard to Ghana. Several of these companies have had recurring cash flow issues over the course of this time, necessitating refinancing from other DFIs, which implies that CDC was right to conclude that they were not initially dislodging the private sector. The electrical projects, which are still state-owned, are still in dire need of funding.

The private sector ventures have had varying degrees of success although the Bauxite firm was obviously a success and was subsequently sold to a multinational in Alcan, the food processing problems continue to be problematic. The fact that the financial services and capital funds are operating well in the private sector and with DFI refinancing shows how the Ghana capital market has been an African success story overall, justifying an AfDB bond issuance in cedi in 2008. Nonetheless, UK experts continue to provide technical support to the African financial services industry as well as the financial sector in Ghana. According to the procurement data base, for instance, the World Bank alonenot the CDCawarded contracts totaling $24,644 million to UK consultants between 2000 and 2007 for work in the African financial services sector, of

which $2.29 million was for work in Ghana. However, as previously mentioned, this does not include all of the contracts the World Bank enters into, so the actual amount is likely higher.

Zambia, Tanzania, Malawi, and Uganda

Structural adjustment was utilized in Tanzania, Malawi, Uganda, and Zambia to strengthen the CDC portfolio, but once again, not primarily in cutting-edge new enterprises, but to refinance existing colonial operations, often where British corporations still had an interest. In Tanzania, CDC invested £40 million in three years following the start of adjustment compared to a total portfolio of £69.7 million, meaning that over 57% of their portfolio in 1992 had been committed in the previous three years. However, this is a somewhat misleading overhead statistic because, upon closer examination of the CDC Annual Report and Accounts for 1992, it becomes clear that just under 60% of the total value of CDC commitments in Tanzania was a resc A further loan to Stagecoach Malawi Ltd was used to finance the importation of double-decker buses and chassis from the UK. In 1992, of the total loan investments listed as having been extended to Malawi, 63.2% was on-loaned to the CDC-managed Sable Farming Co Ltd, in which CDC had a 75% equity stake. A UK corporation was engaged in a transport project in Kenya, as well as commitments to a development financing company in Uganda and the rehabilitation of tea farms there. In 1992, Zambia saw two managed projects receive the majority of the country's investments in the area of renewable natural resources [4]–[6].

15 years later, and major investments are in dispute in Zimbabwe A number of the projects in Zimbabwe that were funded by the CDC during the structural adjustment program in the early 1990s seem to have completely vanished, while the energy parastatal continues to have financial difficulties and is sometimes embroiled in corruption scandals. Reportedly, some additional funding from the Chinese has come for the Hwange colliery and power plant. The agriculture operations are now owned by new indigenous people, have been sold to South African companies, or are being challenged by squatters on the property. According to the World Bank's privatization database, Rusitu Valley Development Company was privatized in 1994 as a result of involvement by the Zimbabwean Industrial Development Corporation. In 1999, CDC held equity in the agriculture and horticulture company Ariston Holdings Ltd. Debt from the Economic Structural Adjustment Program period of 1991–1995 also remained in the Cold Storage Commission for wholesale beef supply and abattoir facilities, equity in Lake Harvest Aquaculture, equity and debt in Rusitu Valley Development, and equity in Zimchem Refiners for benzol and tar production.

While there is later evidence of refinancing from other DFIs and private sector enterprises, four additional ESAP projects in the manufacturing sector seem to still exist, although without CDC involvement Retrofit, still listed as a division of Plateau Investments Ltd in Harare in 2008, copro Ltd, an ostrich farm, and Tropico Zimbabwe Ltd, which was also financed by the IFC's Africa Enterprise Fund in 1993 and was a subsidiary of a UK firm of the same name. Mat-Tools & Forging Ltd, a joint venture with a Swedish company in 2003. Overall, these initiatives have a spotty and weak durability, despite the fact that some of the surviving British businesses have received IFI support at some time since 1980.According to Dianna Games, Anglo has had issues with the Zimbabwean government over the confiscation of substantial portions of its farms at Triangle Sugar and Hippo Valley Estates, which the business jointly owns with South Africa's Tongaat Hulett. The two properties are owned by Tongaat Hullet and Anglo American Company.

All of Zimbabwe's sugar is still produced by these two and Anglo's Mkwasine Estate, mostly for export. In reality, the shareholding is complicated but more concentrated than it seems due to cross-holdings, as Tongaat is then 50.6% owned by Anglo South Africa Capital in South Africa. In other words, Anglo sold a controlling stake of Hippo Valley to Tongatt, which it has a majority stake in through another company in its group. Tate & Lyle, a British firm, still owns 10% of the company. Triangle and Hippo Valley established a joint venture company, Triangle Sugar Corporation, in 2007 to support farmers and increase sugarcane production among new farmers, despite Anglo's ongoing legal battle with the government over the Mkwasine Estate, where 90 percent of the estate has been occupied by subsistence farmers without permission. The present Zimbabwean elite continue to covet these properties for ownership. The conflict can't be too awful, however, or at least there appears to be continued accommodation with the government, since in June 2008 Anglo, now a UK-listed firm, proposed a $400 million investment to construct a platinum mine at Unki in the midst of very violent elections.

Via ESAP, CDC and IFC channeled borrowed assistance funds to Triangle and Hippo under the guise of drought relief in 1993, supporting this concentration of foreign investment in sugar. The CDC lent the estates, respectively, $75.6 million and $63 million. According to a top CDC official in Harare, owing of the capital-intensive nature of the sugar sector, major corporations are not only essential but the only ones that can be trusted because of the risk involved in making investments in a underdeveloped nation.

The representative said that dealing with big businesses was simpler since they provided better financial reporting and were clearly a more effective means of making investments rather than seeing sustaining an oligopoly as a serious issue. The CDC would not consider participation of less than £1 million at that time to be justified by the expense of the evaluation. Quotas to both the American and European markets, the latter through the Lomé Agreement, served as insurance for the sustainability of these investments.The CDC representative indicated that the Zimbabwe Sugar Refinery essentially held the quota whereas the US and EC quotas were national property and had to be shared with any other miller.

For investment choices in sugar refining, he considered a guaranteed export market as being crucial, but the CDC was still apprehensive because of the limited size of the ACP quota of 35,000 tonnes.

In fact, the main outcome of an adjustment that was promoted as moving Zimbabwe toward a free market system was enclave structures of grafted-on export industries that were reliant on EU quotas that would alter. In retrospect, they contributed to the development of the future kleptocracy's potentially lucrative spoils and exposed themselves to European policy shifts.Even Nevertheless, it's possible that the investment environment impact created a more lasting imprint than the specific firm-level actions. Approximately 200 UK and SA firms have large investments in Zimbabwe as of June 2008, many of whom benefited from the ESAP years.

The recently approved Indigenous Peoples' Economic Empowerment Act of 2008, on the other hand, attempts to compel them to transfer majority ownership to Zimbabweans or at the very least to government allies. Lever Brothers, Barclays Bank, Standard Chartered Bank, Standard Bank, Stanbic Bank, Impala Platinum, Angloplat, Mettalon Gold, Rio Tinto, Edcon, Merchant Bank of Central Africa, and a number of Anglo American-owned businesses are among these businesses.

DISCUSSION

Aid Effectiveness

In the last three sections, we looked at the political economy of assistance both as a whole and in terms of the market systems it supports. This will examine the mainstream discussion of assistance effectiveness and how it relates to political economy of development. We come to the conclusion that the discussion over assistance is often unresolved since the metrics used to assess it are frequently abstracted and rarefied, such as growth or good governance. Hence, it is not surprising that a significant discussion might take place while saying very little about how help affects wellbeing. Simply said, the wrong things are being assessed as a result of a false portrayal of the generosity of help. The social structures and interactions this book has examined are not the mainstream emphasis. This is significant since it hides issues of class, social inequality, and power in the international system [7]–[9].

A Large and Fruitless

A type of cost-benefit analysis is often used in aid assessment in order to identify correlations between macroeconomic policy and assistance effectiveness, which is frequently expressed in terms of economic growth. Yet, it is challenging to identify and quantify relationships between components of development, including growth, and assistance procedures, especially over the long term. In order to build larger and larger quantitative models, mainstream economics has a tendency to take a pick and mix approach to historical causation, where factors are stylized, such as bad governance or good policy, and then added to databases alongside economic measurements like growth and income. The economists do a regression study after which they get to proposals on causality that are often true across a basket of nations. When the included parameters are obviously relevant to the topic and outliers are dealt successfully, this technique may provide some intriguing findings. Nevertheless, the results can be tainted by the quality of the inputs or by changing historical trends. It really lends itself very poorly to historical comprehension as a technique. As a result, economists disagree when asked what impact assistance has on GDP. Again, they disagree on the link between governance and growth, however this time it is largely due to the way in which governance is modelled.

A major issue is that because aid is so pervasive and most developing nations have relied on it as their main source of external financing for about 40 years, determining its impact is challenging because it involves determining what would have happened in the counterfactual if they hadn't been there. To put it simply, it is difficult to determine how effective a certain sort of assistance is since there are many various instruments for providing it, it is provided to a variety of different constituenciesincluding governments, businesses, and NGOsand it is used for a variety of different things. And to top it all off, individuals who do not have the same epistemology or methodologythat is, individuals who do not have the same philosophical perspective on or assessment of the worldare used to analyze the whole impact.As a result, the first component of this complexity is that help instruments vary and are linked to various goals and interests, as we have seen throughout the book. The goal of aid to the private sector is to achieve both market and growth goals in the recipient as well as commercial objectives of industrial sectors in the nation of donors. Contrast this with funds that may be granted to assist feeding or immunization programs, which have effects that are much simpler to evaluate in terms of human welfare but less significant in terms of their contribution to growth or to the economic interests of the country providing the grants.

Grant-style assistance is more likely to be provided for the latter reason than loan-style assistance for the former. When all of these different sorts of assistance are combined, certain estimations about their total impact appear to be pretty conclusive. For instance, most people are glad to find that foreign assistance, such as that from the mineral extraction business, is more beneficial to development than foreign revenues per se since the transparency of such flows is already greater than that of other external earnings, such those from oil. To put it another way, productive plans on how it should be used, which can be imposed by one type of conditionality or are followed voluntarily by governments, actually do cause it to be spent on development more than money that simply arrives as earnings, or in some cases, more accurately, as rents. It is less clear if these developmental gains are outweighed by political unrest, the promotion of wastefulness, and the ensuing decline in national savings caused by conditionality.

Hence, at least for the bottom billion who are the focus of Collier's most recent book, help tends to increase growth while oil revenues tend to decrease it. Although Collier's technique is disputed by others and is of the large-scale pick and mix sort, he calculates that help has, overall, contributed around one percentage point to the yearly growth rate of the bottom billion in the previous 30 years. Another authority in the subject, Sachs, contends that help has been effective in reducing poverty and that it should be increased and made more frequent. Although Hansen and Tarp conclude that help is useful regardless of policies, Burnside and Dollar discover that it is only effective in nations with sound policies.A significant number of scholars, historically Bauer and now most notably Easterly, dispute the existence of the overall positive development benefit of assistance and actually contend that it cannot be shown. Roodman has stated that while certain impacts on a smaller scale, such improved school attendance or the averting of hunger, may be shown, the relationship between assistance and growth will continue to be difficult to establish.

In his most recent book, The White Man's Burden, Easterly demonstrates that a flawed strategy that mistakenly relies on a Grand Plan is the reason why $2.3 trillion in assistance over five decades has failed to assist the extremely poor. Easterly holds the opinion that assistance is ineffective, which is a stronger stance than the claim that its effectiveness cannot be shown. He describes the top-down planners' method of issue resolution, which often involves a Big Push, as problematic in comparison to the preferred searchers' method, in which individuals attempt to react to contextual cues on the theory that the correct plan is to have no plan. Other issues with coordination, delivery, implementation, and project-level issues, such as a lack of ownership, inadequate synchronization or harmonisation, and a lack of coherence around goals, programs, and policies, are mentioned by other writers as compromising the efficacy of help. Another issue is the perceived absence of fundamental equality between donors and beneficiaries. Some of these more technical issues were addressed in the Paris Declaration on Aid Effectiveness in 2005, which encourages a deeper alignment between donors and a better fit with the goals and tactics of recipients in order to improve the effectiveness of international assistance.

We may add to this list a wide variety of deficiencies that have been proposed and debated in relation to delivery and capacity, albeit this may be missing the point at this level and in this book. It is not the effectiveness of delivery per sethis is too simplisticbut rather the system's ability to be normatively justified that determines whether help is beneficial or harmful for human wellbeing. In other words, either assistance is a system that may be converted into an extension of democratic solidarity or it is primarily a major carrier of a deepening capital connection with all the difficulties it brings. If the latter, we need to think about manipulating the

system.International assistance may have additional negative economic impacts that affect the whole economy. The distortion of relative pricing that occurs when aid flows are high compared to a recipient country's GDP may lead to an increase in the real exchange rate, which in turn inhibits the creation of export products and undercuts import substitution. The phrase Dutch Plague, created in 1977 by The Economist to characterize the consequences of oil and gas discoveries on the economy of the Netherlands during the 1970s, means that a windfall of money makes it uneconomic to labor to generate exports. The crucial element that negates the positive effects of increased help is the bad impact on export competitiveness. Similar to what previous scholars have shown, governments have found it simpler to reduce taxes and boost wasteful spending, including military expenditures, as foreign assistance has been more widely available. According to Collier, assistance unintentionally funds almost 40% of Africa's military expenditures. In essence, government spending on aid is not required to be productive it is fungible and may be used for consumption, to free up resources in other areas, or to discourage national saving. Since the initial assistance was in the form of loans that must be repaid based on future wages, this poses a serious difficulty for the general populace.

Odious debt is the term for assistance that tyrants spend but which donors still expected to be repaid. For example, Nigeria under Buhari and Abacha, South Africa during apartheid, the Democratic Republic of the Congo under Mobutu Sese Seko, and other startling examples are given by Bond. Yet, the Right now uses the issue of assistance fungibility, often in conjunction with these historical instances, to argue against raising aid expenditures on the grounds that the money is lost to corruption.According to Collier, help for debt relief and budget support, for instance, may have the same impact on the economy of the bottom billion people as oil. Using the most recent oil price boom as an example, it can be shown that increasing unconditional assistance tends to make Dutch Disease and patronage politics issues worse while having little to no growth benefit. Corresponding to this, it was doubtful that projects receiving help in failing governments would prosper until their political situations had turned around.

Indeed, Collier claims that economic data shows that aid is more effective in societies where there has already been some incipient reform to their bad governance status, where governance and policies are already reasonable, where it is given in the context of a nation where improvements in these areas have some momentum, and in the form of technical assistance. The often-quoted work of Burnside, Dollar, and their adherents, which posits a positive relationship between favorable policy conditions and assistance efficacy, gains quantitative support from this. Several studies refuted this link, claiming that assistance efficacy had little to do with policy. Nevertheless, a large portion of the uncertainty was likely caused by variations in how 'excellent' policy settings have been modeled. Those who support the notion that excellent policy conditions are associated with successful assistance delivery have the strongest argument.

Adapting Current Research

When a specific instance of this type of analysis is examined, it becomes more apparent why causal association at this level of aggregation - between growth and aid, or between policy and aid - is so challenging. It is analogous to using equations with apples, oranges, and pears and assuming that because they are all fruits, you can predict how many kids will like each variety. Take, for instance, a research by IMF economists Clemens et al. on the connection between the kind of Bretton Woods organizations' help and its impact on growth. The authors analyzed aid flows to 67 countries from 1974 to 2001 and divided them into three types: early impact aid, late

impact aid, and humanitarian aid. Early impact aid includes overhead capital, infrastructure, and cash, which accounts for nearly half of all aid. Late impact aid includes interventions for democratic reform, health, and conservation. They discovered that early impact assistance had a strong, positive, and causal influence on economic development, but they did not discover the same positive effect for the other categories. A project-level rate of return of around 13 percent was the outcome for early impact assistance. In addition, higher-than-average early impact assistance increased per capita growth rates in sub-Saharan Africa by around 1% above growth that would have been attained by ordinary aid flows.

These authors therefore demonstrate unequivocally that early impact assistancewhich we may presume is mostly directed toward the private sectorworks better at stimulating development than help directed toward welfare. This is not surprising because the neoclassical economic analysis they provide for the link between aid and growth inadvertently demonstrates the legacy of post-coloniality. To put it another way, capitalism operates profitably in sub-Saharan Africa, at least by our standards, when the privileged, political, and economic elite and foreign capital are the ones investing the funds because their profitability depends on the historically inherited post-colonial market structure. Instead of being exogenous, as the regression analysis no probably believed, politics and the social placement of enterprises are crucial to the result. In fact, the result may be influenced by these kinds of societal injustices. Radelet et al. only use proxies, hiding the social agency of those who are actually involved in the process. For instance, accommo- dating institutions and good governed companies are invariably multinational corporations with Northern headquarters in nations that have been liberalized to allow for full profit repatriation. To say that this data supports the salvation through external intervention motif in our first narrative, the BWI narrative, is sufficient.

We return to this issue of aid and capitalist accumulation in the concluding when we return to the overarching narratives of the political economy of development. Yet, when translated, it may also demonstrate the tenacity of the second narrative, the resistance but subordination myth, in which nations are forced by histories of dispossession to serve strong, externally anchored interests.Some writers have criticized the domestically focused interests of donors, whether or whether their help in the private sector promotes growth or not, while others have maintained that their interests take precedence over those of beneficiaries. This domestic interest might be either political or commercial. This was unquestionably the case when tyrants during the Cold War were funded or when assistance, such export credits provided via the ECGD, was used to facilitate the sale of weapons. According to Tarp and Hjertholm, the use of assistance for donor commercial and political advan- tage has perverted the development goals of aid programs.

In a similar vein, Sogge claims that ideology and the pursuit of commercial advantage determine how foreign aid is distributed. White argues that donor commercial interestsfor instance, their interest in building modern highways rather than, say, rural roadshave outweighed recipients' development interests. Similar to this, Browne has recently argued that the growth of aid since 2005 is primarily due to geopolitical and commercial interests, rather than to altruism. He also claims that because aid has been distributed for the wrong reasons, determining its effectiveness is largely a vain pursuit.Different combinations and emphases on what drives ODA may be seen when the problem is broken down by donor. Tarp, for instance, observes that US aid is typically focused on strategic considerations, Japanese aid on commercial goals, and Dutch and Nordic aid on recipients' needs. However, it is probably oversimplistic to associate one country donor with a single pattern of objective, as all donors use various aid channels and instruments to achieve

various goals, perhaps just with different emphasis. While he claims that the exact method in which this impact is exhibited remains debated, Riddell draws the conclusion that it is a mixture of these reasons that persists in the mainstream conversation.

This information demonstrated that donors fund organizations and programs that provide help where their domestic and commercial capabilities are most complementary.There are several normative interpretations for this factual findings, nevertheless. These correlations between aid donations and derivative business benefit could be viewed as a type of efficiency, perhaps even as a welcome and surprising one, commensurate with a type of comparative advantage, for those who see growth as the best way to achieve development objectives and, consequently, view aid as a poor substitute. Knowing that help increases capitalism would be beneficial for these pro-growth economists who have no doubts about it. Otherscritical realists in particularmight not be surprised by correlations between wealthy nations that contribute and the businesses their firms collect because, according to Marxism and related realist paradigms, economic outcomes and processes are centrally planned under capitalism by those in positions of power and tend to benefit those same individuals. A democratic socialist would find a cost-benefit analysis of this kind insufficient because concerns over growth are normatively of secondary consequence compared to concerns over equity and democratic process. Efficiency, growth, productivity, and other concepts are only abstract measurements taken at brief moments in the capitalist race by the racing cars' technicians. This is not to imply, as Collier claims, that the Left has a headless heart and is unreasonably skeptical of development; rather, it is to imply that they may have a valid agnosticism.

In fact, Collier makes a compelling case for why more capitalism, and consequently more growth, in the bottom billion would be beneficial, ironically echoing a previous generation of Left-leaning social theorists who may be experiencing a comeback and who also believed that a thriving imperialism was beneficial for development in a functionalist and stagist interpretation of history. This is the age-old argument between the Bill Warren version of traditional Marxist and dependence theory. Collier, who contends that there is little chance of the bottom billion being able to escape because their markets and economies are irrelevant to the global capitalism hypothesis), unless deepened intervention to jump-start these transformative powers of capital can be purposefully provided, straddles these two traditions of the Left somewhat uncomfortably for anyone looking for a purist position. For those who hold a more qualitative and less economic viewpoint, there is an alternative: what is needed or despised is not capitalism per se, but rather a more benign social relationship than the capital relation, a democratically regulated market built on shared obligations and cooperative economic organization. This kind of social and economic organization would shift the existing emphasis from early impact capital to a pattern of investing that prioritizes social responsibility, which, not surprisingly, would be a good idea in the North as well [10]–[12].

CONCLUSION

The British frontier institutions, the ECGD and CDC, have played a significant influence in influencing the extractive agricultural and mineral sectors in the nations included here. The Great Predators have made loans against a diverse portfolio of big enclave-based enterprises across Anglophone Africa. So, it is not surprising that there is a missing middle since these investments would not have been successful without the privileged market access, supply chains, equity, and linkages to Northern governments and the BWI development banks. In other words, they were

professionals only to the extent that the disparities on which their earnings depended persisted. Several of these loans went sour and turned into debt that sovereign governments had backed when markets altered and hostility to this form of enclave expansion increased. They were subsequently written off after years of maintenance in a show of purported generosity.

REFERENCES:

[1] S. Armstrong, Economic Diplomacy and Economic Security under Abe, *Asian Economic Policy Review.* 2021. doi: 10.1111/aepr.12335.

[2] A. Herranz-Surrallés, 'Authority shifts' in global governance: intersecting politicizations and the reform of investor-state arbitration, *Polit. Gov.*, 2020, doi: 10.17645/pag.v8i1.2651.

[3] G. Bottini, C. Titi, F. Pérez Aznar, J. Chaisse, M. Jovanovic, and O. Puigdemont Sola, Excessive Costs and Recoverability of Costs Awards in Investment Arbitration, *Journal of World Investment and Trade*. 2020. doi: 10.1163/22119000-12340173.

[4] T. Faunce, Nucoal resources ltd v New South Wales: The mining industry and potential health impacts of investor-state dispute settlement in Australia, *J. Law Med.*, 2016.

[5] C. Bellak and M. Leibrecht, Investor-State Disputes in Balkan, post-Soviet Union and Near and Middle East Countries: An Empirical Appraisal, *J. Balk. Near East. Stud.*, 2021, doi: 10.1080/19448953.2020.1818037.

[6] M. B. Bishku, Malaysia and the Muslim Middle East Political and Economic Connections, *J. Glob. South Stud.*, 2021, doi: 10.1353/gss.2021.0030.

[7] S. Candra Wiranata Kusuma, China – Cambodia Relationships: Phnom Penh As Beijing's Permanent Client State, *Aegis J. Int. Relations*, 2019, Doi: 10.33021/Aegis.V3i2.774.

[8] G. C. Schoneveld and L. German, Translating Legal Rights into Tenure Security: Lessons from the New Commercial Pressures on Land in Ghana, *J. Dev. Stud.*, 2014, doi: 10.1080/00220388.2013.858129.

[9] G. Câmara *et al.*, Amazonian Deforestation Models, *Science (80-.).*, 2005, doi: 10.1126/science.307.5712.1043c.

[10] C. M. de L'Énergie, 2014 World Energy Issues Monitor, *World Energy Counc.*, 2014.

[11] Seliger W. Herbert, Second Language Research Methods, *Qual. Rep. Elana Shohamy*, 1989.

[12] F. Bourrat, La Politique française dans le golfe Persique: Entre enjeux économiques et défis sécuritaires, *Confluences Mediterr.*, 2020, doi: 10.3917/come.113.0091.

CHAPTER 14

FAMILY BUSINESS: NURTURING LEGACY, SUSTAINING SUCCESS

Jai Ranjit, Trainer
ISDI - School of Design & Innovation, ATLAS SkillTech University, Mumbai, India
Email Id- jai@isdi.in

ABSTRACT:

The earliest kind of business structure is a family-owned company. The bazaar system in the past is where family businesses first emerged in India. Some of the largest family-run companies in existence today. Legacy is the connective thread that connects the basic purpose of the firm, the family's beliefs, and noteworthy achievements over numerous generations in family business. It represents both concrete and intangible assets the family's financial worth as well as social and emotional value..

KEYWORDS:

Business, Family, Poverty, Time, Sachs.

INTRODUCTION

How the poorest nations are portrayed in political economics debates about inclusion and exclusion is an intriguing component of this discussion. This therefore affects whether aid intervention passes over a horizontal collection of internationally defined behaviors like trade and debt, which affect nations included in the world system, or goes in to those viewed as excluded. The exploitation of workers in the South and the structural oppression of their governments were placed at the center of global accumulation up until recently, even if that may have occurred via processes of unfavourable integration. The history of slavery, colonialism, and market capitalism on a global scale actively produces poverty for one-fifth of the population by distorting markets and imposing power relations that, for many, lead to poverty. Only more recently have narratives of social exclusion emerged, which instead portray them as set aside, ignored, abjected, and forgotten, or in a poverty trap [1].

These nations were initially and permanently pushed to the margins by their involvement in the capitalist global system. However, it is also true that due to the fact that industrial manufacturing has largely ignored the poorest nations, they are now relegated to a life of primary commodity production. As a result, the local populations no longer have access to the crucial solidarity of other people who are organized as workers in trade unions, which is arguably the most effective way for people to improve their well-being historically. Trade unions are a reflection of this shared awareness of being, which takes the form of organizations that foster solidarity, as working in an industrial setting tends to shorten human distance and foster group and interpersonal understanding. The corporation and trade union as human organizations are often weaker in the poorest nations, and other sorts of social organizations don't appear to have as strong a voice. As a result, individuals are cut off from others who may crucially provide

solidarity. Also, we observed how cultural concepts in depictions of the African poor might help create distance between individuals, undermining unity [2]–[4].

The concern here is that in the process of giving aid in the system we currently have, the opportunities to do these types of things may be fore closed, or the effect of doing them may be constantly overpowered by the plight of the poor. Critical distance notwithstanding, the moral case for the rich to help the poor certainly remains in tact, and is so strong that it does not need to be proved by the insult of empirical testing of whether aid contributes to economic growth. Since many of the accumulation processes set in motion by the twin throw people into poverty, just as quickly as social development is picking them back up, if not more quickly, that is the main reason it is worthwhile to empirically examine the activities of the errant twin of social development private sector development as we have done here.

However, the overall systemic effects of the private sector development system are to endorse and enforce this same social relations of capital, which over time work to produce inequality, a primary cause of poverty. This is not because the system is necessarily designed to do thatit is notor because the people who work in the system are intrinsically badthey are not. The political economics of development supports the effects of the capitalist kind of economic and social relationshipthe one between a capital owner and a non-capital owner or worker. This is a historically toxic relationship, and there is no justification for the bottom billionthe one in five of the world's populationto be pitted against some of the world's ugliest predator companies. This is especially true given that we have a wealth of historical precedent and human ingenuity on which to draw in order to defend them and find an alternative. When alternatives like social democratic markets and cooperative ownership are available, the state sector shouldn't be approving and funding a substantial portion of this uneven competition.

A Moral Instance

Pogge articulated two types of responsibility that are prompted by the outrage of radical inequality and the severity of global poverty much better than I could positive duty, to help persons in acute distress, and negative duty, not to uphold injustice, not to contribute to or profit from the unjust impoverishment of others. Pogge further explains in his article how the development of extreme global inequality indicates that the wealthy have disobeyed their moral need to act reasonably. For our purposes, it is sufficient to say that when it comes to aid and poverty reduction, many campaigners mistakenly believe they are fulfilling their positive obligation to help others while failing to acknowledge their offense with regard to the second: that, at least under the current system, extending capital from the creditor states in the form of ODA is actually abetting injustice and causing the unjust impoverishment or prolonged impoverishment of others: pr In this respect, the rhetoric around assistance is a dishonest smokescreen because it incorporates traits of purported altruism that obfuscate the use of the aid sector to further capital export and support profitability in the heartlands of contemporary imperialism.

Pogge contends that severe inequality includes the better off breaching a negative responsibility because the consequences of shared institutions, the unjustified denial of access to natural resources, and the repercussions of a shared, bloody past. Most readers should be aware of the disproportionate exploitation of natural resources by the wealthy as well as the shared histories of slavery and colonialism and their impacts. Pogge continues by stating that shared institutions were created by the better off and imposed on the less fortunate. As a result, institutional order is

tied to the perpetuation of radical inequality because there is a workable institutional alternative under which such extreme and pervasive poverty would not endure. Shortly said, the persistence of poverty and misery is closely tied to the ways in which the wealthy shape international institutional structures; in this case, we contend that the Great Predators have a major role in determining how the lives of the poor are shaped. We may apply Pogge's approach to our more limited aspect of the global system, the political economy of development or the specialized economics of the poor, while he is talking about ethics arising from the global system.

In this publicly aided economy, so-called shared institutions like the IMF, World Bank, and RDBs are imposed; they then carry out the positive duty of development while being unaware of, or ignoring, the evidence of, their effect on reproducing structural implicating themselves in a violation of Pogge's negative duty when better alternatives, which they rarely bother to research, exist. For instance, during the age of structural adjustment, worldwide social movements have given enough evidence that neoliberalism contributes to the emergence of poverty. Numerous privatization cases, particularly in the utilities sector, would serve as current examples. For instance, handing over control of water systems to Western multinational corporations results in the production of clean water as a byproduct while also cutting off a large number of users from the mains. Yet, restructuring institutional public access to water under a cooperative ownership paradigm assures that impoverished people receive some water first and foremost, while the system's profitability may be sacrificed in favor of a not-for-profit bottom line.

In this instance, the latter has seldom been attempted, hence beginning along the wrong path will always result in the incorrect destination. Notwithstanding the measurable indicators of help performance, the political economics of aid is chronically in breach of Pogge's negative obligation. Pogge criticizes development assistance indirectly, saying that it has an appearance of handouts and reliance, even though he doesn't clearly make this point. A Global Resources Dividend, which, unlike ODA, avoids any appearance of haughty generosity by merely incorporating the moral right of the underprivileged to share in the benefits from the use of planetary resources into our global institutional order, is where Pogge's opposition to the current global order can be found. The poorest might be protected against the worst effects of abuse with the help of this kind of heightened moral claim. It is debatable whether maintaining the existing system will still weaken economic soli- darity, even with a GRD. Most people in the Northern population accept without question that assistance really means help.

In doing so, they have joined a larger philosophy of capitalist ethics, as expertly summarized by Ziz ek, where the merciless pursuit of profit is countered by generosity, which acts as a humanitarian front for economic exploitation below. The rich nations regularly assist the underdeveloped, evading the main problem, namely their cooperation in and co-responsibility for the underdeveloped's sad predicament. This is a kind of superego blackmail of enormous proportions. The comparatively modest cost of development grants may be considered as an effective advertising budget for the larger public relations job for capitalism that they undertake, given the importance of the work they do. The poorest are also affected by additional expenses associated with this public relations system since individuals who are obliged to accept seeming charity instead of entitlement as a result of their inherent humanity and global citizenship suffer unquantifiable psychological harm. The uninteresting economic balance sheet must now include this feature: development aid's guiding principle, We are doing this to assist you, stays. While the human rights agenda and rights-based development have somewhat lessened the symbolic violence of charity, they are still simply a palliative to the many images and discourses of

benevolence that impact the subject peoples of the aid chain's pride and feeling of worth. When a mother's child is adopted by a well-meaning NGO, she must then encourage her child to write thank you letters to her sponsors.

Another example is the Zimbabwean cleaner who once asked the author whether she had come to make money or to give things away, as these were the only activities she associated with white hotel guests. Another example is the micro-credit scheme home workers who pay usurious interest rates. They all adhere to the nauseating rhetorical paradigm that the West is Best and Most Benevolent, which continues to embed the message of indigenous inadequacy within the context of broadly racialized and very economically exploitative global social institutions. The commonplace instances are all a part of a larger image of national pride damaged by the national Big Plan that was supplied from outside in the shape of a PRSP. Major opponents of assistance have argued that the mere act of providing aid creates perverse incentives that undercut or, at the extreme, entirely overshadow the intended positive consequences. This assertion is well described here by Riddell. The manner that choices regarding who to provide government assistance to and for how long are impacted by the political, strategic, and financial interests of the donors rather than being driven and moulded by the pressing needs of the beneficiaries has also long been criticized.

DISCUSSION

About this book, it has not been presupposed that positive consequences were initially planned, which were individually calibrated by the requirements of users. Instead, we have used 6 as the paradigm of analysis for assistance to the private sector and modelled a triple motive of development, commercial, and geostrategic concerns. All three were seen to be inextricably linked to one another because of their role in the transmission of a power dynamic within political economy. In other words, because the pursuit of these was considered as integral to that connection in the first place, the requirements of beneficiaries could not be compromised by contamination by other prerogatives within the assistance relationship, such as commercial interests. A discursive conflict over the moral purpose and impact of the money will unavoidably arise in the export of the capital connection. While this issue is expected to gain popularity over the next several years, we are not very interested in it since growth is of dubious value to the poor under a class system of accumulation. Growth is often grabbed by the wealthy in unequal societies, who then use it to strengthen their position in relation to the poor by erecting more electric gates, hiring more security guards, and letting free more dogs in an attempt to thwart moral wealth redistribution [5], [6].

In 1869, the company that would become Goldman Sachs first began. Marcus Goldman originally arrived to the United States in 1848 from a tiny hamlet in central Germany. Like many of his fellow European Jewish immigrants who subsequently went on to become great bankers, he started out as a garment dealer. Both the Lazards and the Lehmans began their lives in Montgomery, Alabama, in 1844 and New Orleans, respectively, in this manner. This came as no surprise as running a business was seen as a acceptable job for a Jewish immigrant while working in banking was only for the established, non-Jewish elite. Marcus Goldman left Burgpreppach, Germany when he was twenty-seven years old and first arrived in New York City. However, according to Stephen Birmingham, the author of Our Crowd, he quickly set off for the area that, rightly or wrongly, young German Jewish immigrants had heard was the peddlers' paradise, the coal hills of Pennsylvania. Goldman began his career as a peddler pulling

a cart pulled by horses. however the U.S. claims that by 1850, the U.S. According to census records, Goldman lived in Philadelphia and leased a comfor home on Green Street in addition to owning a garment business on Market Street. At that time, he had already fallen in love with and wed Bertha Goldman, who like him had left Bavaria in 1848 and lived in Philadelphia with her family. The Goldmans were married when Bertha was nineteen, and according to Birmingham, Bertha had supported herself very successfully by producing embroidery and beautiful needlework for Philadelphia society ladies. According to the census records, Goldman had five children by 1860: Rebecca, Julius, Rosa, Louisa, and Henry. He had also turned into a businessman. In the census, he said that the value of his personal property was $2,000 and the value of his real estate was $6,000. Two maids were also hired by the Goldmans .

Marcus Goldman relocated to New York City in 1869 together with his family. One of the primary causes of the migration was Bertha Goldman's request to her husband to take them all north when she had about had it with Philly. At West Fourteenth Street, they made their home. At this time, Goldman had made the decision to leave the apparel industry, joining a number of his Jewish contemporaries in doing so, and had resolved to do all in his power to enter the finance industry. At 30 Pine Street, he established a solo enterprise with the goal of purchasing and selling IOUs from local merchants. The goal was to make it easier for these small businesses to convert their accounts receivable into cash without having to go uptown to a bank. The inscription on the door read: Marcus Goldman, Banker and Broker. Goldman's office was in the basement of the building, close to a coal chute, and according to Birmingham, in these dismal confines he erected a stool, a desk and wizened part-time bookkeeper.

Goldman made sure he looked the part of an aristocrat despite the modest workplace setting. Marcus Goldman started off each morning to visit his friends and acquaintances among the wholesale jewelers in Maiden Lane, and in the 'Swamp,' where the hide and leather merchants were located, Birmingham wrote in Our Crowd. This was the standard banker's uniformtall silk hat and Prince Albert frock coat. In his hat, Marcus carried his business. He was aware that money is a merchant's first need. Birmingham compared the commercial paper of the dayunsecured short-term debtsto a postdated check that could only be cashed six months in the future. Because rates on loans from commercial banks were high, one way New York's small merchants had of getting cash was to sell their promissory notes or commercial paper to men like Marcus at a discount. Investors like Marcus Goldman would purchase the IOU for cash at a discount today knowing that, all other things being equal, over time he could get face value for the paper. This is because current interest rates and the time value of money concept, which holds that one dollar in hand today is worth more than one dollar in hand six months from now because presumably you could invest the money in the interim and earn a return on it, make these decisions.

Birmingham estimated that the lower Manhattan-based small enterprises' commercial paper would be reduced by 8 to 9 percent. In order to keep score against the likes of his fellow ambitious Jewish bankers, Solomon Loeb, the Lehmans, and the Seligmans, Goldman purchased the discounted notes in amounts ranging from $2,500 to $5,000 and then tucked the valuable bits of paper inside the inner band of his hat for safekeeping. Throughout his morning, as he purchased more and more notes at a discount from these merchants, his hat sat higher and higher above his forehead. The more business done in the morning, the higher the cap on the forehead. A cashier, or perhaps the president, according to Birmingham, deferentially removed his hat, and they would begin to dicker about what price the bankers would pay for the notes Goldman had in

his hat. This would happen when Goldman traveled uptown in the afternoon to visit the commercial banks, such as the Commercial Bank on Chambers Street, the Importers' and Traders' Bank on Warren Street, or the National Park Bank on John Street. Marcus Goldman's earnings would be the difference between the purchasing and selling, similar to what his successors would do with mortgage-backed securities over 140 years later. Birmingham said that Goldman was able to acquire and sell this commercial paper for $5 million annually right immediately. He may have been earning around $250,000 a year, which would have been a big fortune in 1869 if he could make, say, five cents on every dollar.

The Goldmans rapidly made lifestyle improvements. The family relocated to a four-story brownstone measuring around 25 feet wide and 90 feet tall at 649 Madison Avenue. For her morning errands and shopping trips, Bertha was able to buy one of the sumptuous turnoutsa carriagewith liveried staff. Marcus Goldman was characterized as being five feet, three inches tall, with a gray beard, a fair complexion, and an oval face during this time on a passport application. It was said that his forehead was high. Goldman did not take on any partners for around thirteen years, in contrast to his friends who often had brothers or in-laws as business partners. As a result, his personal fortune increased, as did the capital of his company, which in 1880 was $100,000 and belonged entirely to Marcus Goldman. But in 1882, when he was sixty years old and making almost $30 million in annual commercial paper purchases and sales, he made the decision that it was time to add a partner to the business. As is customary, Goldman made the decision to bring in a family member, in this instance, his son-in-law Samuel Sachs, the spouse of his youngest daughter Louisa. Not only would it be simpler to manage and trust a family member, but the Goldmans had already determined that the Sachses, who were also immigrants who immigrated to the United States in 1848, were the appropriate kind of people in an era of essentially arranged marriages.

Joseph Sachs, Samuel's father, was an underprivileged instructor and the descendant of a saddle manufacturer from outside of Würzburg. The Baer family, whose well-to-do father was a Würzburg goldsmith, hired Joseph Sachs as Sophia's instructor when she was a teenager. Naturally, against the Baers' desires, the impoverished young instructor and the attractive young merchant princess fell in love, as Birmingham put it. They made the decision to board the next schooner to America and elope. After the Civil War, the Sachses relocated to New York City, where Josephwho had previously worked as a teacher and a rabbiopened the Sachs Collegiate School, a school for boys on West Fifty-ninth Street, where they reared five children. Julius, their eldest child, later led the Sachs school and had a successful career as a teacher. According to Birmingham, Herr Docktor Sachs was a strict, Old World schoolmaster who seldom spared the rod for his uniformed lads wearing neat black suits and starched stand-up collars. He knew nine languages with ease, including Sanskrit, and placed a strong emphasis on discipline and classicism. With names like Lehman, Cullman, Goldman, and Loeb, Sachs Collegiate School rapidly became the school of choice for other young Jewish immigrants. The goal was to prepare these boysthere was no female education at the timeready for Harvard at the age of fifteen, according to Birmingham.

The Goldmans daughter Rosa was married to Julius Sachs by arrangement, and following the unexpected passing of his parents, Louisa was set up to marry Sam, who had already begun his professional life as a bookkeeper at the age of fifteen. Sam Sachs was accepted into his father-in-firm law's in 1882 when he was thirty-one years old. This needed Sam to sell each item of clothes in his modest dry-goods company one at a time. To do this, according to Birmingham,

Goldman lent Sachs $15,000 to be returned over three years in three yearly instalments. As planned, Sachs paid back $10,000 over a two-year period. The third son of the Sachses, Walter, was born on May 28, 1884, and Marcus Goldman decided to forgive his son-in-third law's and final payment of the original $15,000 debt in honor of the arrival of yet another grandson. Birmingham said that Goldman recognized his son-in-energy law's and skill as a partner in his old-fashioned German writing, absolving him of the remaining balance of the obligation. A copy of the canceled note and the letter her father sent to her husband were both retained by Louise Goldman Sachs. And thus, according to Walter Sachs, who subsequently recorded an oral history of his life after spending 72 years working for his father's and grandfather's company, it looked that I closed my first business transaction for Goldman, Sachs on the very first day of my debut into the world.

Marcus Goldman's company became to resemble other modest, Jewish Wall Street partnerships that had grown out of their beginnings as merchants when Samuel Sachs joined the company. The company adopted the name M. Goldman & Sachs. Of course, not everything went as well as the many histories of the company would have one think. For instance, one of the papers Marcus Goldman carried about in his hat went wrong in February 1884. Goldman & Sachs has sold a $1,100 note with the account number A. Cramer and the signatures Carl Wolff to a Mr. Frederick E. Douglas. Douglas was the purchaser of the six-month note that Goldman was selling to Wolff. Yet as it turned out, Wolff had fled and Cramer's signature had been faked, rendering the message useless. Douglas claimed that the company had, by implication, guaranteed the note to have been produced by Cramer when he filed a lawsuit against it in superior court.

One of the first legal analyses of a financial intermediary's obligations in a transaction between a buyer and a seller was unquestionably this one. At the start of the twentieth century, Goldman Sachs would soon pioneer the role of a security underwriter. Would the jury hold Goldman & Sachs accountable for the IOU as if it had been an underwriter of the paper, or would it absolve Goldman and rely on the tried-and-true principle of caveat emptor, or buyer beware? If they found the defendants to have been working as brokers for Wolff at the time of the sale of the note, Judge Freedman urged the jury to find in favor of Douglas. The new business was exempt from responsibility for the fraud in the end because the jury reached a judgment for the defendants. The enticing potential remains that the Goldman Sachs we know today may have been an early victim of the plaintiffs' bar had the jury returned a different verdict in March 1886.

For the time being free of that prospective legal burden, M. Goldman & Sachs continued on. When Goldman invited his son Henry and son-in-law Ludwig Dreyfus to join the company in 1885, the company officially changed its name to Goldman, Sachs & Co. The lovers shared townhouses on Manhattan's Upper West Side close to one another. Marcus Goldman relocated to West Seventy-first Street after giving up his home on Madison Avenue. Sam Sachs acquired the neighboring townhouse. Sam's brother Harry Sachs purchased a townhouse on West 74th Street, while Marcus Goldman's son Henry Goldman purchased an even bigger one on West 76th Street. The expanding company barely missed losing $22,500, or about 5% of its capital, in December 1893 when it loaned the money to N. J. Schloss & Co., a tiny lower Broadway maker of boys' clothes. It found out that the company's bookkeeper had stolen $50,000 and attempted suicide by laying down on a hotel bed with the gas on after being discovered. He had registered at the hotel under a false identity. Due to its short-term loan to the manufacturer, Goldman received its money returned before other creditors.

Sam Sachs' brother Harry joined the business in 1894, and the five partners, 10 employees, and a few messengers all moved into the second-floor offices at 43 Exchange Place. At the time, Goldman Sachs had $585,000 in capital, $200,000 in yearly revenue, a return on equity of astonishing 34.2 percent, and was an early example of how profitable the company might be with competent management. Goldman Sachs began trading on the New York Stock Exchange in 1896. The company's capital was $1.6 million and expanding quickly in 1898. The company also made the decision to start a foreign exchange division at that time, and by June 1899, they had transferred $1 million worth of gold coins to Europe. Marcus Goldman said that it was a routine and professional business and that it was carried out because gold coins were cheaper than bills of exchange. Several dealers believed the company had mispriced the cargo and lost $500. The next few years saw Goldman Sachs rank among the biggest companies involved in the import and export of gold bullion, along with Lazard Frères & Co., a smaller banking partnership with a Wall Street operation. Moreover, Goldman Sachs workers with last names like Gregory, Hanna, Odz, Keiser, and Morrissey often participated in tenpin bowling matches in the Bank Clerks' League [7], [8].

CONCLUSION

This article has analyzed several influential authors in the current discussion of assistance effectiveness before examining the extent to which this literature affects the thesis of this book. While more aid is used to address immediate poverty problems, such as health and education, less has indeed been channeled into projects and programs to address more systemic structural problems, to contribute to accelerating the wealth-creating potential of recipient country economies, as Riddell put it. This dilemma is what is causing the shift in emphasis from poverty reduction of a welfarist variety to more interest in growth. In a nutshell, he favors more private sector growth. Yet, despite the fact that critics' tastes have changed, these goals have always coexisted. Evidence from interventions shows that these goals have been aggressively sought even during the time when poverty was being reduced. In fact, a fairly conventional solution to Riddell's issue has been direct assistance to the private sector, or PSD instruments: assistance created to enhance the private sector's working environment in terms of both soft and physical infrastructure. Specifically, professional support for the reform of tax, customs, and financial regimes, as well as for the direct acquisition of production and exploitation equipment.

REFERENCES:

[1] W. Brown, ‘Industrial relations in britain under new labour, 1997-2010: A post mortem’, *J. Ind. Relations*, 2011, doi: 10.1177/0022185611401996.

[2] P. Rovelli, M. Ferasso, A. De Massis, and S. Kraus, ‘Thirty years of research in family business journals: Status quo and future directions’, *J. Fam. Bus. Strateg.*, 2021, doi: 10.1016/j.jfbs.2021.100422.

[3] D. Arijs and A. Michiels, ‘Mental health in family businesses and business families: A systematic review’, *International Journal of Environmental Research and Public Health*. 2021. doi: 10.3390/ijerph18052589.

[4] K. Randerson and M. Radu-Lefebvre, ‘Managing Ambivalent Emotions in Family Businesses: Governance Mechanisms for the Family, Business, and Ownership Systems’, *Entrep. Res. J.*, 2021, doi: 10.1515/erj-2020-0274.

[5] D. Johansson, J. Karlsson, and A. Malm, ‘Family business—A missing link in economics?’, *J. Fam. Bus. Strateg.*, 2020, doi: 10.1016/j.jfbs.2019.100306.

[6] M. Azizi, M. S. Bidgoli, and A. Taheri, ‘The effect of ownership and management structure on family businesses performance’, *Cogent Bus. Manag.*, 2021, doi: 10.1080/23311975.2021.1872888.

[7] G. Haynes *et al.*, ‘Family business research: Reviewing the past, contemplating the future’, *Journal of Family and Economic Issues*. 2021. doi: 10.1007/s10834-020-09732-6.

[8] P. Vazquez, ‘Family Business Ethics: At the Crossroads of Business Ethics and Family Business’, *J. Bus. Ethics*, 2018, doi: 10.1007/s10551-016-3171-1.

CHAPTER 15

MANUFACTURING BUSINESS: BUILDING, INNOVATING AND THRIVING

Solange Suri, Senior Trainer
ISDI - School of Design & Innovation, ATLAS SkillTech University, Mumbai, India
Email Id- solange@isdi.in

ABSTRACT:

A manufacturing firm is one that employs components, extra parts, or raw materials to create a final product. The product is subsequently sold either directly to other sectors, to customers, or to a store where people may purchase an item. Any company that employs components, pieces, or raw materials to create completed goods is considered to be in the manufacturing industry. These final products may be sold to customers directly or to other manufacturers who will utilize them to create a new product. In this chapter author is discusses the Firm.

KEYWORDS:

Business, Capitalism, Capital, Economy, Firm.

INTRODUCTION

Marcus Goldman was also gaining a reputation as a modest philanthropist, particularly for issues affecting Jewish immigrants to the US at the time, known as Hebrews. Goldman took part in organizing the 1891 plea for universal assistance for Jewish Russian immigrants to New York City who had come in the US well near impoverished. This appeal is believed to have been the first of its type. At that time, 7,500 Russians arrived at Ellis Island each month, not voluntarily, not even as did the Pilgrim Fathers, choosing liberty to persecution for the sake of conscience. They have no option but to be forcibly expelled from a place where they have lived for hundreds of years. Jews, who have always been chari to some extent, and famed for the care of the needy of their race, the Hebrews, now find themselves presented with a duty that is beyond them to carry out alone, according to the New York Times story about the plea [1], [2].

Goldman Sachs partners quickly joined the ghetto of wealthy Jewish bankers who had started moving to the New Jersey seaside communities of Elberon, Long Branch, Deal, and Sea Bright, which are located approximately 90 miles south of New York City. The Jewish bankers were only emulating in their own unique manner the opulent weekend villas that the WASP bankers had constructed in Newport, Rhode Island, at a period when the Hamptons became the destination for wealthy Wall Streeters to preen. Elberon and its surroundings were in fact dubbed the Jewish Newport. According to Stephen Birmingham, Elberon and Newport were comparable to Fifth Avenue and Central Park West respectively. Nevertheless, apart from the apparent implications of each community's exclusive features, these comparisons lack any substance. Elberon was dubbed the ugliest spot in the world by Peggy Guggenheim. On the desolate shore, not a single tree or shrub sprouted.

According to Birmingham, Samuel Sachs's home at Elberon was a lavish recreation of an Italianate palazzo that was taken from Versailles and was constructed of white stucco with a red-

tiled roof, fountains, and formal gardens. In and near Elberon, there were residences for the Loebs, Schiffs, and Seligmans. Birmingham said, I'm sure that at some time during these glorious Elberon years, New York's German Jewish bankers and their families had started to see themselves as a particular kind of American nobility. They had started to think of themselves as perhaps a little bit better than the butterflies of Newport because of their moral tone and focus on family. Marcus Goldman passed away on July 20, 1904, at his daughter and son-in-Elberon law's house, where he had been spending the summer, after his health had been declining for a long time, according to the New York Times. Arthur and Paul Sachs, the sons of Sam Sachs, had just graduated from Harvard University when they had joined Goldman Sachs a few weeks previously.

DISCUSSION

The Firm

Marcus Goldman left his son Henry Goldman and his son-in-law Samuel Sachs, who were both in excellent health and ran what could only be described as the top commercial paper firm on Wall Street. But, Goldman, Sachs & Co. had more ambitious goals than just dealing in commercial paper and pricey commodities like gold. The banking elite that raised debt and equity capital for American businesses was something Goldman Sachs aspired to join. The task of raising capital, known as underwriting, was still in its infancy at the beginning of the twentieth century. It would become one of the most important roles Wall Street would play for corporate clients eager to expand their workforces and their factories, and it contributed to the development of American capitalism, one of the most significant exports from the nation [3]–[5]. Henry Goldman, who ironically left Harvard without receiving a degree due to visual problems, had a vision of Goldman Sachs as the industry's top securities underwriter.

After graduating from Harvard, he worked as a traveling salesman, but at the age of twenty-eight, he joined the family business and helped oversee the transition of the company into the underwriting business, which involved taking calculated risks for brief periods of time by purchasing the debt or equity securities of its corporate clients before quickly selling these securities to investors who had been identified and were eager to buy them, assuming they had been previously identified. The plan was for Goldman to get a fee for supplying funds to its customers and to quickly offload its risk by selling the securities to investors. The underwriting procedure often went easily, was practically risk free, and allowed the underwriter to do what seemed to be a magic or alchemical act when markets were operating normallyand investor fear was not a problem. But, on other occasions, underwriters would find themselves holding substantial quantities of the securities with no buyer in sight if the assets were badly priced or investor anxiety was evident. Even if such errors in judgment were uncommonthe spring of 2007 and the accompanying financial crisis being one notably severe recent examplethe repercussions might be disastrous for both underwriters and investors.

Sam Sachs and Henry Goldman, the brothers-in-law, were dubbed a study in opposites. Even on the warmest days of the year, Sachs was reported to wear a thin alpaca office coat, demonstrating how cautious he was with both his risk-taking and his dress-up appearance. In order to protect his cash, he also intended to expand the partnership based on its prior accomplishments. One day, Paul Sachs, his son, said how pleased his father was that a venture the company was working on with a partner they did not know all that well had failed. They had had a poor first impression of the possible spouse. In truth, Paul Sachs said, We are delighted to have seen the

deal fall through since as we advanced our original unpleasant opinion was at every meeting firmly reiterated. I do not dispute that the company may have been acceptable enough. Contrarily, Goldman like to work in his shirtsleeves, often remarked to his nephew Walter Sachs that Money is always trendy, and delighted in trading railroad and utility bondsoften at a profit but nevertheless putting his partners' money at risk. The conflict between Goldman and Sachsbetween taking sensible risks and capital preservationwould thereafter become an essential component of the company's Ethos.

Using the real Genetics of the Goldman senior partners to prolong the business became vital, much as with other Wall Street companies founded during this period. One person who participated in this grooming from a young age was Walter Sachs. After completing a year at Harvard Law School and graduating from Harvard College in 1904, Walter joined Goldman in 1905 as a clerk and moved from office to office doing the basic chores required of him. The next spring, he traveled to Europe with his father, who was at the time the firm's senior partner, acting as his secretary and delivering cables, dispatches, and letters for his father's signature. Walter Sachs remained behind in Paris on authorized leave from Goldman when Samuel Sachs returned to the country that summer and to Goldman's downtown headquarters in order to get further practical experience working as an unpaid intern in the offices of two French banks.

Walter Sachs completed his training in banking in Berlin in the beginning of 1907. By the end of 1907, he had returned to New York. Samuel Sachs had promised Walter Sachs a journey around the globe when he had finished his several tours of duty while they were in the thick of this financial whirlwindwhich was not unusual for the sons of banking patriarchs trying to educate their offspring in the ways of the banking system. However, the Panic of 1907 came around and Samuel Sachs had to send a telegraph to his son in London telling him to get home and to work. On January 2, 1908, Walter Sachs started a full-time position with Goldman, Sachs & Co. He was instructed to market commercial paper to banks in Hartford, New York, and Philadelphia. He had a bad first day since he returned home with no sales of the paper, so he concluded he was a failure. Goldman, Sachs & Co. sought alliances with other banking partnerships in addition to encouraging sons to work for the family business. In particular, they sought an alliance with Lehman Brothers, a prosperous family-run company with roots in cotton trading and retail merchandising in Montgomery, Alabama. It came out that Philip Lehman, one of the five Lehman brothers who took over running Lehman Brothers when Emanuel Lehman passed away in January 1907, was Henry Goldman's closest friend.

The two buddies started talking about strategies to grow their enterprises when they took over their companies after their dads passed away. Henry Goldman was given the idea to seriously consider entering the underwriting industry by Philip Lehman. In fact, the two partners seriously entertained the idea of founding a new companyGoldman & Lehmanthat would specialize in underwriting corporate securities alone. But, Birmingham writes that there were great pressures, both practical and emotional, not to forsake their separate family enterprises, and at last they agreed to join in underwriting as a side business. Each firm would continue to focus on its area of expertiseLehman on commodities, Goldman Sachs on commercial paperwhile the two friends would participate as partners in underwriting initiatives and divide the profits 50/50. In April 1906, when the United Cigar Manufacturers' Corporation requested the company to finance $4.5 million by issuing preferred shares, Goldman had already gotten a taste of the underwriting industry. On May 3, Goldman underwrote an unidentified sum of 4 percent, fifty-year bonds for the state of Alabama together with three other financial institutions. At the time Henry Goldman

and Philip Lehman discussed the underwriting joint venture, Goldman Sachs was already aware that it was a field it intended to enter.

The company then had a little stroke of luck. Goldman met Julius Rosenwald, the cousin of Samuel Hammerslough, a former peddler who had relocated to Springfield, Illinois, to become a men's apparel trader, thanks to the marriage of a distant relative. A successful apparel manufacturing company owned by Rosenwald was incorporated into Sears, Roebuck. He asked Henry Goldman, his cousin and buddy from their time spent together in New York, whether he would be prepared to give Sears $5 million in June 1906. In order to make the company's investment profitable, Sears had just established a new manufacturing plant and required money for working capital. According to legend, Goldman came up with a better plan for Rosenwald why not publicize Sears via an underwritten share offering by the newly formed Goldman and Lehman joint venture? In the process, Rosenwald would become wealthy, and the company would be supported with stock rather than debt. Although stock would be more costly than debt if it performed well, which it undoubtedly did for the longest period, the firm would be less at risk in the short term should the economy deteriorate. Goldman had the foresight to evaluate Sears' financial status before suggesting the IPO, which may be dangerous for his company if the sale did not go smoothly. The company made $27.6 million in sales and $2.2 million in net income in 1904; these figures increased to $37.9 million in revenue and $2.8 million in net income in 1905. With a net value of $237,000 in 1897, Sears had seen exponential growth in less than 10 years. In conclusion, Sears was a superb IPO contender [6], [7].

That would be an interesting product in a lot of ways. It would be the first significant IPO that Goldman and Lehman would jointly lead. For steel corporations, railways, and oil companies, there had been many initial public offerings in the preceding years, but a retail mail-order company had very seldom, if ever, entered the public markets. As Goldman was a Jewish business, it had previously struggled to gain entry into the exclusive group of underwriters for the major industrial conglomerates that were headed by WASPs from the old school, such Andrew Carnegie and John D. Rockefeller Jr. For the first time, Jewish financiers ready to insure the securities of a significant, Jewish-owned national company would come together at the Sears IPO. The timing of Henry Goldman's friendship with Julius Rosenwald as Goldman Sachs began to enter the underwriting industry was fortunate.

A total of $30 million in Sears ordinary shares and $10 million in Sears preferred stock with a 7% dividend were jointly guaranteed by Goldman and Lehman. The IPO was priced by Goldman at $97.50 per share. The Sears product, according to Walter Sachs in 1964, was more or less forging a route. I believe my uncle Henry Goldman came up with this sort of company on purpose. Over a century, I believe he was one of our company's two or three geniuses. The Goldman-Lehman underwriting combo quickly became the hottest young underwriting team, according to Birmingham. A British merchant bank named Kleinwort, Sons & Co. was also hired by Goldman to assist in the underwriting of these transactions and the sale of the securities to European investors. Together, they provided financing for 14 significant offerings, including those for the Underwood Corporation in 1910, the company that would become May Department Stores in June 1910, Studebaker Corporation in February 1911, the F. W. Woolworth Company in 1912, the B. F. Goodrich Company in 1912, the Diamond Rubber Company in 1912, and the Continental Can Company in 1913. In 1912, Goldman also provided financial support for B. F. Goodrich's purchase of Diamond Rubber Company.

According to Walter Sachs, the Sears operation was the item that started to give us this extremely high reputation in industrial securities. The finance provided by Goldman to Woolworth also improved the company's standing. Sachs said that Frank Woolworth all of a sudden become a very affluent guy. He constructed Manhattan's Woolworth Building, which at the time was the world's highest structure. Cass Gilbert was the architect. Woolworth hosted a celebration meal after the building's opening. According to the legend, Woolworth was holding Gilbert by the left hand and Goldman by the right when he got up and urged them to do so. He then placed his right arm on Goldman and his left arm on Gilbert and said, Here are the two guys who have made this great skyscraper possible. The two cabinet members in the Wilson administration tasked with designing the architecture of the Federal Reserve System after the passage of the Federal Reserve Act in 1913 sought Henry Goldman's viewsalong with those of J. P. Morgan himselfin January 1914 due to his rising stature on Wall Street.

Here, even before the government began to regulate Wall Street, Goldman Sachs was coaching lawmakers on how to carry out their duties. Henry Goldman argued that New York City needs to have the most potent and well-capitalized Federal Reserve bank in the system at a hearing in New York on January 6 with William G. McAdoo and David F. Houston, the secretary of agriculture. Because that New York was the nation's center of credit, he believed the New York Federal Reserve Bank should be on par with the Bank of England. Until the New York Federal Reserve Bank is given the utmost importance, he warned the Reserve Bank Organization Committee, it will not conduct more exchange business with New York than at now unless the New York bank is strong enough to manage it. Morgan agreed with Goldman's assessment, and of course the New York Federal Reserve Bank did rise to prominence as the system's most potent reserve bank, with Goldman Sachs continuing to be one of the institution's most significant partners.

But, Henry Goldman's chat with the two secretaries that day also provided further insight into Goldman's personality and the foundation of the company he had helped to build. First, he proudly identified himself as a commercial banker in front of the secretary of the treasury, stating that this was his primary line of work and that it involved commercial banking all over the world, issuing credits to commerce and industry in this country and abroad, to merchants in this country for use abroad. He didn't indicate how adept his company has become at underwriting debt and equity instruments. The company wanted to be seen as a strong pillar of capitalism, not as a vehicle for speculation, from the very beginning. Moreover, Goldman seemed to be acutelyand foresightedlyaware of the confidence concerns local banks would suffer if they used a reserve bank as a source of liquidity rather than in the usual course of business.

Although while it was true that the Federal Reserve System was partly established to address the reasons of the Panic of 1907, Goldman seemed to have an instinctive understanding of the dangers associated with really resorting to a reserve bank in a time of need. He instructed the secretaries, The term 'help' should be eradicated from our thoughts. 'Get help.' It calls for concern. Going to a Reserve Bank and receiving a discount should be completely natural for banks, not in the sense of receiving help. McAdoo and Goldman returned to the topic of the Fed supplying liquidity in a crisis one more time after discussing the precise locations Goldman believed should host the reserve banks. It is simple to see Paulson and Blankfein speaking in September 2008 rather than McAdoo and Goldman in January 1914. In this situation, McAdoo informed Goldman, the reserve power that they have via their capacity to secure or to transform their resources into money when necessary, that is, into circulating notes, is a power of

transcendent significance. Goldman agreed with the secretary that having the ability to supply such liquidity was crucial, and he later went back to the point he had made earlier on the message the market would get if it were to resort to a reserve bank for that liquidity. I do think that there are psychological variables in business, one of which is capital strength of an institution, which are so ancient and so established in the human psyche that no system can put them aside, he stated. A financial system is based on the trust that is put in it, therefore despite these shrewd insights into its realities, is there another kind? Henry Goldman's backing for Germany's increasingly belligerent actions was soon becoming an issue for Goldman, Sachs & Co. by August 1914 and the start of World War I. For instance, Sam Sachs, Henry's brother-in-law, had assured Goldman Sachs' underwriter partners at Kleinwort that the company stood firmly behind Great Britain while he was on vacation in England prior to the start of the war, only to learn upon his return to New York that Henry had become more outspoken in his pro-German commentary. He cited Nietzsche to everybody who would listen, Henry Goldman, according to Birmingham.

The long-brewing tensions between Goldman and Sachs, which were previously contained to their disagreements about risk and business strategy, have finally broken out into the open. A $500 million bond issuance that Wall Street bankers had promised to finance for the Allied war effort served as the spark for the split between the two Goldman partners. The Wall Street company Kuhn, Loeb was supposed to lead the initiative to finance the war bonds under the original proposal. But, all hell broke loose when the group's pro-German chairman Jacob Schiff said that the Allies would only get their funds if the finance ministers of France and England personally guaranteed him that not one penny of the benefits of the loan would be sent to Russia. Naturally, given that Russia was an ally in the war effort, neither France nor England could provide Schiff with this assurance, and a conference of the Kuhn and Loeb partners was promptly called to discuss the next step. Whatever noble professions they may adopt in their hour of need, Schiff replied, I cannot stultify myself by assisting those who in fierce animosity have tormented my people and will continue to do so. I cannot compromise my staunchest beliefs. It's just me and my conscience on this one [8].

The American press was horrified, but Schiff's partners were sympathetic to his passionately held beliefs about the Soviet regime that had tormented so many Jews for so long. The headlines shouted, Kuhn Loeb, German Bankers, Refuse to Help Allies. After Schiff's decision, J. P. Morgan was in charge of raising the $500 million, and shortly after, another Wall Street company stepped up to participate in the debt offering. The partners at Goldman Sachs had a rule that no underwriting could be done and no cash could be committed until all of the partners agreed that the project should go forward. It was not surprising that Henry Goldman decided against his company's involvement in the bond sale given his strong opinions. Although Henry's partners and sisters implored him to change, or at least hide, his sentiments, Birmingham wrote, an intense, high- strung and didactic man, he resisted, and his public remarks grew more frequent and shocking. Kuhn and Loeb were grouped along with Goldman Sachs as supporters of an anti-Allied, pro-German attitude on the escalating war. Walter Sachs said that in order to put our position on record, my father went over to J. P. Morgan & Company and put in a personal subscription for himself and a personal subscription for my uncle Harry Sachs. The company would suffer if it decided against taking part in the bond issue, however.

In the years that followed, the Goldman partners increased their personal commitment as the United States' campaign to support the Allies became more intense. Henry Goldman's nephew

Howard Sachs was serving with the Twenty-sixth Division on active service. Sam Sachs' son Paul served in France as a Red Cross volunteer. Other joint family members were weaving bandages, selling Liberty Bonds, and appearing at rallies to bury the Kaiser, Birmingham said. Henry Goldman was unyielding. Henry Goldman eventually received the word when the partners at Kleinwort in London sent a wire to Goldman Sachs in New York warning that Goldman was in risk of being blacklisted. I suppose I'm out of step, he remarked. I suppose I should retire. On December 31, 1917, eight months after America joined the war, he consented to leave Goldman Sachs. Using firm letterhead, he wrote to his partners, Save & Serve, Purchase Liberty Bonds! I am not in sympathy with numerous movements which are today agitating the globe and which are forming public opinion! I leave with the highest regard for the company with which I have spent 35 years working and to which I have given all I have.

Goldman Sachs paid out Henry Goldman's capital investment to the company in the middle of the conflict. Initially, Goldman agreed to offer his skills to the company in an advising role and maintained a desk at the workplace. But this quickly proved to be unworkable, so he quit the company completely and opened an office in midtown Manhattan. Naturally, Goldman took with him a large portion of the company's money, a sizable number of customers, and his overall ability to attract new clients. According to Walter Sachs, he made two or three investments that stood him in huge stead. Large personal stock holdings in May Department Stores, Sears, Roebuck, and CIT Financial, a lender to small companies, were held by Goldman. Since such investments were so profitable, Sachs concluded, Over the years he probably died a wealthier man than if he'd continued in the investment banking industry.

After leaving Goldman, Henry Goldman kept up his support for Germany. In 1922, he was given the distinction of becoming a citizen, but the Nazis would subsequently degrade him. Walter Sachs claimed that since he was Jewish, he was truly, I suppose, submitted to the indignity of being undressed and inspected to determine if he was doing anything against Hitler's Germany. He passed away a bitter and miserable guy, in my opinion. Goldman's departure from the business his father founded created a void that would be hard to fill. Henry Goldman was a remarkable individual, and there is no doubt that he made the first significant creative contribution to the development of the companynot that my father didn't do his bit, according to Walter Sachs. My father had the vision of turning this tiny commercial paper company into a worldwide banking firm, and it was he who established the first connections with these other banking institutions in the various foreign financial cities. The initial funding of businesses, including Sears, Roebuck, and Woolworth as well as Continental Can, was set up by Henry Goldman. So you can tell that we had a lot of fun. The political differences between the couples, however, would not outlive the families' bond.

Henry Goldman would never again talk to the Sachses or have any involvement with the Goldmans in the company. With his sister Louise, who was Samuel Sachs' wife, he never again had a conversation. Relatively speaking, the company had a rough patch, and recovery wouldn't start until after the war. As it was so largely influenced by the relationship between Henry Goldman and Philip Lehman, the underwriting collaboration with Lehman was one of the first casualties of the split. Birmingham said that while the two businesses continued to attempt to work together on underwriting concerns, the relationship between the two firms was not what it had been. Arguments erupted often. Why, the Lehmans argued, would Goldman Sachs take all the credit for endeavors for which Lehmans had provided the funding, with their name proudly at the top of the advertisements? In response, Goldman, Sachs questioned why the Lehmans

anticipated splitting the profits on transactions started by Goldman, Sachs. Often, the disputes degenerated into abusive naming. One banker said, They were both too ambitious to remain married. The connection was formally severed, and the sixty customers were split between those with whom Goldman had the primary relationship and those with whom Lehman did. Not for the first time, Goldman received a better deal 41 of the 60 firms, includingobviouslySearswent into Goldman's column.

With Henry Goldman leaving Goldman, Sachs and the breakdown of the Lehman underwriting partnership, Lehman may have initially been in a stronger position than the other two companies. The five Sachs family members Sam, Harry, Arthur, Walter, and Howard, as well as Sam's brother-in-law Ludwig Dreyfus and Henry S. Bowers, who resided in Chicago and oversaw the company's Chicago branch, remained as partners when Goldman retired. When Bowers joined the company in January 1912, he was both the first non-Jewish and outsider partner. Waddill Catchings, a suave and polished Southerner, who was then the president of the Sloss-Sheffield Steel & Iron Company and the chairman of the Committee on Cooperation with the Council of National Defense of the United States Chamber of Commerce, replaced Goldman in the partnership and replenished a portion of the capital Goldman had taken with him. In the years after World War I, he also gained popularity for a number of publications he co-wrote, including Money, Profits, and Road to Plenty, which praised the increasingly sunny future of America. As a result, Catchings, an acquaintance and fellow Harvard student of Arthur Sachs, joined Goldman as the firm's second partner from outside the families, but he was the first to be headquartered in New York, have actual influence inside the organization, and have a propensity for hucksterism. That would be a crucial choice.

CONCLUSION

The transformation of unfinished things from raw materials or components using tools, labor, equipment, and chemical processing. Manufacturing enables companies to sell completed goods for more money than they paid for the raw ingredients. One of the main goals of manufacturing is to improve quality. Businesses must manufacture high-quality goods that reduce waste and meet or exceed client expectations. Customer retention, sales, and customer pleasure may all be increased with the use of quality items. Robotics, blockchain technology, and artificial intelligence should all be integrated into manufacturing processes right now. The manufacturing industry will fundamentally change as a result of the confluence of these new technologies. A new workforce that can enhance these technologies is starting to take shape.

REFERENCES:

[1] Z. Zhang, Y. Zhang, J. Lu, F. Gao, and G. Xiao, ‘A novel complex manufacturing business process decomposition approach in cloud manufacturing’, *Comput. Ind. Eng.*, 2020, doi: 10.1016/j.cie.2020.106442.

[2] M. Jahangirian, T. Eldabi, A. Naseer, L. K. Stergioulas, and T. Young, ‘Simulation in manufacturing and business: A review’, *Eur. J. Oper. Res.*, 2010, doi: 10.1016/j.ejor.2009.06.004.

[3] J. Savolainen and M. Collan, ‘How Additive Manufacturing Technology Changes Business Models? – Review of Literature’, *Additive Manufacturing*. 2020. doi: 10.1016/j.addma.2020.101070.

[4] R. Godina, I. Ribeiro, F. Matos, B. T. Ferreira, H. Carvalho, and P. Peças, 'Impact assessment of additive manufacturing on sustainable business models in industry 4.0 context', *Sustain.*, 2020, doi: 10.3390/su12177066.

[5] K. O. Park, 'Human resource factors associated with workplace safety and health education of small manufacturing businesses in Korea', *J. Occup. Health*, 2018, doi: 10.1539/joh.17-0173-OA.

[6] D. Kiel, C. Arnold, and K. I. Voigt, 'The influence of the Industrial Internet of Things on business models of established manufacturing companies – A business level perspective', *Technovation*, 2017, doi: 10.1016/j.technovation.2017.09.003.

[7] I. P. A. H. Pratama, I. M. Sukarsa, and G. A. A. Putri, 'Reengineering of Manufacturing Business Process Utilising the Manufacturing Module of an ERP Application', *J. Ilm. Merpati (Menara Penelit. Akad. Teknol. Informasi)*, 2021, doi: 10.24843/jim.2021.v09.i03.p07.

[8] S. F. Erniasari, S. Imam Santoso, and M. Mukson, 'Added-Value and Development Strategy of Arabica Coffee Manufacturing Business', *SOCA J. Sos. Ekon. Pertan.*, 2021, doi: 10.24843/soca.2021.v15.i03.p15.

CHAPTER 16

APOSTLE OF PROSPERITY:SPREADING WEALTH AND ABUNDANCE

Uttam Kumar, Assistant Professor
ISDI - School of Design & Innovation, ATLAS SkillTech University, Mumbai, India
Email Id- uttam.kumar@atlasuniversity.edu.in

ABSTRACT:

Spiritual and material realities are seen as being intertwined, prosperity theology asserts that Christians have a right to well-being and defines well-being as having both good health and a prosperous economy.Throughout this debate, the author digs into the bankruptcy process, giving light on its ramifications in light of these linked elements of life. In this chapter author is discusses thebankruptcy process.

KEYWORDS:

Business, Bank, Economy, Court, Company.

INTRODUCTION

Son of Silas Fly Catchings and Nora Belle Waddill, Waddill Catchings was born in Sewanee, Tennessee. Harvard University in 1901 and Harvard Law School in 1904 both saw him graduate. He is characterized as a tall, slim, unassuming guy with a full head of thick, white hair and a tinge of the South in his voice by the New York Times. He began working for Sullivan & Cromwell, the most prestigious of Wall Street's white-shoe legal firms, in 1907 for the luxurious amount of ten dollars per week. Catchings, a partner at Sullivan & Cromwell, profited from the wave of bankruptcies that followed the Panic of 1907 by demonstrating his skill at reorganizing these abandoned businesses, winning the title of receiver under the supervision of the bankruptcy court, and earning handsome compensation for his work [1], [2].

One of the biggest steel construction contractors in the nation, Milliken Brothers, filed for bankruptcy in June 1907, not long after Catchings joined Sullivan & Cromwell. They had $6.5 million in obligations, including a $3 million bond issued the year before. In an attempt to become less reliant on the large steel industries in and around Pittsburgh, Pennsylvania, Milliken, located in New York City, utilized the proceeds of the bond issuance to construct a steel foundry on Staten Islandthe sole steel mill in the city. Regrettably, Milliken ended up spending $1.35 million more than anticipated on the Staten Island factory. The new Milliken leaders decided that the company would finance the additional cost of the Staten Island plant itself, reasoning that the firm's longstanding reputation would allow it to replenish the funds as needed. The Milliken name had been as good as gold in the credit markets for a generation. The decision proved to be unwise since the credit markets declined in the spring of 1907, forcing the venerable business into bankruptcy. Catchings was a friend of one of the receivers, August Heckscher, an industrialist from Long Island, who ultimately requested him to participate in the Milliken case, where he was said to be one of the active managers of the proceedings. Heckscher and Catchings' successful proposal of a restructuring strategy for Milliken in 1909 allowed the business to reorganize its obligations and come out of bankruptcy.

DISCUSSION

The Central Foundry Company, one of Heckscher's several businesses, filed for bankruptcy in February 1910 owing to, as Heckscher admitted, a lack of appropriate banking facilities and operating capital. We feel the shame is just fleeting as a consequence. When Catchings was appointed receiver for the Central Foundry bankruptcy, he immediately reassured the markets that business would continue as usual. Notwithstanding the low amount of cash on hand, the accounts receivable are sizable, and the collections should, to a large part, furnish the finances required for the business's continuous operation. Catchings subsequently rose to the position of president of Central Foundry and served as a director of other businesses that he assisted in filing for bankruptcy. Catchings participated in the endeavor to provide the Allies with everything necessary to fight a global conflict on behalf of Edward Stettinius, a partner at J. P. Morgan & Co., during the First World War. According to Time magazine, Mr. Stettinius ran the world's most impressive shopping campaign for the next three years. Where the Allies had troops, he had placed food, clothing, weapons, and explosives. He placed them there efficiently, affordably, and quickly enough to win the War. Catchings was appointed president of the Birmingham, Alabama-based Sloss-Sheffield Steel & Iron Corporation in March 1917. In July 1917, Catchings encouraged the federal government to establish a Board of National Defense with the ability to negotiate contracts with American companies to get the materials required to fight the war. Catchings was the head of a committee of the Chamber of Commerce at the time [3], [4].

Catchings talked more and more candidly on the state of the American economy and its future prospects. His business mindset was formed in part shortly after he graduated from Harvard and learned about the challenging realities faced by organizations like Milliken Brothers and Central Foundry. He regretted that his Harvard teachers had casually indicated that their ideas would be true throughout time. But, the short term is what most people are interested in, not the long term. Hence, I decided that as soon as I had enough money, I would start working to bring these two business phasestheory and practiceinto harmony. He founded the Pollak Foundation for Economic Research with his Harvard classmate William Trufant Foster, and he then began to produce a series of publications that promoted the notion that things would grow better as long as companies prioritized money and profit and maintained output at all costs. He previously penned, Production must be retained at high speed, regardless of the conditions, if business is to continue zooming. Consumption would result from production. Customers would secure employment and spend money, ultimately benefiting the producers. Catchings said that the business cycle was dead in a statement that would reverberate across the US economy towards the close of the 20th century.

The individual the Sachses asked to join Goldman Sachs on January 1, 1918, fit this description. Years later, Walter Sachs described Catchings as a great man, adding, but I've always used this word in respect to him: 'Most guys can survive difficulty, but very few men can stand prosperity.' After Henry Goldman, he was, in my opinion, the second genius at the company. The war had been difficult on Goldman's company. Sachs said that things stopped. The traditional method of issuing securities was not feasible. There wasn't much work done. We continued, but it was mostly simply continuation without advancement. As Catchings joined the company, the war was coming to an end and the issue of corporate securities had stopped. Despite his intelligence, Walter Sachs remarked that he played an extremely helpful role in it, adding that very frequently when guys are your partners you don't know all about them. Once they stop being your companions, you learn the truth.

The Goldman Sachs partners made the decision to move out of their offices at 60 Wall Street in 1920 and instead spent about $1.5 million to buy a twelve-story fireproof office building at 30-32 Pine Street, which was constructed on the same location where Marcus Goldman had first established his company. After World War II, Goldman Sachs saw a business boom. By combining Hydrox in Chicago, Sheffield Farms in New York, and Rieck McJunkin Dairy Company in Pittsburgh, National Dairy Products Corporationlater known as Kraft Foodswas created by Catchings, according to Sachs, and was one of the such magnificent enterprises he helped create. By uniting the Postum Cereal Company, Maxwell House Coffee, Jell-O, and many other companies, he also contributed to the formation of what would become the General Foods Corporation. These businesses, along with others that Catchings assisted in founding, continued to work with Goldman Sachs for many years, and the firm's partners alternated terms serving on their boards of directors, further solidifying the long-lasting and tight ties.

In line with the lasting Wall Street trend, Catchings' huge commercial success at Goldman Sachs led to a similar rise in his demand for more power and influence inside the company. The two men grew apart as Catchings's buddy and classmate Arthur Sachs began to spend more time in Europe managing the company's operations there. According to Arthur Sachs, Catchings had turned into a bit of a rogue and a fraud and was not entitled to the larger partnership stake he was requesting. Yet, Arthur Sachs was absent in Europe at the time, when cable connection was at best poor. Catchings' attempt to seize power was left to be handled by Walter Sachs. Catchings was a handsome, charming, thin person with considerable attractiveness of personality in those days, according to Sachs. But he became harder and harder as he got more accomplished. Walter Sachs was unsure of how to handle Waddill Catchings. He said that our company had expanded significantly and the workload was enormous. The weight was just too much for me. In the end, Walter Sachs gave in to Catchings' requests for more authority over the company. I believed it was the right choice, but Sachs quickly realized that I was mistaken. But I choose to do that.

The matter of partnership relationships, percentages, and so on, and dominance in the partnership, he said, was at issue. At the time, I believed it to be the right move, but Arthur was quite upset about it. While stock prices were rising quickly in 1928, Catchings was the Goldman partner with the greatest share in the company. As a result, his influence became more and more absolute at the exact time when exercising some prudence would have been the much more prudent course of action. According to John Kenneth Galbraith in his seminal account of the Depression, The Great Crash, their prices were rising because it was claimed that there weren't enough of them to go around, and as a result, they had developed a scarcity value. At this point, the Goldman partnership would not be showing a high level of proficiency in terms of risk management. Of course, greedy investors have always engaged in rank speculation. Both in the late 1920s and the first decade of the twenty-first century, it wasn't a brand-new concept. The persistent human obsession with jumping on one freight train after another of get-rich-quick schemes has seldom worked out well but always makes for fascinating reading for financial journalists and historians. It is perplexing and puzzling that we never seem to learn from the issues brought on by our own persistent irresponsible actions.

Galbraith claims that Historians have told with wonder of one of the promotions at the time of the South Seas Bubble, which, as you probably remember, was what occurred when the South Sea Company agreed to refinance the £10 million of British debt incurred during the course of the War of the Spanish Succession, which ended in 1713. In return for the South Sea Company's consent to refinance the government's war debt, the British government agreed to offer it

exclusive trade rights to all South American nations. Investors in South Sea would receive both shares in the firm and yearly interest payments of 6% from the British government once South Sea paid taxes on South American imports. Over the decade, the parties repeated this apparently innocent agreement multiple times, always to terrible effect. According to Galbraith, one such South Sea capital-raising endeavor was for an initiative which will in due time be disclosed. The stock is supposed to have sold very well, the historian commented modestly.

Galbraith compared the investment options the South Sea Company provided investors with in the early 1700s to the investment trust Catchings and Goldman Sachsamong many otherscreated in December 1928. The investment trusts were, on the record, more amazing as a promotion, he wrote. These were projects whose nature was never to be made public, and their shares also sold briskly. Investment trusts were only the latest in a long series of brilliant Wall Street inventions created to keep investors' money separate from their investments. The plan was to establish a holding company or shell firm that would market debt and equity securities to the general public before investing the proceedsless management costs, of courseinto the stock of other publicly listed businesses. The idea was that expert managers could choose outperforming equities because they had unique insight into the ups and downs of the markets. A publicly listed individual mutual fund may resemble an investment trust if it also used a lot of leverage to increase returns. In other words, these investment trusts resembled modern hedge funds but used far less sophisticated trading tactics. The few publicly traded hedge funds, such as Fortress Investment Group and Och-Ziff Management Group, that appear to be offering investors the chance to invest with self-proclaimed financial geniuses who have figured out how to make a silk purse from a sow's ear may be the best modern analogy, though it isn't perfect [5]–[7].

A SPAC, or special purpose acquisition company, which was popular a few years ago, may serve as another example. Investors would fund so-called specialists in the field of leveraged buyouts, which include buying firms mostly with borrowed funds, and turning that debt into gold via financial alchemy. For some reason, individuals never seem to get over their obsession with handing over their hard-earned cash to others who they believe would invest it more wisely than they could. These types of possibilities seem to make perfect sense to investors during times of market mania and irrational exuberance, such as the 1920s, the 1980s, the 1990s, and the latter half of the first decade of the 2000s.

These holding companies and empty shells trade in the market after their initial public offerings (IPOs), increasing in value by astronomical amounts for no discernible reasonuntil the schemes collapse, of course, which is an inevitable aspect of the narrative arc that is all too simple to see in hindsight.

Fair enough, Goldman arrived a little late to this party. From the 1880s in England and Scotland, investment trusts have been a part of capitalist cultures. Small investors would put their little funds into these trusts since they offered the chance to participate in a variety of different businesses. Moreover, Galbraith said, the management of the trusts might be expected to have a considerably greater understanding of firms and prospects in Singapore, Madras, Capetown, and Argentina, locations to which British monies often made their way, than the widow in Bristol, or the doctor in Glasgow. The lower risk and better knowledge more than justified the management team's modest salary. In order to prevent Wall Street from being seen as lagging behind the City of London as a source of innovative new ideas, the concept was quickly transported to the United States, largely under the pretense that it was a financial breakthrough worth copying.

Such trusts slowly began to creep into the New World at first. According to an SEC report on the occurrence from 1921, there were approximately forty of them. According to the same study, there were 160 such trusts at the start of 1927, and 140 more were created during the year. An estimated 186 investment trusts were created in 1928. By the beginning of 1929, these trusts were being established at a pace of around one every working day, and 265 new ones appeared during the year. Some of the peddlers were honest and reputableJ. P. Morgan & Co., for instanceas in every era of financial hysteria when salespeople are flogging the most recent invention, say, trash bonds, Internet IPOs, or mortgage-backed securitiesbut others weren't. But, it becomes more difficult to distinguish between the dishonest brokers and the con artists when the market for innovation seems to be operating at its most indiscriminate level and when investors' willingness to pay prices is only growing. Even worse, it could not matter at certain times. It was once wisely remarked by famed investor Warren Buffett that you only discover someone is not wearing a swimming suit when the tide goes out. Buffett is known for his homey insights about markets and people.

Paul C. Cabot, one of the founders of State Street Investment Corporation, the treasurer of Harvard University, and a highly regarded financial observer, published what amounted to a warning to the investing public about the dangers contained in investment trusts in The Atlantic Monthly in March 1929. He went into significant length about the difficulties trusts had in England because I am certain that unless we avoid these and other mistakes and wrong ideals, we must unavoidably go through a similar time of calamity and dishonor. He continued by saying that he had spoken before a New York Stock Exchange committee looking at the effectiveness of investment trusts a few months before publishing his piece. The committee was interested in Cabot's perspective on the situation. In fact, the complaint of the 2008 financial catastrophe has an uncanny similarity to Cabot's main criticism of the investment scheme. All the gains go to the promoters and managers. This is because leverage was utilized to enhance purported returns. According to Cabot, the trust administrators were only compensated once they had repaid the senior-most securities in the scheme. He wrote that the enterprise's success will determine his remuneration.

Yet the problem is that just a very tiny portion of the total cash have been contributed by the management or promoters. They stand to lose very little, if anything, if the business is a catastrophic disaster. So, it seems sense that they would adopt the mentality of Let's either win big or win nothing. They do this by using a complicated pyramiding procedure. Despite the fact that numerous investment trusts are now doing this, I do not think that many individuals would proceed to borrow anywhere between $800 and $1000 worth of assets with just $100 in equity. Unsurprisingly, Waddill Catchings, the senior partner of Goldman Sachs, used this identical strategy while building and promoting the Goldman Sachs Trading Company. The trust started operating on December 4, 1928, less than a year before the stock market disaster, so Goldman may have been late to the party, but it jumped in with vigor. Seldom, if ever, in history has an organization expanded as rapidly as the Goldman Sachs Trading Company and its spawn did in the coming months, according to Galbraith. The business's goal was to generate profits for stockholders, not long-term shareholders, by trading in and out of corporate shares.

Everything began gently enough at first. In a typical underwriting, Goldman paid $100 per share for all 1 million shares of Trading Corporation, raising $100 million. Then, it resold 90% of the company's stock to investors for $104 per share, collecting $93.6 million and earning a tidy $4 million profit (some in cash, some on paper). Two months later, the Trading Corporation

publicly sold an additional 125,000 shares for around $126 apiece, generating an additional $15.75 million. Naturally, the price at which Goldman's remaining 100,000 shares were traded increased as well. Via management and investment contracts, Goldman maintained influence over the administration of the companyof which it now held less than 10% of the shares. The directors of the Goldman Sachs Trading Corporation were, in fact, all of Goldman Sachs' partners, and each and every director of the Trading Corporation required their approval. Shares in the Trading Company were selling at $136.50 apiece by February 2, 1929, and by February 7, 1929, they had risen to $222.50 each, or about double the value of the underlying stocks the trust had purchased with the initial $100 million in investor money. Galbraith deadpanned, This astonishing premium was not the pure outcome of popular acclaim for the financial brilliance of Goldman, Sachs.

In order to benefit Goldman Sachs and other stockholders, it became out that Goldman had been purchasing the shares on the open market. Furthermore, if the extensive 1932 congressional report on the causes of the 1929 Crash is to be believed, Goldman's determined efforts to raise the price of Trading Corporation's stock in advance of a merger with another trust, the Financial and Industrial Securities Corporation, can only be referred to as one of the earliest instances of insider trading by Goldman's partners. Trading on material nonpublic inside information may not have been illegal in early 1929 it wasn't even outlawed in the US until 1934, and it wasn't made a crime until decades later but the actions taken to manipulate the stock of the Trading Corporation by senior partner Waddill Catchings and his then-colleague Sidney Weinberg also do not fit the dictionary's definition of moral rectitude.

The Financial and Industrial Securities Corporation was established by Ralph Jonas and his partners the day before Christmas 1925 to hold the stock they had acquired in numerous significant banks and insurance companies, with a 32 percent stake in Manufacturers Trust Company, a New York-based commercial bank, being their single largest holding. Jonas had 45% of the Financial and Industrial Securities Corporation's outstanding shares. Before the Glass-Steagall Act, which forbade the blending of commercial and investment banks, Sidney Weinberg informed Nathan Jonas, the president of Manufacturers Trust and the brother of Ralph Jonas, that Goldman would like to acquire an interest in the bank in September 1928. Nathan recommended Weinberg to his brother Ralph, who then advised that Goldman purchase a share in Financial and Industrial instead. According to the report, Financial and Industrial possessed a 32 percent investment in the bank that was sufficient to establish functional control of it. The Jonas brothers' recommendation that Goldman acquire an interest in Financial and Industrial was rejected by Weinberg, however, on the pretext that it wished to construct its own investment business.

The Goldman Sachs Trading Corporation was then established on December 4, 1928roughly two months laterwith a ten-year exclusive right for Goldman and its partners to handle the firm. The trust's aim, as stated in the prospectus, was to purchase, sell, trade in or retain stocks and securities of any sort. It became evident in later correspondences between Goldman and the underwriters of the trust as well as with the New York Stock Exchange that the Trading Corporation's goal was to trade in securities. Later on, in evidence, Catchings said that the Trading Corporation's goal was to provide Goldman, Sachs & Co. clients and customers with the same sort of chance to make money that Goldman, Sachs & Co. as a business had provided to its clients and customers in prior years. The statement was followed by the statement that other banking houses had formed investment and trading companies and more were doing it, and we

felt it was prudent for Goldman, Sachs & Company, as a firm, to afford to its clientele the same type of investment opportunities and service that every other house was affording to their clientele. Catchings also did not hold back while speaking in court about Goldman's skill. The firm believed that if an investment and trading company was formed that would engage in somewhat the same kind of investment policies as large individuals engaged in connection with securities issued by Goldman Sachs, the securities would perform well. Throughout the entire period of time of ins and outs and ups and downs of business, Goldman Sachs & Company had managed to select for issue to the public securities that, on the whole, had turned out to be very satisfactory investments.

After Trading Corporation's first public offering, Goldman held 100,000 shares at a cost of $1 million, or $10 per share. Goldman's profit was huge and quick given that the public had purchased the identical shares in the IPO for $104 each. Financial and Industrial additionally purchased 49,000 Trading Corporation shares at $102 per share, for a total cost of close to $5 million, as part of the plan to provide Trading Corporation shares at a discount to Wall Street dealers engaged in the IPO syndicate. One month following the IPO, Catchings contacted Ralph Jonas once again to attempt to broker a merger between the two trusts, despite the claims that the Trading Corporation's goal was to trade securities. He later testified that the purpose of the merger was for Goldman to obtain the sizable equity stakes that Jonas had purchased in his trust, build them up through trading, and then resell a large portion of such stock at a profit after the earnings of the companies had increased as a result of the efforts of The Goldman Sachs Trading Corporation and of Goldman, Sachs & Co.

Investigators, however, had some concerns that Catchings's decision to merge with Financial and Industrial was solely motivated by this. They believed that Financial and Industrial's portfolio of banks and insurance firms was attractive to Goldman since they were significant consumers of the debt and equity securities that Goldman underwrote and sold. Why not, the reasoning went, take over businesses that purchased a disproportionate amount of what Goldman produced? Catchings denied that access to them was the driving force behind his second approach to Jonas in January 1929, even though he later acknowledged that Manufacturers Trust might possibly at times have been a large buyer of securities and that insurance companies are what you would call 'big purchasers' of securities. He said that neither he nor his partners had even the slightest inkling of such a concept. As merger talks often do, in January 1929, Catchings and Jonas' negotiations collapsed due to a disagreement over pricing. Financial and Industrial tradedunderstandablyat a higher multiple to the underlying value of the stocks in the portfolio than did Goldman's trust, which had been in operation for only two months and had not yet released a public report of its financial performance. After more than three years as a public company and impressive earnings of around $60 million along the way.

The stock of Goldman's Trading Company was selling at around $136 per share in January 1929, while the value of the company's underlying assets was about $108 per share, or a multiple of 1.26. Financial and Industrial, on the other hand, had an asset value of around $80 per share and was selling at roughly $143 per share, which is 1.78 times its asset value. As Financial and Industrial's stock traded at a premium to Goldman's shares, structuring a stock-for-stock merger based on the open market trading of the two stockswhich is typically how it is donewould have been advantageous to Jonas. Catchings refused to participate in that agreement and insisted that the merger negotiations, which would determine who would control the new company and how

many shares of it each shareholder would own, be predicated upon asset values as opposed to market values, a decision that would favor Goldman over Jonas [8]–[10].

CONCLUSION

The prosperity gospel exhorts those who are impoverished to think positively, to awaken the power of God inside them, to command their bank accounts or checkbooks to produce more money, or to adopt the attitude of name it and claim it when it comes to material things. The blossoming, prospering, luck, and excellent social standing are all characteristics of prosperity. Happiness and health are two more variables that may be abundantly affluent in various degrees and are often produced by prosperity. It implies that the prosperity gospel spiritualizes materialism and celebrates traditional images of excess, consumerism, and abundance.

REFERENCES:

[1] J. Boechat, R. Dutra, And F. Py, ‘Teologia Da Prosperidade Campista: Apóstolo Luciano E Suas Ressignificações Religiosas Na Igreja Pentecostal Semear’, *Reli. Soc.*, 2018, Doi: 10.1590/0100-85872018v38n2cap07.

[2] M. D. Delancey, A. F. Roberts, M. N. Roberts, G. Armenian, And O. Gueye, ‘A Saint In The City: Sufi Arts Of Urban Senegal’, *Int. J. Afr. Hist. Stud.*, 2004, Doi: 10.2307/4129032.

[3] G. Ha, ‘Transformational Leadership And Its Impact On Governance And Development In African Nations: An Analytical Approach’, *J. Entrep. Organ. Manag.*, 2014, Doi: 10.4172/2169-026x.1000121.

[4] S. Meardon, ‘Henry C. Carey’s “Zone Theory” And American Sectional Conflict’, *J. Hist. Econ. Thought*, 2015, Doi: 10.1017/S1053837215000115.

[5] D. Ayegboyin, ‘A Rethinking Of Prosperity Teaching In The New Pentecostal Churches In Nigeria’, *Black Theol.*, 2006, Doi: 10.1558/Blth.2006.4.1.70.

[6] G. B. Logan, ‘Guides To Periodical Reading’, *Soc. Forces*, 1926, Doi: 10.1093/Sf/5.1.133.

[7] W. Jeynes Ed., ‘The Wiley Handbook Of Christianity And Education. Wiley Handbooks In Education’, *John Wiley & Sons, Inc.* 2018.

[8] D. Mueller, ‘Military Images In Paul’s Letter To The Philippians’, 2013.

[9] G. H. Gibson And E. Barnouw, ‘The Image Empire: A History Of Broadcasting In The United States Vol. Iii- From 1953.’, *J. South. Hist.*, 1971, Doi: 10.2307/2205862.

[10] G. R. Mcdermott, ‘A God Entranced Vision Of All Things: The Legacy Of Jonathan Edwards – Edited By John Piper And Justin Taylor’, *Relig. Stud. Rev.*, 2006, Doi: 10.1111/J.1748-0922.2006.00060_16.X.

CHAPTER 17

A BRIEF INTRODUCTION ABOUT FINANCIAL CRISIS

Jayashree Balasubramanian, Assistant Professor
ISME - School of Management & Entrepreneurship, ATLAS SkillTech University, Mumbai, India
Email Id-jayashree.balasubramanian@atlasuniversity.edu.in

ABSTRACT:

Asset values endure a sharp decrease in value during a financial crisis, firms and individuals are unable to pay their loans, and financial institutions face a lack of liquidity. During a bank run or panic, investors sell off their assets or remove money from their savings accounts out of worry that their assets' value would decline if they stay in a financial institution. In this chapter author is discusses the American financial crisis.

KEYWORDS:

Company, Corporation, Goldman, Trading, Shares.

INTRODUCTION

The debate over whether to value the firms based on market trading or based on underlying asset values caused the negotiations to break off once again. But Jonas had given up by the end of January 1929. After discussing the issue with my colleagues, we decided that creating a combination of interests between the two businesses would be beneficial even on the basis of an asset position, according to Jonas. The belief that Goldman Sachs would materially aid the growth and profits of both Manufacturers Trust and the National Liberty group of insurance companies, which, if true, would benefit the shareholders of Financial and Industrial, of which Jonas was by far the largest individual shareholder, was part of Jonas's justification for proceeding on Goldman's terms. However, it turned out that this belief was extremely misplaced. The second part of the reasoning came from Jonas's waning excitement for carrying on with the administration of his company and his desire to find a new management group to do so. Several members of Jonas's tiny, overworked management staff also seemed to be unwell [1], [2]. In a letter to his shareholders in February 1929, Jonas gave his stockholders an explanation for his choice to sell the business to Goldman Two of my friends have broken down under the pressure. A third is now unwell, and I haven't taken a single day off in the last 2.5 years. Before giving new employees significant duties, it is not advisable to do so.

Under these conditions, joining forces with an established firm with a reputation for success and tried-and-true capabilities seemed simpler. Three months old at the time, Goldman Sachs Trading Corporation's management was described as untried in the report that followed the 1929 Crash [3]. On February 3, 1929, Jonas and Goldman Sachs came to a tentative oral agreement to combine the two trusts after less than a week of discussions. The biggest shareholder, Jonas, would control 16.6% of the merged company's shares under the February 3 proposal, while Goldman would wind up holding 4.4 percent of it. Despite this glaring inconsistency, Goldman

would be in charge. It signed into a new management arrangement for 10 years, and of the seven directors of the new firm, six would be Goldman's partners, including Catchings and Weinberg, with Jonas holding the last director position. Assuming that Jonas had consented to selling his business to the Trading Corporation, the transaction would need to be approved by his shareholders. Catchings acknowledged that for him and his Goldman partners, this would be uncharted ground. Catchings agreed that aside from the iron business and a few other businesses, Goldman had done a great deal of business that was very similar to commercial banking, but he had never actually been in any other kind of business. I have been fighting the point of view that you are presenting to me for a great many years, and I have discovered that in the shoe business, in the iron business, and in the department store business, the executive problems are much more prevalent.

For his part, Jonas stated that he was relying on Catchings's perception that Goldman's prestige and stature and fifty years of existence at least matched or neutralized the good will that we had in Financial and Industrial since he knew nothing about the company's operations. But, Jonas had a problem with his own stockholders, who were supposed to get one Trading Corporation share at around $68 per share in exchange for each of their Financial and Industrial shares, which were then worth $145 per share, according to the February 3 agreement. After the purchase was made public, it would undoubtedly be difficult to sell this. However, in the days following the handshake with Jonas but prior to any public announcement of the deal, Goldman Sachsthrough a new partnership that it controlledstarted aggressively and methodically purchasing the Trading Corporation's shares, effectively driving up the share price and rewarding existing Trading Corporation shareholders for their prior support of the merger. If Trading Corporation's stock wasn't trading at such a discount to Financial and Industrial's shares, a merger of equals between Trading Corporation and that company may likewise, presumably, be more popular with Financial and Industrial shareholders after it was announced. Goldman and Jonas immediately came to the conclusion that a rise in the Trading Corporation's share price would greatly boost the likelihood that both sets of shareholders would support the merger.

DISCUSSION

An account was set up to trade in the stocks of Trading Corporation and Financial and Industrial as part of the February 3 agreement, which was recorded on February 4 but before any public announcement had been made. The Goldman Sachs Trading Company and Delmar Capital Corporation were the account's owners. According to their agreement, this is to reaffirm our understanding that we both think it prudent to arbitrage in the shares of these two firms in conjunction with the planned purchase by Goldman Sachs Trading Corporation of the assets of Financial and Industrial Securities Corporation. All gains and losses from the account would go to the Trading Corporation throughout its thirty-day operational period. The account would continue to operate with the earnings and losses being split evenly by the two businesses if the agreement had not concluded after 30 days.

Goldman would oversee the account and have the authority to purchase, sell, and trade the two stocks in its unrestricted discretion. In fact, no stock arbitragebuying one stock and selling another to lock in the spread between themtook place during the weeks the account was available. However, all that occurred was that Goldman purchased Trading Corporation shares in an overt attempt to raise the stock price and make the merger more palatable to the owners of both firms. The majority of this trading by Goldman in the joint account took place before the

arrangement was made public. The Trading Corporation's shares reached a closing price of $136.50 on February 2, 1929. The combined trading account was established up the next day by the two companies. On February 4, there was a great hullabaloo in the market due to a leak from an unnamed source about the merger of the two firms [1], [2].

The stock of The Trading Company didn't begin trading until 11:00 a.m., but early signs suggested that it would do so at $175 per share, up roughly 40 points from the previous closing. Goldman, acting for the joint account of which Goldman was the beneficiary, placed a purchase order for 53,000 shares of its own stock, or 54% of the entire trading for the day, as opposed to selling at these pricesa significant gain. At the closing, the share price was $178. The stock finished at $179.625 the next day after Goldman purchased an additional 42,300 shares, or 76 percent of the entire transaction. On that particular day, Goldman did not sell any Trading Corporation stock. The stock price of Trading Corporation finished at $221 per share, up from $136.50 in less than a week, as a result of this continuing over the next several days. Over those four days, Goldman purchased Trading Corporation shares for $33,325,000, accounting for 64% of the entire volume. This purchase increased the company's price to twice the value of the underlying assets and put it on par with the premium paid for Financial and Industrial stock. The proposal Catchings and Jonas came up with on February 3which is still not publicly disclosedwas abandoned since the initial ratio of one stock to the other was no longer rational in light of the remarkable growth in the shares of Trading Corporation. Instead, the stocks were effectively swapped based on equal asset value and market value.

Catchings and Jonas renegotiated their contract on February 7, and four days later, on February 11, they made the news public. With shareholders' meetings scheduled for February 21 to vote on the transaction, Goldman Sachs Trading Corporation agreed to issue 1.125 million new shares to the owners of Financial and Industrial. In the case of Goldman's shareholders, the vote would authorize the new shares to be issued; in the case of the shareholders of Financial and Industrial, they would vote to sell the company to Goldman. The secret account's significant purchases of Trading Company shares, which drove the stock price substantially higher than it had been a week before, made the amended arrangement conceivable. On the basis of the ratio in which the shares of the two companies were to be exchanged under the final plan for the combination of the two companies, it is clear that Goldman Sachs Trading Corporation's activities in its own stock were the significant factor in the establishment and maintenance of the market value of its shares at a price equal to the market value of the shares of Financial and Industrial Securities Corporation, according to the Crash report. Nevertheless, there was never any mention of the existence of or the trading operations in the shares of both firms carried out by the joint account in any of the public announcements of the coming merger of the two companies.

The report went on to fault Jonas for failing to inform his own shareholders in a letter that, under the terms of the joint-account agreement, his primary incentive was to ensure that they voted in favor of the merger at the shareholders meeting on February 21. A small percentage of these shareholders were vehemently opposed to the merger with Goldman Sachs Trading Corporation. Around this time, the joint account had invested nearly $50 milliona sizeable sum at the timein the purchase of the two merger partners' stocks; if the shareholders had rejected the merger, Jonas would have been responsible for paying the remaining half of the purchase price$25 millionof the stock. The investigation noted that Mr. Jonas had an unique economic interest in enabling the transaction. While untrue, Jonas said in his letter to his shareholders that I have never personally held or had anybody else own for me, a single share in Goldman Sachs Trading

Company. When interrogated afterwards, Jonas claimed that his commitment would only take effect if the merger was rejected in order to defend his obviously false remark. He said, I never considered that we had a commitment other than the one on the merger not going through.

The Financial and Industrial Securities Corporation, which had assets of $117.5 million, issued 2.25 million shares of its own stock, valued at $235 million, to the holders of the Financial and Industrial Securities Corporation on February 21, after both sets of shareholders had accepted the merger. Goldman used its own shares, which it had inflated with its hefty acquisitions in the prior weeks, to pay for the premium. The following article said that Goldman Sachs Trading Company created virtually entirely the market value for its own shares. Later, when questioned about the manipulation, Weinberg acquiesced, saying only that purchasing genuinely strengthens the market, we know that. Catchings, on the other hand, was even less honest than Weinberg. He stated during his testimony, I tell you with great certainty that the account was not formed for the purpose of putting up stock or for the purpose of manipulating the market, but was formed for the purpose of being active in the market during the period until the stock reached its natural level, which Catchings believed would be $220 per share by the mere force of the agreement of the two companies to combine.

Galbraith noted all of this activity at Goldman with a wry smile. While relatively tranquil at Goldman Sachs, the spring and early summer were a time of preparation, the author said. After the Financial and Industrial Agreement was finalized, in April 1929, Catchings and his editorial sidekick, William Trufant Foster, attacked the Federal Reserve Board, claiming that it had gone outside its legitimate functions by attempting to control the flow of credit into the stock market. Their statement was published in the New York Times. They said that rather than facilitating business, the board had maintained a state of rising uncertainty and dread. A trust that was warranted by the facts and that was in the health of American industry, the two urged the Fed not to attempt to undermine. It wouldn't be the first time that a Wall Street trader engaged in unethical speculationand maybe insider tradingwould criticize the government, even the ineffective one at the time, for attempting to safeguard the public.

ON JULY 26, Catchings made the decision to increase Goldman's exposure to its soaring investment trust. Goldman formed the Shenandoah Company alongside another sponsor by releasing $102.5 million in public securities. The transaction reportedly had a seven-fold increase in demand and extra levels of leverage not present in the original Goldman Sachs Trading Company. Of of the 5 million shares of Shenandoah that were offered, The Trading Company purchased 2 million, and Goldman Partners were given seats on the board. Shenandoah stock was offered to the public by Goldman for $17.50 per share, and by the conclusion of its first trading day, it had increased by more than 100%. Just 25 days later, Catchings struck once again, selling $142 million worth of shares in the Blue Ridge Company, a different trust with a board that was the same as Shenandoah's. Shenandoah purchased all but one million of the 7.25 million shares that Blue Ridge made available to the public. At this time, Galbraith said, Goldman Sachs was using leverage with a fury.

Why not, then? According to the New York Times, Goldman Sachs Trading Company was worth $500 million at the time of the Blue Ridge sale, having increased in value fivefold in just nine months, while Shenandoah had doubled in value in less than a month. A further financial novelty of Blue Ridge was the ability for investors to trade shares of a limited number of twenty-one more blue-chip New York Stock Exchange corporations, including AT&T and General

Electric, for Blue Ridge shares at predetermined prices. However, it was not made apparent why anybody would want to do this, particularly if the set price provided by Blue Ridge for, say, a share in General Electric was less than where GE was trading on the market. The antics on Wall Street are sometimes not immediately obvious. Goldman Sachs' creation of market value after the Blue Ridge acquisition, which was really $1.7 billion in around nine months, was the most spectacular feat of financial alchemy ever accomplished. Galbraith said that the marketing of Shenandoah and Blue Ridge almost at the same time was to stand as the summit of new age finance. It is challenging not to be in awe of the creativity that this enormous craziness implied. There is something to be said about having crazy on a heroic scale if it must exist.

The SachsesWalter and Arthurwere in Europe during the summer that Catchings built and sold Blue Ridge, but that was not much of an excuse. When Walter Sachs learned about the Blue Ridge agreement via a wire, he and his wife were traveling in northern Italy's Merano. He told her, Oh, this is simply totally ridiculous, and then he worried all night about the possible outcomes of the trade. When Sachs arrived back in New York in September, he immediately went to Catchings' apartment at the Plaza Hotel and informed him that he didn't agree with it and that he felt this thing was ridiculous. Sachs clearly recalled Catchings' response. You have no imagination, Walter, and that's the problem. In the end, the business failed, and Goldman almost completely lost its $10 million investment in the Goldman Sachs Trading Company, in addition to another $3 million from other related obligations. This was a considerable sum of money for Goldman at the time. The losses suffered by the other stockholders were hundreds of millions of dollars. I remember that day very personally, Sidney Weinberg later said of the Crash to author Studs Terkel. I didn't leave the workplace for a whole week. The video was playing. How long the night was, I don't remember. Before we received the final findings, it must have been ten or eleven in the morning. It sounded like thunder.

Everyone was in awe. Nobody was aware of its purpose. The Street was in a state of disarray. They had no more understanding of it than everyone else. They anticipated hearing an announcement. John D. Rockefeller Jr. announced that he and his sons were purchasing shares while standing on the steps of the J. P. Morgan building on Wall Street, according to Weinberg. Weinberg said that immediately the market went down again. Ineffectively, pools were consolidated to support the market. People were alarmed and bought. For me, it was a really tough time. Weinberg attributed over-speculation and a reckless disregard of economics as the causes of the Crash. He said that many individuals had psychological scars as a result of what transpired and that he did not believe those who said they had pulled their money out of the market before it crashed. He said, I don't know anybody who leapt out of the window. But, I am aware of several others who made jumping threats. They eventually ended up in nursing homes, lunatic asylums, and other facilities. They were individuals who traded on the market or worked in financial institutions. They suffered both financial and physical breakdowns [4], [5].

Catchings traveled to Reno, Nevada, a few months after the Crash of 1929 in order to get a divorce from his first wife. Catchings contacted his business colleague Sidney Weinberg from San Francisco one day and stated, We owe $20 million to the banks and we have some additional liabilities, totalling to roughly $10 million. Walter Sachs said that at the time, the markets were starting, in 1930, to show some recovery. This loan should be paid off using a two-year convertible note. We should sell $50 million worth of two-year convertible notes, and with the remaining $20 million or so, we should give it to Frank Taylor, a company-affiliated investment manager, to invest. Catchings said to Weinberg, Frank Taylor can earn a lot of money. Sidney

Weinberg and Walter Sachs speculated that Catchings could be insane. How on earth could Catchings believe Goldman would be able to issue $50 million in new hazardous securities only three months after the worst financial disaster in American history? Weinberg and I had a conversation, according to Sachs. We literally spoke about this the whole night. We first argued that we couldn't sell a note like that. Now, either you and I are insane, or this fellow Catchings is crazy, and of course it can't be done, Sachs then stated to Weinberg. When Walter Sachs entered the workplace the next morningand this was not an easy thing to do, he claimedhe located his brother, Arthur, and told him he had been correct about Catchings all along. He said to his brother, Arthur, you were correct about this guy Catchings and I was wrong. We should repair our fence as quickly as possible. Walter Sachs was left to make arrangements for Catchings to see him in Chicago soon after. We didn't fly much back then, Sachs said [6], [7].

I traveled there the next morning after taking the Century, a deluxe cross-country train, in the afternoon. At the Chicago Club, Sachs and Catchings spoke about recent company events as they were closeted together the whole morning. Initially, Sachs informed Catchings that his plan for the $50 million in funding was absurd and would not be carried through. Also, he said that the business was returning to the ancient premise of consent on the part of all partners if anything was done. When 26 years had passed, Sachs recalled the encounter and said that he took a position of cutting his wings, and he accepted it. A suddenly repentant Catchings understood the point. Catchings informed him, Walter, I cannot see ever making a choice again without your approval. Sachs returned to New York while Catchings headed back to Reno. Yet, the actual task of rescuing Goldman from its significant financial hole had only barely started. Given that the markets had recovered in the spring of 1930, the Sachs brothers concluded that the only way to get out of the Goldman Sachs Trading Company mess was to sell as much of its assetsshares of other companiesas rapidly as they could. In those days, Sachs said, I used to work every night until nine or ten o'clock at night.

I would then return home, go into bed, and sleep until maybe four in the morning. I would have to put on a grin when I awoke and face the outside world. The Trading Corporation's stock peaked at $32 per share after the Crashits all-time highand then progressively declined until it achieved its low of $1.75 per share in 1931. On January 1st, 1932, Goldman announced a deal with the Atlas Corporation, a distressed securities investor, under which Atlas would take a majority stake in the Trading Company before buying it out and taking control. Atlas completed their entire purchase in April 1932. Finally, Atlas made a little profit for himself by selling off what was left of the Trading Company. Walter Sachs recalled, We could hold up our heads because we never sold a share of stock until finally a merger took place with the Atlas Corporation, and after that, we turned over the management, and we certainly as far as I'm concerned will never run an investment trust again. It is unclear why he felt vindicated despite the fact that investors lost many millions of dollars [8].

Unsurprisingly, at that point, the Sachses had decided Catchings needed to go. Walter Sachs said grudgingly that he and his brother had done nothing to stop Catchings when he simply went wild in 1929. We didn't stop it in time, maybe because we weren't clever enough to stop it in time, or maybe because we were too greedy. Early in the summer of 1930, we decided that we were going to call it a day with Catchings as things became clearer and clearer to us. The Sachses decided they could not wait until the partnership's contract with him expired at the end of 1930. We had already decided to ask him to step down, Walter remembered. He had gone as close to damaging the brand and character of the business as any guy could accomplish, according to us,

proving that we simply didn't think similar. The Sachs brothers determined les jeux sont faits when Catchingsdubbed the loudest prophet of the New Age by Time magazinereturned to New York from Reno shortly after being divorced. Catchings said in Chicago that he could never see making a choice without Walter Sachs' approval again, but at Goldman Sachs, there was no going back. Walter Sachs responded to Catchings' Chicago apology by saying, Oh, that was really sweet, but it was too late.

The partners chose to give Catchings $250,000 so that he could end his contract seven months early, despite the $13 million in losses that emerged from their combined cover. The Sachses made Sidney Weinberg the senior partner of the company. Weinberg grinned and said, I was too narcissistic to reject it, around 37 years later. He was now being compensated with one-third of the company's yearly revenues.

His involvement in the Trading Corporation scandal didn't seem to have any impact on his promotion at Goldman Sachs. However, Catchings leaving Goldman did not stop a wave of lawsuits from being filed against the company for its roles in sponsoring, financing, and administering the collapsed trusts. There were several shareholder lawsuits, Walter Sachs acknowledged. Everyone owned them. The main issue for us was that, whereas others termed their investment trusts names like the United Corporation, we had dubbed ours the Goldman Sachs Trading Corporation in good faith. It was produced by J. P. Morgan and Company.This is the reason the stigma stuck to us. According to Sachs, investors who lost money accused

Goldman of neglect and with fraud. With Sullivan & Cromwell at its side, Goldman was able to settle and compromise its way out of the overwhelming majority of lawsuitsthe last of which was not resolved until 1968. Eddie Cantor, a comedian and movie star, filed a lawsuit, which alarmed the firm's partners more than any other. Not only did Cantor seek $100 million in damages, but he also made fun of the firm in his stand-up routines, similar to how Saturday Night Live made fun of Goldman Sachs in November 2009 for receiving doses of the swine flu vaccine before those deemed to be more in need. Or as Jon Stewart did in January 2011 when he questioned, Oh Goldman, is there any regulation's intent you can't subvert? in the wake of Goldman's investment in Facebook, which some claimed helped Facebook circumvent SEC rules requiring companies to go public if they have more than 500 shareholders. Cantor would go on stage with a stooge and have him attempt to squeeze juice from a dry lemon in one of his skits.

CONCLUSION

Several things, maybe too numerous to list, can lead to a financial crisis. A financial crisis, however, is often brought on by inflated assets, systemic breakdowns, and lax consumer protections. As an example, a significant number of consumers may withdraw money from a bank after learning of the institution's financial difficulties. Some people think that financial crises are a natural part of the way that contemporary capitalist economies work, where the business cycle supports speculative expansion during economic booms, only to be followed by contractions and recession.

Borrowers fail on their loans during these contractions, and lenders tighten their lending standards. It implies that governments and central banks reacted globally with a range of policies to stabilize the financial system and assist the economy, including monetary stimulus and fiscal policies like government spending and tax cuts.

REFERENCES:

[1] S. Zubair, R. Kabir, and X. Huang, ‘Does the financial crisis change the effect of financing on investment? Evidence from private SMEs’, *J. Bus. Res.*, 2020, doi: 10.1016/j.jbusres.2020.01.063.

[2] D. C. Broadstock, K. Chan, L. T. W. Cheng, and X. Wang, ‘The role of ESG performance during times of financial crisis: Evidence from COVID-19 in China’, *Financ. Res. Lett.*, 2021, doi: 10.1016/j.frl.2020.101716.

[3] J. Crotty, ‘Structural causes of the global financial crisis: A critical assessment of the “new financial architecture”’, *Cambridge J. Econ.*, 2009, doi: 10.1093/cje/bep023.

[4] H. C. Chen and C. W. Yeh, ‘Global financial crisis and COVID-19: Industrial reactions’, *Financ. Res. Lett.*, 2021, doi: 10.1016/j.frl.2021.101940.

[5] G. Rod Erfani and B. Vasigh, ‘The impact of the global financial crisis on profitability of the banking industry: A comparative analysis’, *Economies*, 2018, doi: 10.3390/economies6040066.

[6] A. (Ania) Zalewska and Y. Zhang, ‘Mutual funds’ exits, financial crisis and Darwin’, *J. Corp. Financ.*, 2020, doi: 10.1016/j.jcorpfin.2020.101738.

[7] H. Kim, J. A. Batten, and D. Ryu, ‘Financial crisis, bank diversification, and financial stability: OECD countries’, *Int. Rev. Econ. Financ.*, 2020, doi: 10.1016/j.iref.2019.08.009.

[8] K. Shehzad, L. Xiaoxing, and H. Kazouz, ‘COVID-19’s disasters are perilous than Global Financial Crisis: A rumor or fact?’, *Financ. Res. Lett.*, 2020, doi: 10.1016/j.frl.2020.101669.

CHAPTER 18

POLITICIAN: POWER, AMBITION, AND PUBLIC INFLUENCE

Divya Bindra, Assistant Professor
ISDI - School of Design & Innovation, ATLAS SkillTech University, Mumbai, India
Email Id-divya.bindra@atlasuniversity.edu.in

ABSTRACT:

Politicians are those who are involved in politics, particularly party politics. Governments at all levels, including municipal, state, federal, and international, have different political stances. Politicians include all elected officials. Vision, together with the ability to put that vision into action, is a particularly significant characteristic. In this chapter author is discusses theWall Street financier and statesman.

KEYWORDS:

Company, New, Street, Wall, Weinberg.

INTRODUCTION

The Depression was in full stride, Catchings was gone, the Trading Corporation was destined for oblivion, and Goldman Sachs started what Walter Sachs called the company's great rehabilitation. With the exception of Warner Bros. and the Pet Milk Company of St. Louis, the company managed to keep all of its customers following the Trading Corporation fiasco. Don't think for a second that other financial institutions weren't aiming their guns at our partnerships, Sachs urged. You may be certain that these connections with National Dairy, General Foods, Sears, and all of these other businesses were nothing more than wonderful crumbs for other financial firms. For the Goldman Sachs partnership, these were challenging times. In fact, Fortune claims that during the 1929 financial crisis, the term Goldman Sachs came as a kind of emblem of all that was terrible and illfated about Wall Street.

The strategy that Blankfein, Viniar, et al. used to start reducing the firm's exposure to the mortgage markets that would rip apart so much of Wall Street in the years to come was one way the firm managed to survive: depreciating the value of the securities it owned, selling them into a weak market, and raising cash. We confronted the situation, Sachs stated. We put ourselves in a strong position as quickly as we could, even at the expense of absorbing losses rather than gains. In order to put the company in a good monetary position, we had to accept losses. Fortunately, the company had chosen not to provide margin loans on the Trading Corporation shares, which lost it some earnings during the boom years but likely prevented much greater losses when the market plummeted, according to Sachs [1]. Sam Sachs passed away in March 1935, in the midst of the difficult financial years. His son noted that as he aged, his cognition started to weaken. He believed he understood what was happening, but he often told me, So long as the name isn't injured. Nevertheless, the poor fellow didn't knowthank goodness, he didn't realizethat the name had been harmed in 1932, 1933, along there.

In order to continue operating, the company pleaded with its lenders at National City Bank, Guaranty Bank, and Banker Trust Company to continue making short-term loans. At the time, the U.S. government did not serve as Wall Street's lender of last resort. I was completely honest with them, Sachs said. I explained the scenario to them and gave them the whole picture, and they realized I was speaking the truth. They were aware of the company's reputation. They were aware of our position. It helped us get through. The firm's capital continued to be depleted by losses and a lack of business for five extremely gloomy years until 1935. He said, We lost money for many years. But, we were aware of our clientele and were certain that we would return when the time was right. Several other folks had the same situation. By the Great Depression, we imply something similar. Two truths held the key to ensuring that Goldman retained the majority of its clientele. Secondly, according to Sachs, that people started to recognize that although we may have made mistakes in judgment, we had kept our own and had not sold out on people. Sidney Weinberg, a gnome of a guy who began the company as an office clerk in 1907 and rose mightily through the ranks to become a redwood, a giant among Wall Street men, was the secondand by far the more significantreason.

The Ordinary

E. J. Kahn Jr., a writer for the New Yorker, likened Sidney Weinberg to a kewpie doll, saying that Weinberg seemed to be constantly in danger of being swallowed whole by executive-size chairs since he was just five feet four inches tall and had legs that were only twenty-six inches long. Kahn also characterized the nearsighted Weinberg as irrepressibly antic and unashamedly opinionated, he assumes a brassy impudence that many of his staid coworkers seem to find invigorating in a massive two-part New Yorker feature of the Goldman partner that published in September 1956. Bernard Baruch, a renowned Wall Street businessman and politician, was likened by Kahn to Weinberg. Weinberg was among the nation's most powerful individuals, while being little unknown to the average man on the street save for Wall. He probably comes as near to capturing the common perception of Bernard Baruch in his capacity as a force behind the throne as Bernard Baruch does.

Sidney James Weinberg was born on October 12, 1891, in the Red Hook neighborhood of Brooklyn, New York, and hustled his way to distinction from humble origins, according to the Times. He was the third of Pincus Weinberg's eleven children, a wholesale liquor trader and bootlegger who eventually worked as a part-time stockbroker. Weinberg was born in Poland. He once said that his grandpa drank half a pint of whiskey a day and lived to reach 90 years old. The children initially used to sleep three to a bed due to the family's poor financial situation, and Sidney was forced to fend for himself as soon as he graduated from grammar school. Before he was 10, Weinberg worked as a newspaper salesman at the Manhattan-Brooklyn ferry port on Hamilton Avenue. Weinberg, who read Horatio Alger's works voraciously, and Abraham Lincoln were both favorites of his. He also shucked oysters at a neighborhood seafood seller. He was engaged as a runner for John H. Jacqueline's brokerage business in the summer of 1905, and after finding this no hardship, he was also hired to do the same duties at Charles M. Schott & Co. and afterwards De Coppet & Doremus. Everything was normal until a bank employee saw his many, contradictory affiliations, which was obviously against stock exchange guidelines. E. J. Kahn said, Later he lost all three jobs when a bank teller discovered his dishonesty, or triplicity.

The eighth grade at Public School 13 in June 1906 marked the conclusion of Weinberg's official education, in a sense. Jennie C. Cooke, Weinberg's last instructor, sent him with a short

recommendation letter addressed To whom it may concern as he left for the world to pursue his own brand of Algeresque success. It gives me great pleasure to attest to the carrier, Sidney Weinbergcommercial ,'s acumen, she wrote. We think he will satisfy everyone who may require his services since he enjoys being active and is always ready and prepared to comply. The author Robert Sheehan noted that Cooke's sketchy profile of Weinberg would be challenging to improve for accuracy, succinctness, and prophetic understanding years laterin an October 1953 Fortune profileafter Weinberg's numerous accomplishments over thirty years had reached legendary proportions. The same could be saidin many waysfor the business he raised from the ashes of the Great Depression and remade in his image. It was a business where the underdog ambitious overachiever felt at home and was always ready and willing to oblige, not only to the needs of clients but also to its partners' and employees' apparent insatiable appetite for increasing their wealth.

Weinberg, despite his notoriety, remained committed to his Brooklyn school, saying on occasion, I'm just a stupid person from P.S. 13. After Weinberg's foresighted warning against investment trusts in The Atlantic, Paul Cabot, then-head of State Street Bank and treasurer of Harvard, urged Weinberg to join him for dinner. They became friends. Since he had committed to return to P.S. 13 to meet a fellow classmate who no one had seen in 25 years, Weinberg, who preferred to pronounce his name Wein-boig, informed Cabot that he already had a commitment for an academic evening. Weinberg said, In Sing Sing, alluding to the penitentiary in upstate New York, when Cabot asked where the man had been. He shot our instructor because she gave him a bad grade. In 1954, a group of Weinberg's high-powered friends, including company executives and a World War II general, arranged for the principal of P.S. 13 to present Weinberg with an honorary postgraduate degree, the only one the school had ever given, at a surprise party held in his honor at the '21' Club on West Fifty-second Street, a longtime Goldman hangout. One of Weinberg's blue-blooded Wall Street rivals said, Sometimes you don't know if you're talking to a street urchin, a comic, or a banker.

In 1907, Weinberg obtained employment as a feather horse, which he described as once being a child who distributed millinery, or women's hats, for two dollars per week. Weinberg used to cadge a ride on the back of a horse-drawn freight wagon to go to work distributing the hats in return for minding the horse and the wagon's contents while the driver did his early-morning deliveries. When Weinberg's acquaintance, a runner at the brokerage J. S. Bache & Co., informed him that there was a panic on Wall Street one day in 1907, Weinberg questioned, What is a panic? The explanation provided by his buddy didn't really mean anything to him, but one idea did linger in his mind: that people were afraid and wanted to withdraw their money from their banks. He believed that by spending the time necessary to reach the front of the lengthy lines gathering at the Trust Company of America bank's door, he could earn a little profit of his ownsaid to be $5 per personand then sell his prized position in line to a hasty depositor in need. He sold his spot in line twice on his first day of business, which was around October 23, just when the panic was at its worst. He made one sale the next day. The fear abated by his third day, but by that time, according to legend, he had surrendered his heart to Wall Street forever. Instead of going to Trust Company that day and waiting in line, he made the decision to take the elevator to the top floor of 43 Exchange Place, a 25-story skyscraper in the financial sector of Manhattan, and knock on the doors of one little office after another to see if anybody needed assistance [2], [3].

He voiced his query as he descended to the third story of the structure, which housed the Goldman, Sachs & Co. offices. We need someone to assist Jarvis, the colored porter, but the answer was no. Weinberg instantly said, I'll take it, and he started working for three dollars per week as Jarvis, Goldman's janitor, assistant. He was given the responsibility of polishing a brass spittoon as his first work at the company; he subsequently kept the object in his office as a reminder of the task. He dusted the partners' silk hats, polished their galoshes, and cleaned their cuspidors. Weinberg, according to Kahn, remained an insignificant cog in this rapidly accelerating machine, noting that he did more than just affix tacks to the firm's clerks' chairs at one point, he also published a false ad in the local paper claiming that Samuel Sachs was seeking chorus girls to hire for a Broadway production. The advertisement instructed applicants to come to 43 Exchange Place to be interviewed, and that is precisely what occurred the next week.

Two years later, before departing for Harvard, Weinberg's partner Paul Sachs ordered the short Weinberg to carry a flagpole up to Sachs's Manhattan home on 138th Street. This was Weinberg's big break, if you will. Years later he railed, Ever attempt to carry a flagpole on a trolley car? That is a really difficult task. But he did transport it, going even farther by putting the flagpole in position at Sachs' house and hoisting the American flag on top of it. When Weinberg was working, the partner and the clerk struck up a conversation. Sachs advised Weinberg to consider seriously about advancing his schooling at night since he had a bright future with the company. Weinberg had been enrolling in an accounting course at Brooklyn's Browne Business College for $50 at that point. Nonetheless, Weinberg started a nighttime course of study at New York University at Sachs' encouragement and under the condition that he would pay the $25 tuition. The youngster had not received study advice from Sachs.

Investment banking was one of the courses they provided, remembered Weinberg afterwards. I chose that course since I knew Goldman Sachs was in the investment banking industry. He briefly took a few courses at Columbia in foreign exchange as well. He said to Kahn, Paul Sachs was the first partner who truly gave me a second look. I was a terrible kidtough and rawuntil he took me in hand. In those times, Weinberg earned $28 per week by scouring Goldman Sachs for new commercial paper customers. Such was considered progress. Weinberg joined the navy during World War One and persuaded the recruiter to give him a job as an assistant chef despite the fact that he had trouble seeing and cooking. He performed this duty while onboard the Henry Goldman Jr.-owned vessel that had been transformed into a submarine chaser during the conflict. Due to starvation, he became skinny. He attempted to become an officer and took the officer's test, which had been created for college graduates, in an effort to improve his environment. He received an F. But, his military superiors eventually saw that he could arrange things and had a tendency for knowing everyone, and they chose to transfer him to the Office of Naval Intelligence in Norfolk, Virginia.

He was responsible for checking the cargo on all ships arriving at the port. After then, Kahn said, He has grown nearly as proud of having been an enlisted man as of having attended P.S. He went back to Goldman after the war, where the partners were happy to see him but couldn't provide him a position. They said, Unless you can create one. Set up to this new task, Weinberg persuaded the Goldman partners to hire him as a trader in the embryonic bond section of the company for the same twenty-eight dollars per week that he was earning before to enlisting. The Times subsequently noted that in a couple of months, he was performing the bulk of the work on one corporate-financing contract after another. He received a one-eighth of one percent share of the company's earnings because of how wise his price suggestions were. Helen Livingston, a

gifted amateur pianist and the daughter of a garment maker, wed Weinberg in 1920. They resided in a modest rental home in Woodmere, Long Island, until purchasing the same, somewhat larger home in Scarsdale, New York, in 1923. At that time, his annual income was around $5,000.

The Weinbergs' two sons, John L. and Sidney Jr., each attended Deerfield, Princeton, and Harvard Business School, providing full testimony to the power of hard work and desire to significantly improve the lives of one underprivileged family from Brooklyn in the span of just one generation. During this time, a joint stock association was established, and Goldman Sachs exited the New York Stock Exchange when Harry Sachs surrendered his seat. Then Weinberg established his own, new company after purchasing his own exchange seat. Weinberg suggested establishing Weinberg & Co. as a subsidiary of the New York Stock Exchange with himself, Catchings, the five Sachses, Henry Bowers, and Clarence Dauphinot as partners in April 1925 after paying $104,000 for a seat on the New York Stock Exchange. Nevertheless, this did not occur, and in December 1926, Weinberg returned to Goldman Sachs as a partner. The company then used Weinberg's seat to reenter the New York Stock Exchange after a four-year exile. The Times said that he would be the youngest employee of an international financial institution in the Wall Street neighborhood. He paid his full capital contribution of $100,000 out of his own pocket. He said, That was my own money, which I earned. Due to his exceptional luck at the time, he won five vehicles in a single evening at the annual Wall Street bond club dinner in May 1928.

Weinberg did nothing to prevent Waddill Catchings, whose assistant he had formerly been, from founding and publicizing Goldman Sachs Trading Company, despite his partnership position and rising influence at the company. Yet he could make fun of it. On his part in creating the Trading Company bubble, Weinberg told Fortune, I simply wasn't very bright; it go at that. At White Sulphur Springs, West Virginia, at the Greenbrier, Weinberg once asked his caddy, who struck him as unusually worn-looking, how old he was. The caddy remarked, I think you must have operated an investing trust, when the man said he was just 36. Weinberg never saw himself as a trader in the slightest, despite the fact that he began his career at Goldman dealing bonds. He was a proud investment banker, nevertheless. Of course, given the context of the time, his preference for investment banking, which finances and counsels expanding American enterprises, over trading securities with undercapitalized counterparties in an underdeveloped market made a lot of sense.

He wanted to be in the thick of things, as any ambitious young guy in New York City would. He identified himself as an investment banker in 1967. I don't play the dice. I could have five times as much money as I have now if I had become a speculator and used what I know. Weinberg's career at Goldman profited directly from Catchings' self-destruction despite it having no effect on him in any manner. Once Catchings was fired, he not only rose to the level of senior partner at Goldman, but he also received nine of Catchings's eighteen company board positions. He then used his insider status to organically create investment banking business for Goldman Sachs. It used to be a common goal on Wall Street for investment bankers to be requested to join the boards of directors of public companies. While there was some risk associated with being a board memberthey might be sued for alleged wrongdoings, of courseit was very unlikely that any adverse verdict would be brought against a particular director personally.As a result, the advantages exceeded the risks by a wide margin. Of course, there were the stipends that directors received for attending board meetings. Prior to 1933, when America abandoned the gold

standard, directors were frequently compensated with twenty-dollar gold coins today, their stipends are made up of hundreds of thousands of dollars in cash or stock. Yet, the true benefit came fromand continues to come fromthe fact that businesses were constant sources of income for investment bankers, whether via their assistance in obtaining debt or equity capital, their advice on mergers and acquisitions, or their management of pension funds.

A board member is informed of a company's inner workings, including when and if it plans to seek funding, combine, sell a division, or dispose of other assets. The post was highly sought after since a board member who was also an investment banker would be in the greatest position year after year to win the bulk of this business. No investment banker, including Bobbie Lehman, André Meyer, Felix Rohatyn, and Bob Greenhill, was more adept at gaining the trust of corporate management than Sidney Weinberg during the course of his lengthy, sixty-two year career on Wall Street. He quickly earned the nickname Mr. Wall Street and, at his busiest, sat on as many as 31 boards at once and around 35 distinct business boards, earning him the nickname Mr. Wall Street. The phrase Let's ask Sidney Weinberg became a catchphrase not just for his Goldman colleagues but also for several business executives and political figures. Weinberg was not only the senior partner but also the firm's greatest benefactor, taking home one-third of the yearly earnings, thanks in large part to the fees that went through Goldman Sachs and into the coffers of the firm's partners.

Weinberg quickly became influential at the businesses whose boards he sat on. For instance, in 1931, Weinberg was attending a meeting at the B. F. Goodrich Corporation in Akron, Ohio, where he succeeded Catchings as a director. At that time, there was a bank run in the area. These banks' bankruptcy would not have been beneficial for the community, Goodrich, or the thousands of its workers. Weinberg made the decision to settle down in Akron, examine the banks' records for 10 days, and then come up with rescue money for them, taking a leaf from J. P. Morgan's playbook. He made repeated phone calls back to New York, where on his say-so alone, a handful of benevolent investors arranged for and provided the cash required to keep the banks open to Akron. According to Kahn, the money of Goodrich and its workers remained undamaged, and Weinberg returned to New York, another little task out of the way.

Weinberg's presence was not limited to boardrooms in businesses. Weinberg's extensive political contacts in Washington did not hinder Goldman's comeback, solidifying another another Genetic strand for the company. From the time he was a little lad in Brooklyn, Weinberg had been a clubhouse Democrat, according to Fortune, and he had the foresightor maybe it was simply good common senseto become friends with Franklin Delano Roosevelt when he served as governor of New York for one term. Weinberg, a practical liberal, was one of a handful of Wall Streeters who supported Roosevelt's bid for president in 1932. He said to Terkel that The Street was against Roosevelt. Of those I know, only Joe Kennedy and I supported Roosevelt in 1932. He was an assistant treasurer on the executive finance committee for the Democratic National Campaign. One day after the November 1932 election, Weinberg wrote to the president-elect from Albany, saying, I cannot express how thrilled I am with the landslide win that you had at the polls yesterday, and I hurry to send you my most heartfelt congratulations. Under his Goldman, Sachs & Co. letterhead, he said that he was very delighted to do my modest bit in encouraging your election and signed off. Kind regards, and trust me [4], [5].

On January 12, 1933, Roosevelt responded to Weinberg's letter. The president-elect apologized for taking too long to thank Mr. Weinberg for his kind congratulations and well wishes for the

future. But, my delay now allows me to offer my warmest New Year's wishes to this statement of thanks. Before Inauguration Day, about a week later, Weinberg gave Roosevelt a copy of a picture you may like to see that had been taken at a recent dinner honoring three important campaign advisers to Roosevelt, including Louis Howe, who would eventually become Roosevelt's influential first chief of staff. It was Howe who responded to Weinberg when the response finally arrived, more than a month later. Howe expressed the president's satisfaction at having the item in a letter. Howe and Weinberg had previously corresponded about the potential of introducing Howe to Charles McCain, who also happened to be the chairman of the board of Chase National Bank. McCain was a intimate friend of Weinberg's and also a good Democrat. Weinberg wrote to Howe, He occurred to say that he had not had the pleasure of meeting you and would want to do so. I wonder if it would be feasible for you to come down some day and have lunch with me and meet Goldman in his office at 30 Pine Street.

In addition to his political mingling, Weinberg was also developing a set of guidelines for corporate directors that he thought they should keep in mind when serving on boards. He saw being a corporate director as being similar to doing public duty and, in contrast to almost every other director, seemed anxious to professionalize the position. Weinberg descended the mountain with his ten commandments in June 1933. The issue, he stated, relates to the breadth and quantity of information which a corporation ought to furnish each director regularly and satisfactorily in order to allow him to exercise the reasonable care of a wise man in the fulfillment of his responsibilities. His recommendations included everything from the absolutely unimportantsuch as how often a corporate board should meet each year and what should be on a meeting agendato more delicate topics like whether a company should lend money to a director or officer and the size of management incentives. Only the directors who do not participate in incentives or profit sharing should vote when the board is debating and approving questions about these matters, he added.

Weinberg sometimes became his own worst enemy. For instance, he served as a director of the McKesson & Robbins Company during the time when F. Donald Coster, M.D. and PhD, a guy Weinberg knew, served as the company's CEO. In reality, Coster was Philip Musica, a cunning con artist who was twice found guilty of fraud before turning thirty. In 1919, Musica established Adelphia Pharmaceutical Manufacturing Corporation under a false name in order to produce high-alcohol liquid hair and grooming products for sale to Prohibition-era bootleggers. According to Paul Clikeman, a University of Richmond professor who specializes in con artists, Musica, posing as Coster, took the money from Adelphia to purchase McKesson & Robbins, a well-known publicly traded pharmaceuticals distributor that distributed quinine, cough syrup, and milk of magnesia. This time, Musica's scam included faking invoices, purchase orders, and shipping statements to make it seem as if a newly formed dummy companyW. W. Smith & Co.was purchasing various goods from McKesson. In order to pull off the hoax, Musica sought the aid of his three brothers. Together, they split a 0.75 percent fee on all sales made to W. W. Smith & Co., totaling almost $21 million. This allowed them to profit financially from the scheme while artificially increasing McKesson's stock price.

The 13-year con was a complete success. Weinberg had written, I'm for McKesson & Robbins and Coster, that's it, in the yacht's logbook. The scam had gone absolutely unnoticed by the company's directors and auditors. In 1938, the fraud started to come to light owing to Julian Thompson, the treasurer of McKesson. He started to wonder why McKesson was consistently giving W. W. Smith & Co. all of this cash. The Musica brothers had created Dun & Bradstreet

credit reports to satiate the auditors' concerns over the sustainability of W. W. Smith & Co. When Thompson presented the fake reports to a D&B representative, the representative said he didn't know where they came from but was certain they weren't D&B's doing. The SEC launched an inquiry into McKesson's partnership with W. W. Smith & Co. on December 6, 1938, and the trade of McKesson's shares was halted. Coster was taken into custody a week later. He was freed on bail after being fingerprinted. The FBI discovered that Coster was really Musica, the convicted criminal, based on the fingerprints. The police were to detain Musica once again. But before that could happen, he pulled the trigger while holding a pistol in his lips. The McKesson & Robbins board was scheduled to terminate Coster that day when it learned of the man's death. Come on, guys, let's terminate him for his misdeeds nonetheless, Weinberg said after a moment of somber stillness.

The men agreed to contribute over $600,000 to the McKesson & Robbins coffers, including $75,000 from Weinberg alone, in order to prevent potentially expensive lawsuit against the directors for their blatant carelessness. Years after the debacle, he continued to serve on the board of McKesson. According to Fortune, Weinberg's testimony during the SEC probe and his contact with Coster/Musica as well as his previously written diatribe about the duties of directors and executives gave Sidney some uncomfor moments in the witness chair. Weinberg pointed out to him that Moses had brought down the Ten Commandments from Mount Sinai, that we all believed in them, but that sadly few of us live in accordance with all of them, in response to the SEC's attorney who questioned why he had failed to act in line with his book [6].

Yet, Weinberg was primarily a business titan who immensely profited both Goldman Sachs and Weinberg. Walter Sachs said, My partner, Sidney Weinberg, is regarded to be the greatest professional director in the nation, in 1956, with apparent displeasure about what that meant for him in terms of having to manage the company on a daily basis. He spends more time working on it than I do. His idea differs somewhat from mine, but that's okay; I don't argue against it. On the executive committee, he wants to serve. He wants to have a say in every matter. There is no denying that he has been a highly helpful director to the company he is on. Weinberg's omissions during the McKesson & Robbins controversy were neatly ignored by Sachs. It's been incredibly beneficial to Goldman, Sachs and Company and has generated a lot of business, said Sachs, I would estimate 90% of his activity has been in his director ties. Since I had to see how the business handled its administrative tasks, he had to perform more of them than I had [7], [8].

CONCLUSION

Politics is the process through which people who live in groups decide on things. Politics is the process of establishing agreements between individuals so that they may coexist in social units like tribes, cities, or nations. Some individuals may invest a significant amount of effort in reaching such agreements in huge groupings, such as nations. Political power is legitimated authority since it signifies acceptance by the state and its consent to rule over them, which is unquestionably the power that politicians want. The capacity of politicians, leaders, and others to shape governmental policy and so affect the choices that individuals and nations make is known as power.

REFERENCES:

[1] S. Stolwijk and B. Vis, ‘Politicians, the Representativeness Heuristic and Decision-Making Biases’, *Polit. Behav.*, 2021, doi: 10.1007/s11109-020-09594-6.

[2] R. Willis, 'The role of national politicians in global climate governance', *Environ. Plan. E Nat. Sp.*, 2020, doi: 10.1177/2514848619887464.

[3] J. Beltran, A. Gallego, A. Huidobro, E. Romero, and L. Padró, 'Male and female politicians on Twitter: A machine learning approach', *Eur. J. Polit. Res.*, 2021, doi: 10.1111/1475-6765.12392.

[4] E. Sørensen, C. M. Hendriks, N. Hertting, and J. Edelenbos, 'Political boundary spanning: politicians at the interface between collaborative governance and representative democracy', *Policy Soc.*, 2020, doi: 10.1080/14494035.2020.1743526.

[5] L. Knappert, H. van Dijk, S. Yuan, Y. Engel, J. W. van Prooijen, and A. Krouwel, 'Personal Contact with Refugees is Key to Welcoming Them: An Analysis of Politicians' and Citizens' Attitudes Towards Refugee Integration', *Polit. Psychol.*, 2021, doi: 10.1111/pops.12705.

[6] G. Rod Erfani and B. Vasigh, 'The impact of the global financial crisis on profitability of the banking industry: A comparative analysis', *Economies*, 2018, doi: 10.3390/economies6040066.

[7] L. M. Sinervo, 'Financial sustainability of local governments in the eyes of finnish local politicians', *Sustain.*, 2020, doi: 10.3390/su122310207.

[8] S. Bhalotra, I. Clots-Figueras, and L. Iyer, 'Religion and abortion: The role of politician identity', *J. Dev. Econ.*, 2021, doi: 10.1016/j.jdeveco.2021.102746.

CHAPTER 19

UNDERSTANDING THE CONCEPT OF ANTISEMITISM

Divya Bindra, Assistant Professor
ISDI - School of Design & Innovation, ATLAS SkillTech University, Mumbai, India
Email Id-divya.bindra@atlasuniversity.edu.in

ABSTRACT:

Nazi anti-Semitism, which resulted in the Holocaust, had a racial component in that it singled out Jews for persecution according to their alleged biological features, even if they had converted to another faith themselves or had convert parents. This kind of anti-Jewish racism is distinct in nature and only emerged with the rise of so-called scientific racism in the 19th century. In this chapter author is discusses thecapitalistic system.

KEYWORDS:

Antisemitism, Business, Company, Democratic, Money.

INTRODUCTION

Notwithstanding the odd tiff, it seemed that everyone agreed that Weinberg's brilliance was crucial to the turnaround of Goldman Sachs' fortunes. According to Robert Sheehan in Fortune, Sidney Weinberg has this alchemythere is no other term for itof transforming an ordinary professional connection into a very genuine and enduring friendship. He is not only a favor dealer, as the apparent circumstances may imply. He is really a cheerful, approachable, and kind guy who has soaked up a vast amount of information about the business world and the people that create it. He finds his greatest joy in life in providing others with access to this unique expertise. Of course, everything has gone full circle for him, just as with the bread from the Bible. Weinberg is a top-notch underwriting specialist, but he isn't necessarily any better than a dozen other bankers on the Street. Yet, a significant quantity of business enters Goldman Sachs essentially without request as a show of goodwill to Sidney [1].

His weekly workload would have beyond belief, even if he had just shown up to the board meetings and cracked a jokehe was said to have a great sense of humor. Yet Weinberg was a very committed and active board member, in part because to his credo on corporate director obligations, in part because it was beneficial to Goldman's operations, and in part because he fervently believed in this sort of service. He is pleased when he is busy, as his eighth-grade teacher at P.S. 13 noted, of course. Simply put, Weinberg's desire to serve on business boards was crucial to restoring the firm's reputation in the aftermath of the Goldman Sachs Trading Company debacle and Eddie Cantor's repeated attempts to make the company the target of his jokes, even if it was time-consuming. As Fortune noted in October 1953, Once into this occupation, however, he did such a job of it as few persons before him ever tried. He asked for complete sets of documents relevant to the topics to be addressed as well as the agenda for the directors' meeting of each firm in advance. He assigned his Goldman Sachs lads the task of evaluating those data, and he established an office on the top floor of his Scarsdale home where

he spent his weekends getting ready for board meetings. When awareness of these ethical business practices spread, several corporations took pleasure in Weinberg's membership on the board [2], [3].

Weinberg's decades-long involvement in national politics, his years in the public serviceincluding when he took two separate leaves of absence from Goldman during World War II and a third as the Korean War was developingand the lifelong friendships he forged along the way helped immeasurably in the efforts of Weinberg and Goldman to win new business. One of his buddies called him Sidney's a sucker for everything patriotic. He has alternatively been referred to as an ambassador between bankers and politicians and having a gourmand's thirst for public duty by writers. As Weinberg's influence atand toGoldman Sachs expanded in the aftermath of Waddill Catchings's antics at Goldman, he intensified his interactions with politicians, particularly those in Washington, in what seemed to be a pretty usual pattern on Wall Street, especially these days.

In both the 1932 and 1936 presidential campaigns, he served as the Democratic National Committee's assistant treasurer and was one of its most skilled fund-raisers. He wrote to Roosevelt in April 1933 to request that he speak on the radio about the gold embargo and to express his opinions on the planned federal Securities Act. At the Jefferson Islands Club in Chesapeake Bay, Roosevelt invited Weinberg and a dozen or so other businessmen to spend the weekend with him, the vice president, the House Speaker, five cabinet officials, and eight senators in July 1935. For Roosevelt's exclusive usage for fishing, hunting, and extraordinary social company, the club erected a lodge the year before. The weekend in July 1935 was planned to be a fishing trip. But, local observers found it difficult to think that two-dozen prominent Democrats could meet without extensively discussing the agenda and strategies to be used for the balance of the House term, according to the Times.

DISCUSSION

During W's funeral in April 1937, Weinberg was there. When Forbes Morgan was laid to rest at Arlington National Cemetery, he served as the DNC's previous treasurer. Eleanor Roosevelt and Morgan were married-blood relatives. The New Dealers attended his funeral, which was a major affair. Roosevelt's top advisors were shown in a photo that was published the following day. They included Cordell Hull, the secretary of state; James Roosevelt, the president's administrative assistant and the oldest son; Edward J. Flynn, the secretary of state for the state of New York; Joseph T. Robinson, the then-Senate majority leader; and Alben Barkley, who would soon become the Senate majority leader. In the middle of the group was Sidney J. Weinberg. In fact, many grimly intransigent members of the business community at the time were fully convinced that nothing but Weinberg's temperate advice to the Roosevelt administration was saving the capitalistic system from annihilation, according to no less a master politician than President Roosevelt, referred to Weinberg as the Politician.

Roosevelt offered Weinberg several posts in his administration in addition to access to himas long as it was timed correctly, of coursein return for this counsel. Weinberg was allegedly among those who Roosevelt would select to the first board of the United States in June 1934, together with the CEOs of Sears and IBM. Commission for Securities and Exchange. Many undersecretary positions as well as a cabinet position were reportedly offered to Weinberg. The opportunity to replace his friend Joseph Davies as the US ambassador to the Soviet Union was then presented to Weinberg by Roosevelt in the summer of 1938. Weinberg had already accepted

Davies' job offer, and the Russians had already given their approval. Notwithstanding the U.S., it was already finalized. The nomination had not yet been approved by the Senate. Weinberg didn't want the position, which was the issue. As Goldman's largest shareholder, his entire net worth was on the line at the company in 1938, and he likely had little interest in being forced to sell his stake in order to accept the ambassadorship or in leaving others to run the companyand his fortunewithout him. In addition, there was no one at Goldman of his stature and business-getting prowess available to take over for him. The fact that his two boys were in middle school made the idea of sending them to school in the Soviet Union or separating them by hundreds of miles less enticing. There was also the matter of Weinberg being Jewish at a time when anti-Semitism was on the increase in the Soviet Union and across Europe. In a letter to Stephen Early, Roosevelt's press secretary, Weinberg said that his reasons for declining the position were totally personal. Weinberg said plainly, I don't speak Russian, to the outside world. I had no idea who I could speak to over there.

Weinberg wrote to Roosevelt on July 5, 1938. I have wanted to thank you for this honor and express how grateful I am for your trust in me, which is reflected by your consideration of me for this significant position, ever since Joe Davies on your behalf offered me the Ambassadorship to Russia, he wrote. The president replied, I entirely understand, and expressed his wish to meet Weinberg again soon when I come back from my vacation, saying, I did want you to know how thankful I am to you for this distinction, as well as other evidences of friendship which you have offered me over the last many years. At this moment, it was difficult for a Wall Street banker to admire or financially back President Roosevelt. Weinberg supported Roosevelt through the 1936 election and continued to raise impressive sums of money for him. Roosevelt knew he was infuriating Wall Street but said, I welcome their hatred. Roosevelt spoke frequently about business and financial monopoly, speculation, reckless banking toward the end of 1936 as he was running for his second term as president. Weinberg admitted at one point how Keynesian fiscal policy and a slew of new rules governing Wall Street's conduct were two of the things Roosevelt did to start repairing the devastated economy. FDR saved the system, said Weinberg. You could have experienced a civil war or a revolt.

As the German army invaded Poland on September 1, 1939, Weinberg cabled Roosevelt while on vacation in Nantucket with his family. At these crucial moments, I give you my assistance in any capacity, he wrote. The President has requested me to acknowledge your telegraph... and to assure you of his profound thanks for your generous offer of help, wrote Edwin Watson, the President's secretary, in response. The letters on both sides first seemed pointless, in part because Weinberg had begun to doubt whether he wanted to support Roosevelt's unusual third term effort and in part because Roosevelt was likely unsure of what role Weinberg might or should play. After deciding that a third term would be unsound, Weinberg ultimately withdrew his support for Roosevelt and put all of his substantial fundraising power behind Indiana lawyer and former Democrat Wendell Willkie. Weinberg remarked, After the first two terms, I did not support him. I had a fantastic debate with him. I believed that no one should hold office for longer than two terms. Weinberg joined the short-lived Democrats for Willkie group, whose members opted to support Willkie out of concern that electing Roosevelt for a third term would be a hazardous precedent and one that may result in tyranny. I was getting a bit weary, too, of all the New Deal stuff. Willkie earned 22 million more votes than any previous Republican presidential candidate, but Roosevelt crushed him, winning 27 million votes and 449 of the 531 electoral college votes [4], [5].

Weinberg swiftly reverted to standing behind his president, Roosevelt, throughout the war. He joined a group of fellow bankers on April 20, 1941, to collect money for the Royal Air Force Benevolent Fund of the United States of America, which was presided over by Robert Lehman of Lehman Brothers. Then, nine days later, on April 29, Roosevelt appointed Weinberg as a special consultant in the purchasing division of the Office of Production Management, or OPM. Roosevelt had established the OPM in January 1941 to increase production for the national defense through mobilization of material resources and the industrial facilities of the nation. They earned the moniker dollar-a-year guys, which would later be resurrected after the 2008 financial crisis. Weinberg was appointed as a consultant on different industrial difficulties on May 5, according to Donald Nelson, the director of procurement at the Office of Production Management and a former vice president of Sears, Roebuck. Weinberg would report for duty on May 15. Naturally, this required abandoning Goldman Sachs and his board positions at twelve different firms for the time being. Walter Sachs took over day-to-day administration of Goldman when Weinberg took a leave of absence, a role he claimed to have held for a great many years in any case.

For his part, Sachs thought Frank Roosevelt to be a guy of immense charm, there's no doubt about that, but they were not close on a social or political level. They had worked on the Crimson together at Harvard. Sachs, whose father was a stricter guy, resided in more basic student accommodation in Harvard Yard, where showers had to be taken in the basement since there was no running water in the apartments. But Roosevelt lived in Claverly Hall, one of those private dormitories where men lived whose families had a certain amount of money, and were more social, more elegant, on Cambridge's Gold Coast, on Mount Auburn Street. And it was pretty damn cold and we had no running water, and the water would be frozen in the pitcher in the morning and it had to thaw out before we could wash. Sachs, like Weinberg, sent Roosevelt a letter upon his election in 1932. In the early days of the Roosevelt administration when he closed the banks, Sachs advised prudence. In his response, Roosevelt thanked me and said he welcomed all the counsel he could receive from his friends. I recall urging folks to give this guy a chance and that I could have been mistaken about him, Sachs said. Yet he soon grew apart from his Harvard friend. The New Deal offended him. In his letter, he said, I thought there were a great many things that were simply a tremendous, great error.

What I probably resented, and we'll look at the psychological aspect of it, is that when one talks about driving men out of the temple, I couldn't help but think that Franklin Roosevelt knew Arthur Ballantine, the founder of the law firm Dewey Ballantine, me, Eugene Thayer, the president of the Chase bank, and others like us, and he classed us all together, says the author. I was against him because of the prevailing sentiments. Even though he acknowledged that he was a dyed-in-the-wool Republican, Roosevelt's attitude toward bankers and Wall Street in 1929 made him resentful. Despite the fact that he knew enough men on Wall Street, Roosevelt said, his shattering attack on business as a whole, I thought, was entirely unjustified. Sachs said Roosevelt must have known in his heart of hearts that the men on Wall Street, many of whom he knew from school and elsewhere, may have been subject to poor judgment or been carried away by waves of the speculative era,, These are the things I found it difficult to forgive him for. With these decisions made, Weinberg went to Washington to assist Roosevelt with the war effort and Sachs stayed in New York to hunker down and run Goldman Sachsnot that there was much business to be done during America's involvement in the Second World War, or in the year or so

leading up to it. Sachs later said, maybe it was partly my own fault and maybe I should have sought him out the way my partner Weinberg did, who was a Democrat for a while.

Shortly after joining the OPM, Weinberg assumed increasing levels of responsibility, eventually rising to the position of chairman of the OPM Industry Advisory Group, which was established to assist simplify the production of items required for the war effort. He received his fair share of political criticism, however. Time magazine remarked that he was Wall Street's Walter Winchell, the inventor of the gossip column, and called him small and gossipy. The New York Times gave Weinberg a more positive profile in February 1942, saying that his selection as Nelson's assistant was tantamount to a guarantee that if finance and industry really want to do a job they will receive a fair hearing The article detailed Weinberg's Horatio Alger rise to fame and wealth at Goldman and mentioned how his collection of Abraham Lincoln's letters, documents, and photographs was one of the largest private collectionsthat was kept in the most secure location. It was unclear for a good portion of Weinberg's stay in Washington exactly what his duties at the OPM and subsequently at its successor, the War Production Board, or WPB, were. According to Weinberg's acquaintance General Lucius D. Clay, This man would be there every time I went to a meeting with Nelson. He seemed to have no obligations, so I kept wondering why Nelson kept him around. Later I understood he was serving as a counselor and advisoryou might say as a Minister without a portfolio.

Sidney Weinberg prefers to work in a small back office, acting as someone's assistant. Despite his best efforts to blend in, Weinberg didfor a momentattract unwanted attention when Senator Harry S. Truman charged him with favoring large corporations over smaller ones in the procurement and production process. Weinberg informed Roosevelt he was about to resign because he hated Truman's charges and had his motivations maligned, but Roosevelt calmed him down. He said Weinberg, That's ludicrous. Have a look at the things people say about me every day. I don't give up. Weinberg returned to his post at the WPB with fresh zeal after his feathers were back in place. It turned out that his most important contribution to government was to bring other businesses to Washington to support the war effortmen who otherwise would not be receptive to Roosevelt's appeal. He earned the moniker The Body Snatcher. Given his tendency for perseverance, it should come as no surprise that he could persuade executives who were hesitant to leave their comfortable jobs and join the WPB. To give his calls a greater appearance of significance, he would route them via the White House switchboard. Also, he would disparage corporate leaders who sought to dodge his calls or engage in public service. Business leaders typically had a positive opinion of Weinberg, so this animosity had the intended resultquite rapidly, in factof persuading the obstinate CEOs to return his calls and join the war effort.

Several people believed that Weinberg's biggest recruitment success came in 1942 when he lured Charles Electric Charlie Wilson away from his job as president of General Electric to join the WPB. Wilson, who had only been at GE for two years and hardly knew Weinberg, was hesitant to leave his job and go to Washington. Wilson also thought that because GE was already heavily engaged in war manufacturing, staying there and supervising GE's operations would be his highest and greatest use during the conflict. Wilson was informed by Owen Young, the retired GE board chairman, that Somebody's put the finger on you following a meeting in Washington with the secretaries of war and the navy. When Young informed Washington of Wilson's preference to remain at GE, the message was received that Roosevelt wanted to meet with Wilson at the White House. It worked. Wilson registered. Wilson subsequently said, Sidney Weinberg never materialized in any of the conversations involving me. But I could see that the

heat had been turned on, and I knew from meetings I subsequently had with Roosevelt and Cabinet members that Sidney had played a huge role in it. It didn't take me long in Washington to understand that Sidney had also brought a large number of other individuals there.

Following July 4th, 1943, Weinberg gave Nelson his resignation, effective August 1. He returned to New York and his position at Goldman Sachs after resigning on the advice of doctors who have instructed to receive rest and medical treatment, Nelson said to the New York Times. It's unclear if Weinberg's illness was a fabrication or a pretext for him to complete his upcoming task for the US government. On November 5, 1943, Roosevelt granted the appointment of Weinberg to go to Russia publicly as the representative of the OSS, supposing Mr. Weinberg can be convinced to go, at the request of William J. Donovan, the New York attorney and chief of the Office of Strategic Services. After signing his initials, O.K. FDR11/5/43, Roosevelt gave the message back to Donovan. Weinberg accepted the position this time, despite the fact that he was Jewish and could not speak Russian, as he had already said. It is unknown what he accomplished for the US government in the Soviet Union and how long he was there. A Freedom of Information Act request for information regarding Weinberg's mission was ignored by the CIA, the OSS's successor. Peter Weinberg, one of his grandchildren and the founder of the boutique investment firm Perella Weinberg, a former Goldman Sachs partner, was unaware of what his grandpa performed in the Soviet Union during the war or even that he had traveled there.

Regardless of his covert assignment and what he accomplished on it, Weinberg returned to the WPB in June 1944eleven months after he had leftthis time as vice chairman, ostensibly at Roosevelt's request. This time, it was his responsibility to manage Nelson's special difficulties and to once again play the role of the Body Snatcher in order to fill executive posts at the WPB. But, his genuine goal was to try to put an end to the ongoing public conflict between Electric Charlie Wilson and Donald Nelson, two of his previous clients. Public arguments between the two leaders arose from a disagreement over when to switch the nation's industrial output from use during wartime to use for public consumption. Nelson wanted to return to consumer-oriented production because he believed the war was soon over. Wilson intended to keep the nation's industrial output concentrated on the war, citing the Joint Chiefs of Staff's assessment that an ammunition shortage was imminent.

According to Fortune, Weinberg was condemned for stabbing his old pal Don Nelson in the back after choosing to support Wilson over Nelson. Not at all, claims Weinberg. In this incident, he informed Nelson what he thought of his behavior in anguished, bald Brooklynese, to his face. Weinberg's most recent mission was completed on August 31. In a letter to him, Roosevelt said, I have just heard, with profound sadness, of your resignation from the War Production Board. I am so sad to see you depart, and I wanted to give you this little message to express my deep gratitude for all the sacrifices you made while serving the government during these difficult times. You did a fantastic job, and I appreciate you. Afterwards, Weinberg downplayed their argument and blamed Nelson's departure on boredom. He said, There was less and less genuine work for me to accomplish. In the winter, I stayed up until eight o'clock reading significant articles. I used to be done by three in the spring. I knew it was time to leave Washington and go back to New York when I finished by eleven in the morning. In September 1946, just over two years after Weinberg had started working at the War Production Board, President Truman gave him the Medal for Merit in recognition of his exceptional achievements. At that point, WEINBERG had returned to Goldman, just in time for the company to commemorate its 75th birthday. The company hosted a dinner for the partners and staff at the Pierre Hotel on Fifth

Avenue to commemorate the event. In addition to having offices in Boston, Philadelphia, Chicago, and St. Louis at the time, Goldman had eleven partners at the time, including Walter and Howard Sachs and Weinberg. Goldman was still a company on the outside looking in to Wall Street, like many of the largely Jewish corporations, despite the firm's numerous triumphs up to that point, many of which were made possible by Weinberg's insight and tenacity.

The economics of doing business were still made difficult by anti-Semitism. Yet mores were also evolving, although gradually. The acting club president visited Paul Cabot while he was eating breakfast one morning after Cabot had dinner with Weinberg and another man at the upscale Brook club on East Fifty-fourth Street. The acting club president informed Cabot that what he had done the previous evening had been inappropriate. Wilson returned to General Electric as a prominent executive after the disagreement with Nelson. When GE named Weinberg to its board of directors in June 1945, Weinberg received almost instant gratification for his commitment to Wilson. At the time, there was no more distinguished board, but it would be years before his membership there resulted in business for Goldman Sachs. The bond between Wilson and Weinberg was further strengthened during the Korean War. Wilson was appointed to lead the Office of Defense Mobilization, a new iteration of the WPB, by President Truman in 1950. Wilson resisted leaving his position at GE once again because, in fairness to the management team, he believed that if he did so, he would have to leave the firm permanently. He turned to Wilson's buddy Weinberg, the board director, for advice.

Wilson said, Sidney spoke straight up, as he usually does. He told me, Hell, you're going to go. Naturally, you'll go. And I'll accompany you. It cemented my decision. Wilson and Weinberg visited Washington once again for six months in order to reactivate the American military. Yet, as Wilson and Weinberg swiftly drew to a close, the nation's commitment to the war effort was less intense this time. In December 1950, on their first day in Washington for the new job, nobody was available to allow them into their offices in the Old State Department Building. They set up a few seats in the hallway outside of their offices and started outlining the strategy for the defensive mobilization operation. They lived together in a suite at the Shoreham Hotel for months, eating meals in a tiny private dining area close to their workplaces. But, according to Fortune, it was a harder challenge than any of them had in World War II. The attitude of business was rather reluctant, the press said, the political environment was unfriendly. The choice to create more than simply weapons was one of their achievements, but this entire looks, in some weird manner, to have fallen off the pages of history,

Weinberg, who had once again altered his political views, consented to work as the organization's treasurer in 1952. Particularly in comparison to the influential Republican National Committee, this was a breakaway party. Weinberg and John Hay at one time Whitney, a different citizen committee head, consented to a reconciliation with the RNC. In order to close the deal, Whitney contacted Weinberg at his house at 2:30 in the morning and asked for his opinion on some concession or another. Whitney had been meeting with the party's officials in Cleveland. Whitney was urged to make the acquisition by Weinberg. Weinberg informed him, Jock, if they cut us down, we had to go along. I figured out a long time ago that you had to live like a pygmy if you are born one. In light of the astounding amount of money Weinberg was able to gather, the Republicans got a terrific bargain. Whitney said, Sidney is without a doubt the finest money-getter I've ever seen. He makes no apologies about telling everyone present at one of his several board meetingsfor General Foods, General Electric, or General Whateverwhat he

wants. Then it will appear when he says, Come on fellas, where is it? Weinberg received the unrestricted access to power that he actually desired in exchange for all of this fund-raising.

Sherman Adams, Herbert Brownell, and General Lucius Clay were Eisenhower's three closest confidants after winning the election. Of course, Weinberg knew Clay from the Second World War, when Clay oversaw army procurement. At the Continental Can Company, where Weinberg had served as a director since 1930, Clay was suggested by Weinberg to be the company's chairman and CEO in 1950. After the election in 1952, Adams, Brownell, and Clay got met early in the afternoon at the Commodore Hotel in New York to discuss who they might suggest to Eisenhower as treasury secretary. After circling in circles and making no headway, Clay contacted Weinberg at the Goldman office on 30 Pine Street at three in the afternoon and asked him to suggest someone within the next two hours. Undoubtedly having thought about the situation, Weinberg continued to reflect as he boarded the subway, his favored form of transit, to meet the guys at the Commodore on Forty-second Street. Weinberg subsequently said, I didn't have a good understanding of the situation when I got on the train. I then started to consider Clay. I had sparred with him many times over the manufacturing of war, but I had always believed that Clay could manage anything. He is obviously not a financial specialist, which is the problem. Weinberg had a realization while still in the tube, around Fourteenth Street.

All of a sudden, I thought, 'George Humphrey's like Clay! Why not George Humphrey, goddammit? I've always referred to him as one of the smartest people I know in business. By the time he got to the hotel, Weinberg had come to the conclusion that steel executive Humphrey ought to be Eisenhower's treasury secretary. As soon as he had persuaded Eisenhower's advisors of his own conviction, he presented Humphrey to the president. Eisenhower had never heard of Humphrey, and the two men had never met. Throughout the course of his more than four years of service under Eisenhower, he rose to prominence in the cabinet. Eisenhower once said, we all listen when George talks. Weinberg and Humphrey chatted often about the economy and fiscal policy after Humphrey was appointed, to the point where if the two men didn't speak on a particular day, Weinberg would worry about the goings-on at Treasury. The irony, of course, was that Weinberg could have easily gotten the job if he had wanted itor, perhaps, any other cabinet position at that pointbut he instead selected his favored route of becoming a force behind the throne [6]–[8].

CONCLUSION

For Jews who had previously felt at home on the left and believed that their former comrades had turned against Israel or Israeli policy, a major portion of the political left had grown very hostile of Israel in several nations. Political cartoons depicting Jewish people in ways reminiscent of Nazi propaganda were used as arguments against such policies, which some opponents of them equated to those of Nazi Germany. For instance, controversy erupted inside the Labour Party in the UK in 2016 when some of its members were said to have made anti-Semitic slurs. Several times, it seemed as if the intensity of the rage and violence against Israel did not distinguish between Jews and Israelis.

Armed assaults were made on both military and civilian objectives. Several people who were concerned about the rise of anti-Semitism in the twenty-first century cited instances of Muslim leaders using anti-Semitic cliches while speaking to their own communities. At the same time, the Internet connected many anti-Semitic organizations and offered previously divergent groups an online community.

REFERENCES:

[1] C. Cox, 'Addressing anti-semitism in social work education', *J. Relig. Spiritual. Soc. Work*, 2021, doi: 10.1080/15426432.2020.1871155.

[2] H. Beyer and U. Liebe, 'Anti-semitism today: Measuring current manifestations of hostility towards jews using factorial surveys', *Z. Soziol.*, 2013.

[3] D. Engel, 'The Concept of Antisemitism in the Historical Scholarship of Amos Funkenstein', *Jewish Soc. Stud. Hist. Cult. Soc.*, 1999, doi: 10.2979/jss.1999.6.1.111.

[4] B. Gidley, B. McGeever, and D. Feldman, 'Labour and Antisemitism: a Crisis Misunderstood', *Polit. Q.*, 2020, doi: 10.1111/1467-923X.12854.

[5] F. D'Acunto, M. Prokopczuk, and M. Weber, 'Historical antisemitism, ethnic specialization, and financial development', *Rev. Econ. Stud.*, 2019, doi: 10.1093/restud/rdy021.

[6] G. Wright, S. Volodarsky, S. Hecht, and L. Saxe, 'Trends in Jewish Young Adult Experiences and Perceptions of Antisemitism in America from 2017 to 2019', *Contemp. Jew.*, 2021, doi: 10.1007/s12397-021-09354-6.

[7] G. Antoniou, E. Dinas, and S. Kosmidis, 'Collective Victimhood and Social Prejudice: A Post-Holocaust Theory of Anti-Semitism', *Polit. Psychol.*, 2020, doi: 10.1111/pops.12654.

[8] R. Kuper, 'A Reply to "Labour and Antisemitism: A Crisis Misunderstood"', *Polit. Q.*, 2020, doi: 10.1111/1467-923X.12937.

CHAPTER 20

CONSUMER DEMAND:DRIVING FORCES OF MARKET DYNAMICS

Nibedita Chowdhury, Assistant Professor
ISDI - School of Design & Innovation, ATLAS SkillTech University, Mumbai, India
Email Id-nibedita.chowdhury@atlasuniversity.edu.in

ABSTRACT:

An economic indicator of a group's desire for a product or service based on supply is called consumer demand. It serves as a representation of consumer purchasing behavior and aids in identifying the trends among certain communities. In this chapter author is discusses the communication between the Commerce Department and the business community.

KEYWORDS:

Consumer, Business, Decision, Company, Public.

INTRODUCTION

Weinberg wanted to rejoin Goldman and finish what he had started during the war. Weinberg had rightly predicted that Goldman would be in a position to generate tremendous profits by supplying money to satisfy those demands when America's massive production capacity shifted back toward meeting fifteen years of pent-up consumer demand. It was time for Weinberg and Goldman Sachs to start making substantial money after years of Weinberg's political activism and public service. The chairman of the General Electric board, Philip D. Reed, requested Weinberg to address a gathering of corporate executives at a dinner at the Waldorf-Astoria hotel on Park Avenue in Manhattan after Weinberg was elected to the board in 1945no minor achievement for a Jewish banker from Brooklyn. Reed thought Weinberg shared his belief that GE was the finest outfit in the greatest industry in the greatest nation in the world when he introduced his new director, believing Weinberg's remarks would be insightful. By sycophantically agreeing with the boss, the majority of Wall Street bankers would smash that baseball out of the park. Weinberg not. Weinberg told the gathering, I think I'll even buy that the electrical business is a reasonably fair industry. I'll go along with your chairman about this being the best nation. But until I take a closer look, I'm darned if I'll declare GE to be the best company in the industry. The shocked gathering gave him a hearty round of applause before he immediately sat down [1].

Such shenanigans were characteristic of Weinberg and served to further endear him to his other board members for unclear reasons. For example, a suggestion was made for the directors to consider in 1953 at a GE board meeting about giving female employeesor the spouses of male employeesfive shares of GE stock should they give birth to a child during the year, which also happened to be the company's 75th anniversary. After carefully examining the suggestion, Weinberg bided his time while offering his colleagues board membersnot a young man among themone hundred shares of GE stock if any of them once again became fathers. According to one

version of the meeting, the others could not wait to leave the room and publicize thisto them humorous suggestion among their pals.

Despite the fact that Weinberg was also quite serious about the matter at issue, his colleagues board members undoubtedly loved his humor. As Walter Sachs had noted, Weinberg preferred to be a member of the board committees where the actual business of the company was conducted, such as the Executive Committee, Remuneration Committee, or Audit Committee. He was always prepared thanks to his weekend study sessions at his Scarsdale homethe McKesson fiasco notwithstandingand could therefore be a great ally to a chief executive wishing to take a certain course, if he agreed. For instance, after World War II, GE's leadership intended to invest several hundred million dollars in an ambitious growth program to capitalize on what they saw to becorrectlyan impending surge in demand for GE's goods among Americans. The amount of cash that needed to be invested, however, was not insignificant, and Charles E. Wilson, the president of GE, was not certain the board would agree. Afterwards, Wilson said, Sidney had done his research, and that was all I needed. He backed up my ideas in his incomparably compelling way, and then nothing happened. He'd be a terrific addition to your board. The principal underwriters for a $300 million bond offering for General Electric weren't Goldman and Morgan Stanley until 1956, which was eleven years after Weinberg was appointed to the board. Walter Sachs remembers Bobby Lehman's comment that it is a fantastic achievement for the company. When he contacted me in the hospital, I responded by saying, I think that's a fantastic victory for Sidney Weinberg, which it is.

The Morgans have long served as General Electric's bankers, as Sachs noted. They became excellent friends as a result of Sidney's association with Charlie Wilson and his work during the War, the Second World War, on W.P.B. Weinberg was able to use his connections to help Goldman Sachs even though he wasn't a board member of a firm. Jimmy Weinberg started working at Owens-Corning Fiberglas in 1949. This company was a partnership of the Owens-Illinois Glass Company, Corning Glass Works, and the Houghton family, a wealthy WASP family from Corning, New York. The marriage of Jimmy Weinberg to Elizabeth Houghton two years later was something of a coup, but it was nothing compared to the refinancing Weinberg secured for Owens-Corning Fiberglas, it turned out. Jimmy Weinberg's union to the Houghtons took place in the same month that Owens-Corning Fiberglas CEO Harold Boeschenstein got in touch with Weinberg to discuss potential funding sources. The Justice Department prohibited the two parent firms, which together held 84 percent of Owens-Corning, from acquiring any further shares in the business and from making any more investments.

Of course, there were many options available for answering the issue of what Owens- Corning should do, such as getting a bank loan, selling corporate bonds, or releasing stock for the first firm in the public market via an IPO. The IPO was the most profitable of the three alternatives for Goldman Sachs in terms of fees, but it was also the riskiest. Weinberg gave the issue of how Owens-Corning should obtain the required capital some careful consideration despite the fact that he was recovering from surgery at the Presbyterian Hospital in New York and was flat on his back. Of course, he wasn't the only one considering this, since the proposed funding was one of Wall Street's most sought-after jobs at the time. Notwithstanding the business of the royal wedding, it first felt like a disadvantage for Goldman Sachs and Weinberg that they weren't on the board of Owens-Corning. Weinberg sent Boeschenstein a note while he was recovering from surgery and advising Owens- Corning to obtain the required funds via an IPO. In its profile on

Weinberg, Fortune made much of the fact that Goldman had never conducted business with Owens-Corning and that Weinberg was not a member of its board of directors.

However, it was made clear that Weinberg had relationships with people outside of his family: according to Fortune, Weinberg was really good friends with Amory Houghton, chairman of Corning Glass, and William Levis, chairman of the executive committee of Owens-Illinois, from their time spent together on the War Production Board. Boeschenstein also knew Weinberg from his time on the War Production Board. It turned out that Funston and Stevens had both previously served on the board of General Foods with Weinberg, and this fortunate coincidence was crucial in securing Weinberg's hearing with Boeschenstein after Funston and Stevens had discussed some of the specifics of a purportedly brilliant financing deal that Goldman and Weinberg had carried out for General Foods with the CEO of Owens-Corning. Boeschenstein took the choice to approach Sidney about this after learning about the situation. According to reports, Weinberg gave him an off-the-cuff that was nearly the price at which the stock was finally sold when Boeschenstein asked the senior partner at Goldman what he believed the shares of his firm was worth. Goldman was chosen as the main underwriter of the IPO because to this information and Weinberg's considerable personal contacts to the decision-makers. That is the common pattern, Fortune said, the threads of Weinberg's three lifetimes entwining to build a lovely piece of business.

The regulations of the New York Stock Exchange, which demanded that businesses listed on the market be widely held, or that more than 50% of the company's shares be owned by the public following the IPO, made any solution for Owens-Corning even more difficult. Since the two partners, Corning Glass and Owens-Illinois, together held 84 percent of the business and were hesitant to sell down to the 50 percent threshold level, this might be troublesome for Owens-Corning. Nonetheless, it was at this point when Weinberg's abilities as a banker and diplomat really stood out. Not only did he persuade his friend Funston at the New York Stock Exchange to relax the rules regarding how widely held the stock issue needed to bethe 50% rule was reduced to 20%, at least in this casebut he also persuaded his friends at Owens-Illinois and Corning Glass to sell more stock than they initially wanted to, ensuring that the public would eventually own the 20% that Funston had agreed to. These concessions led to a larger IPO that eventually raised $22.5 million, of which $15.5 million went to Owens-Corning alone, and higher underwriting costs of $866,000, headed by Goldman Sachs.

After the successful Owens-Corning IPO, one of Weinberg's adoring rivals praised him, saying of him, Sidney is a magician at reconciling organizations with divergent agendas. He caused all the competing parties to believe they had prevailed in the Owens-Corning agreement, as well as in a great number of others [2], [3].

All the pieces were in place for Weinberg and Goldman Sachs to be chosen as the lead underwriter of one of the most prestigious and significant financings in history by the time the blockbuster opportunity to underwrite the initial public offering of the Ford Motor Company appeared on the radar screens of every investment banker on Wall Street in October 1953. Weinberg had a tight relationship with Mrs. Edsel Ford as well as Electric Charlie Wilson, the head of the Ford Foundation's financial committee and one of the two main Ford stockholders eager to sell shares. Weinberg had known her son Henry Ford II since 1947 when he joined the Business Advisory Council of the U.S. Department of Commerce. Henry Ford II took over as the company's president in 1945.

DISCUSSION

In order to improve communication between the Commerce Department and the business sector and, of coursein time-honored traditionas a mechanism for influential businesspeople to influence government officials, Weinberg assisted in the establishment of the Business Advisory Council in 1933. Many times a year, the council would meet with the secretary of commerce in Washington, as well as in resorts like the Greenbrier in West Virginia, Sea Island in Georgia, or Sun Valley in Idaho. In contrast to his previous achievements in his personal and professional life, Weinberg's courtship of Henry Ford II was not at all smooth. The fact that Henry Ford, the patriarch and grandfather of Henry Ford II, was famously and horrifyingly anti-Semitic, may have contributed to some of the issue. When World War I ended in May 1920, Ford's Dearborn Independent, which once had a readership of over 700,000, started harassing Jews and continued doing so for years. The International Jew: The World's Greatest Problem was sadly released after the rants were compiled, bound, and published. It just takes a little portion of Ford's ideas to demonstrate his stupidity.

In the Independent, Ford's proxies said that the Jew is the world's riddle. Despite being poor in his population, he manages the global economy. He demonstrates a continuity of race while being dispersed internationally without a home or government, something no other people have done. In practically every country where he has lived with legal limitations, he has risen to become the force behind countless thrones. The Jew will return to his homeland and control the globe from there, according to ancient predictions, but not until he has been attacked by the human race as a whole. He is in business, which is the only description that will contain more Jews than people of any other race. He may just be collecting and selling rags, but he is still in business. The Jew is very talented at business, from handling international commerce and banking to selling used clothing [4], [5]. With the death of the elder Ford's son, Edsel, in 1943, an ill Henry Ford Sr. regained control of the business for two years before handing it over to his grandson, Henry Ford II. In 1947, the same year that Henry Ford Sr. passed away, Weinberg first met Henry Ford II. The Ford Motor Company was said to be considering an IPO shortly after that as a method for the family's successors to diversify their interests, and word spread quickly on Wall Street.

There was also the impression that Henry Ford Sr. was against doing business with Wall Street, even visiting there to talk about an IPO, due to his hate of Jews and Jewish bankers. The Ford Foundation planned to employ Weinberg and Goldman Sachs to assist the foundation on its initial public offering (IPO), but his grandson had no such reservations. As a result, he was sympathetic when Electric Charlie Wilson informed him of this in October 1953. Ford informed Wilson that Weinberg was off limits. We want him to serve as the family's advisor. Unsurprisingly, the Ford family chose Weinberg as their advisor rather than the Ford Foundation, forcing the latter to make do with three consultants when one Weinberg would have been enough. Ford's answer to Weinberg's question about the duration of the assignment, I don't know, was sufficient for Weinberg, who happily accepted itas would any investment banker worth his saltand spent the next two years working on the transaction for over half of his time, mostly in secret.

The Ford IPO was similar to the Owens-Corning transaction in many aspects. The Ford Foundation, which held 88 percent of Ford's shares, and certain business managers, who together controlled 2 percent of the shares, were on one side. The remaining 10% of Ford shares belonged

to the Ford family, who also held all voting rights, which enabled them to make crucial corporate governance choices such as when the firm would go public and how it would be operated. The main challenge, according to E. J. Kahn Jr. in The New Yorker, was getting everyone to agree on how much the Fords should get in exchange for converting some of their voting rights in the firm to the Foundation-sought shares. Weinberg was left in charge of this shuttle diplomacy and alchemy. He had to come up with a solution that pleased the Ford Foundation, which could not lose its tax-exempt status, the Ford family, who insisted that the value conveyed to them for sharing their voting rights could not be a taxable event, the New York Stock Exchange, which required that the shares the foundation was selling have voting rights, and, of course, the IRS, which had to somehow approve the deal as a tax-free transaction.

Weinberg worked covertly on more than fifty different ideas on how Ford and the Ford Foundation's finances may be reorganized to the satisfaction of all parties. Weinberg once used an alphabet soup of names to cover his tracks during the process when Henry Ford was traveling in Europe and he needed to communicate with him by cablegram without disclosing any of the plan's sensitive information. He used endearing pseudonyms like Alice for Henry Ford and Ann and Audrey for his two brothers. The company Ford was Agnes, but sometimes it was just X. According to one source, Cable offices here and overseas quickly found themselves managing communications that read like passages from Louisa May Alcott. Weinberg came up with a solution that satisfied everyone by boosting the Fords' ownership interest in the business by 1.74 percent. Goldman reportedly got a fee as high as a million dollars for Weinberg's counsel, which would have been a significant sum in the early 1950s. Goldman also took part in the massive Ford Foundation offering as an underwriter, which brought in millions more for Goldman's coffers despite the potential for conflicts of interest.

After working all day, Henry Ford and Weinberg decided to attend a charity function together in Palm Beach in March 1955. As Ford led Weinberg over to greet the Duke and Duchess of Windsor, a society journalist saw them. This was the first indication that the Fords were planning an IPO. Weinberg felt a little hurt that his cover had been exposed. Later, he questioned, How could you keep anything secret under such circumstances. Of course, he nearly blew it on his own when, that same year, he flew privately to Detroit for a secret meeting with Mrs. Ford and her children and left behind the sole copy of the company's confidential financial report that wasn't in the family's possession on a newsstand at the airport. When Weinberg subsequently realized he no longer had the leather briefcase with the secret documents in his hands after they had left the airport in the limo Ford had ordered for them, he almost lost control of himself. At the time, he had come to Detroit with his friend John Whitehead. He said, John, John, where the heck did you put my portfolio? Weinberg gave the order to turn around and go back to the newsstand. The briefcase was fortunately still there where Weinberg had left it, which was fortunate for Weinberg and maybe also for Whitehead. The seller informed the two guys, If you gentlemen hadn't arrived fast for those papers, I'd've chucked 'em away.

The Ford Foundation announced on November 9, 1955, that it had recruited seven investment banks, headed by Blyth & Co., to oversee the sale of about 10.2 million shares of Ford stock22% of the foundation's holdingsin the biggest initial public offering (IPO) until that point. Goldman was one of the seven lead underwriters chosen, despite the fact that their special position as advisers to the Ford family was not mentioned. Press articles at the time said that Goldman had capital of $9.2 million and detailed how it had lead-managed $27 million worth of assets in 1954. Due in large part to the fact that the stock was typically sold to retail investors in portions of no

more than one hundred shares at a time, the total number of underwriters for the Ford offering, which was priced at $64.50 per share and generated $642.6 million in proceeds on January 17, 1956, totaled 722 investment houses. Henry Ford II attempted to contain the growing excitement for the purchase at a meeting in front of a sizable number of the underwriters. He said that some individuals were harboring unrealistic expectations of their potential for quick and fantastic rewards. Ford's stock increased 9.3 percent over the day to settle at $70.50 on its maiden day of trading on the New York Stock Exchange.

Henry Ford also gave Weinberg a handwritten note, which he had framed and stored in his office at Goldman, in addition to the consulting fee. The letter said, in part, Without you, it could not have been completed. The letter, in Weinberg's words, was the major reward as far as I'm concerned, he liked to tell visitors to his office. Weinberg and Goldman scored a major victory with the acquisition. The firstand onlyboard Weinberg served on was that of a car firm when Ford requested him to join the board of the Ford Motor Company in August 1956. Up until that point, Weinberg had a Cadillac and an Oldsmobile, two vehicles produced by General Motors, a company whose executives he knew well. He made sure the tires on his personal GM vehicles were either Goodrich or Sears. But, after being asked by Ford to join the board of directors, the Cadillac and Oldsmobile were replaced by a brand-new Mercury and a brand-new Lincoln, both produced by the Ford Motor Company.

Weinberg's ability to get business from Sears did not seem to be hampered by his absence from the board. He and Goldman really arranged and sold a $350 million debt transaction for Sears, its first in the public markets since 1921 and the greatest public debt sale up to that moment, around two years after organizing his Ford coup, the largest equity deal of all time to that date. Because of this, Weinberg was described as a financial Alexander the Great by the New York Times, meaning that he was very nearly left without any fresh worlds of securities to conquer. Weinberg responded in jest to the newspaper when asked whether he and Goldman might surpass their present achievements in the future, Maybe we'll be invited to sell bonds for the United States Government, joking that the government didn't need an underwriter to help it sell its securities. Several Wall Street rivals, he said, had jokingly indicated that Goldman may be able to assist the Treasury, but he didn't elaborate. Weinberg allegedly said, We would consider it for a price, in jest [6].

At this point, Goldman had abandoned its 30 Pine Street offices and relocated to the brand-new, ultra-modern, 20 Broad Street structure, which was close to the New York Stock Exchange. According to the Times, the addition of sixteen vertical phone boxes in the shape of turrets at each trading deskwhich offered Goldman 1,920 private access lines at all timeswas the most notable innovation of the new facility. In order to handle more customer calls more efficiently than previously, the New York Telephone Company specifically constructed the new phone system for Goldman and its traders. The second noteworthy invention at Pine Street was a vertical document filing system that moved along rails on the floor and took up one hundred square feet, or one-third of the area used for company papers. Given Goldman's growing expertise in the business of underwriting debt and equity securities for its expanding clientele, it was not particularly surprising that the company ended up embroiled in a significant antitrust lawsuit filed by the U.S. government against Wall Street's seventeen most powerful companies in October 1947.

The government claimed in its complaint that between 1915 and 1947, these companies engaged in an integrated, overall conspiracy and combination that began in 1915 and continued throughout the following years. Through this system, the banks 'developed a system' to eliminate competition and monopolize 'the cream of the business' of investment banking, the government claimed. Even though Morgan Stanley & Co., which was listed as the lead defendant, was likely the largest and most successful of the 17 securities firms named in the complaint, and even though Goldman's partners did not think the government's accusations were accurate, the firm was nevertheless happy to be included in the list of those considered to be the most influential Wall Street firms. It would have been worse to have been left out of the lawsuitas, for example, Merrill Lynch & Co., Lazard Frères & Co., and Halsey Stuart & Co., the biggest bond underwriter at the timeaccording to the muddled reasoning that circulated around the company. In order to control the fees and other financial benefits that could be obtained through the underwriting of the debt and equity securities of their corporate clients, these seventeen firms colluded with the rest of the investment banking industry and their corporate clients, according to the government's main contention.

On the fact that the CEOs of the companies issuing the securities would have complete choice over when and which banks they hired and fired, The complaint claimed that the banks maintained control over the financial and business affairs of the issuers, by giving free financial advice to issuers, besides infiltrating the boards of directors of issuers, by selecting officers of issuers who were friendly to them by utilizing their influence with commercial banks with whom issuers do business in order to preserve and enhance their control over the business of merchandising securities. The Glass-Steagall Act of 1933, which necessitated the separation of commercial banking from investment banking by June 16, 1934, must be kept in mind while discussing the final point. The majority of investment banking companies, including Goldman Sachs, made the decision to continue operating as such on that day. They either had a little amount of consumer deposits, which they immediately cashed out, or they had no desire to engage in that line of work. Businesses who were clearly more integrated and hence more dominant in the market, like J. P. Morgan & Co., were compelled to choose between the two business lines. J. P. Morgan made the decision to continue operating as a depository institution and a commercial bank.

A particularly harsh accusation was made against Goldman Sachs and Sidney Weinberg, who held more directorships than any other banker on Wall Street, alleging that these seventeen firms used their positions on the boards of directors of their clients to secure and control business in investment banking. According to the lawsuit, when a banker from one of the 17 defendant financial institutions is appointed to the board of an issuer, the other bankers understand this to be the equivalent of 'raising a red flag,' warning them to stay away. According to U.S. Circuit Court judge Harold R. Medina's ruling from February 1954, these practices took place for almost forty years in the midst of a multitude of congressional investigations, through two great wars, and under the very noses of the Securities and Exchange Commission and the Interstate Commerce Commission, without leaving any direct documentary or testimonial proof of the formation or continuation of the combination and conspiracy. Only nine pages into his remarkable 417-page judgement, he continued plainly, The government case hinges completely on circumstantial evidence.

As if his judicial leanings weren't already evident by this blatant tone of disbelief. Judge Medina dismissed all the accusations on merits and with prejudice on september 22, 1953, essentially

stopping the government from pursuing further legal action against the seventeen securities businesses. The defense had brought requests for summary judgment before Medina, who merely heard the government's side before dismissing the case. A few weeks later, on October 14, he released his full decision, a significantif little seendistillation, preserved in amber, of the history of American investment banking from its inception through the first half of the 20th century. Judge Medina's assessment of the company, in my view, provides the finest portrayal, according to Walter Sachs. The paper was amazing. Any historian who writes about investment banking will wish to pay close attention to this paper. The decision of Judge Medina is a very wonderful piece of writing. It provided a clear illustration of how investment banks attract business. According to Medina, the investment banking companies did not break the law. Yet his in-depth examination made it unclear if Wall Street's actions at the time advanced its purported goal of assisting businesses in raising money for expansion or whether much of the activity of the banks was intended to boost the bank accounts of its top partners. Even if something is legal, is it just? The antitrust lawsuit exposed how Goldman leveraged its contacts to get business, despite the fact that it was not the primary defendant.

The government's accusation that these companies placed their partners on the boards of their customers' companies in order to maintain influence over their future investment banking operations was especially pertinent to Goldman. Judge Medina examined every single one of the 1,117 underwritten securities offerings from 1935 to 1949 in an effort to determine if these banker-directors had any impact on the choices made by their customers over where to focus their investment banking business. His initial finding was that, throughout this time period, just 140 of these underwritings, or 12.5%, came from issuers with partners from investment banking firms sitting on the boards. He also discovered that Goldman, Lehman, and Kuhn, Loeb, the older firms who had in the early days become more or less accustomed to having a partner on the board of an issuer because they sponsored the issue, and as a measure of protection for the investors to whom the securities were sold, underwrote the majority of these 140 issues [7], [8].

CONCLUSION

The right of consumers to be free from dangerous products and services that endanger their lives and property. Consumers must pay fair prices for the items they buy, and they have a right to information about the amount, consistency, purity, strength, and quality of the goods and services they get. In economics, the law of demand is a crucial idea. It describes the connection between demand for a certain number of products and services and other elements like price, preferences, income, and the number of consumers. Demand and supply relate to the link between price and the quantity that customers desire from producers and the amount that producers provide.

REFERENCES:

[1] F. Wu, Q. Sun, R. Grewal, and S. Li, ‘Brand Name Types and Consumer Demand: Evidence from China’s Automobile Market’, *J. Mark. Res.*, 2019, doi: 10.1177/0022243718820571.

[2] C. Y. Lin, S. Y. Liaw, C. C. Chen, M. Y. Pai, and Y. M. Chen, ‘A computer-based approach for analyzing consumer demands in electronic word-of-mouth’, *Electron. Mark.*, 2017, doi: 10.1007/s12525-017-0262-5.

[3] T. P. Moorhouse, M. Balaskas, N. C. D'Cruze, and D. W. Macdonald, 'Information Could Reduce Consumer Demand for Exotic Pets', *Conservation Letters*. 2017. doi: 10.1111/conl.12270.

[4] A. D. Hunka, M. Linder, and S. Habibi, 'Determinants of consumer demand for circular economy products. A case for reuse and remanufacturing for sustainable development', *Bus. Strateg. Environ.*, 2021, doi: 10.1002/bse.2636.

[5] M. J. Fell, A. Schneiders, and D. Shipworth, 'Consumer demand for blockchain-enabled peer-to-peer electricity trading in the United Kingdom: An online survey experiment', *Energies*, 2019, doi: 10.3390/en12203913.

[6] K. J. Shin, N. Tada, and S. Managi, 'Consumer demand for fully automated driving technology', *Econ. Anal. Policy*, 2019, doi: 10.1016/j.eap.2018.10.002.

[7] J. Pallant, S. Sands, and I. Karpen, 'Product customization: A profile of consumer demand', *J. Retail. Consum. Serv.*, 2020, doi: 10.1016/j.jretconser.2019.102030.

[8] R. H. W. Boyer, A. D. Hunka, and K. A. Whalen, 'Consumer demand for circular products: Identifying customer segments in the circular economy', *Sustain.*, 2021, doi: 10.3390/su132212348.

CHAPTER 21

UNDERSTANDING THE GOVERNMENT'S DOCUMENTARY EVIDENCE

Divya Vijaychandran, Assistant Professor
ISDI - School of Design & Innovation, ATLAS SkillTech University, Mumbai, India
Email Id-divya.vijaychandran@atlasuniversity.edu.in

ABSTRACT:

Evidence with a record of some form is referred to as documentary evidence. There are regulations in place to establish whether documents are admissible as evidence in court and to assist the judge (or jury) in determining what the papers indicate. In this chapter author is discusses theantipathy between the two firms.

KEYWORDS:

Business, Conspiracy, Document, Government, Finance.

INTRODUCTION

According to Medina's chart, out of the fifty issues that Goldman underwrote for its clients over the course of these fifteen years, about twenty-seven of themor 55 percentwere for clients who had a Goldman partner on the board of directors. This was by far the highest percentage of any of the seventeen defendants. The government's documented proof and these figures, however, failed to persuade the court that there was any conspiracy. He used the extraordinary lengths that Goldman and a smaller, regional Minneapolis investment bank, Piper, Jaffray & Hopwood, went to in order to prevent another rival, White Weld, from receiving financing for Pillsbury, the Minneapolis-based food company, as proof for his claim. This battle lasted for almost ten years. On Pillsbury's board, Henry Bowers served as a partner for both Piper and Goldman. According to Medina, Goldman and Piper had been in privity with Pillsbury since since the two businesses collaborated on a financing for the company in 1927. When Pillsbury considered refinancing $6 million in 6 percent first mortgage notes seven years later, in 1934, Goldman and Piper anticipated to be given the go-ahead and started putting forth suggestions in early 1935 [1].

The difficulty came from the fact that John S. Pillsbury, the company's chairman and main shareholder, had became good friends with Harold B. Clark, or Ben, a senior partner at White, Weld. Pillsbury retained a large amount of his money in an accountand a very significant oneat White, Weld, requested Clark to act as a trustee for his children's trust fund, spoke to him about the boys' educational options, and sought his guidance on a variety of other financial issues. Goldman battled tenaciously against this danger to their company, utilizing Bowers's position on the board as a weapon and making overt threats against White and Weld. At one time, Bowers made contact with Faris Russell, a White, Weld partner. Neat little sparring match occurred, Medina said, quoting Bowers's version of the discussion from a letter he sent to Piper that same day. John's buddies include him and Benny Clark, according to Bowers. I told him that John would talk to him, as he does with everyone, but that I was absolutely confident that you and we could hold the business and that White, Weld would only bother us and make us conduct the

business on a closer basis than was fair; that if White, Weld, who claimed to be high-toned people, felt that that was a sound and fine action to take in competing with other friendly houses, members of which were on the Board of Pillsbury, it would be a I made an effort to make him feel a bit guilty and to make him realize that his conscience would have to be his guide [2], [3].

It is worth remembering how desperate Goldman Sachs must have been at that time to win a significant piece of new business in the middle of the Great Depression and in the years after the firm's reputation had been so severely damaged by the collapse of the Goldman Sachs Trading Corporation. While it is uncommon to get a ringside seat into how the sausage is made inside an investment bankand rarer still in 1935, no lessit is worth remembering how rare it was to do so. The conflict persisted. Goldman and Piper continued to battle for the agreement and attempt to exclude White, For more than two years after it was first proposed. On June 8, 1938, Bowers informed Piper in a letter that he had spoken to Pillsbury and had learned that Thomas Parkinson, the head of the Equi Life Assurance Society, had been introduced to Pillsbury by Ben Clark. The Equi Life Assurance Society was looking to give Pillsbury the funding it required to refinance the mortgage securities. This posed a severe danger to Goldman and Piper since they would find it difficult to argue their case for payment if Pillsbury ended up closing the deal with the Equi and Clark had introduced them.

Pillsbury went on to state that he wouldn't think of doing anything more than explaining to the Equi President your position and my position on the board, the idea being that if they do anything, or could do anything, with an insurance company, we should arrange it for the Company, Bowers recalled to Piper. How might a refunding be organized with an insurance company or firms and you and I be taken care of, he directly inquired? After meeting with Parkinson, Pillsbury had her mortgage bonds refinanced by the Equi. Sadly, White, Weld received nothing with its work, and Goldman and Piper, Jaffray shared the price for the private placement between Pillsbury and the Investors, much to the shock and chagrin of Clark. In an October 1939 letter from Bowers to Piper, where he bemoans the possibilitythen under discussionthat either Piper or Bowers, or both, would be removed off the Pillsbury board, the influence of being in the Pillsbury boardroom for both Goldman and Piper, can be seen plainly.

Bowers said that Piper and he could perform better, productive work if they both stayed on the Pillsbury board, not just from my own personal point of view, but from the perspective of what appears best for the interests of G.S. & Co. This result was judged fair and lawful by Judge Medina. In a further occurrence, which took place in August 1944, Pillsbury considered selling shares. White and Weld wanted to get in on the activity once again, while Henry Bowers at Goldman fought to keep them out. White, Weld did get a portion of the 75,000-share stock offering this time, but it was just 2,000 shares, or 2.7 percent. Judge Medina came to the conclusion that this was typical, strong competition on Wall Street based on this ten-year drama at one firm in the Midwest. That was outright competition of the most brutal kind, according to Medina. The 18-year agreement Goldman had with Lehman Brothers for the underwriting of stock issues was far more difficult for Medina to understand and defend since it first seemed to be outright collusion.

They reached a amicable agreement in January 1926 for how the businesses would divide fees and customers going forward, even though the stated arrangement terminated in the 1920s. The document was remarkable because it was even there. The fact that Goldman Sachs and Lehman Brothers, who were fierce rivals for most of the second half of the 20th century and the first eight

years of the 21st, continued to work together in an underwriting joint venture for so long is evidence of how difficult it was for these two primarily Jewish firms to challenge the Wall Street system at the time. This second agreement lasted another ten years before it imploded spectacularly, with the exception of a brief correspondence between Catchings for Goldman and Philip Lehman for Lehman Brothers at the end of January 1926. During that correspondence, the language regarding how the trading accounts of the two firms were exempt from the agreement was modified. Walter Sachs testified in July 1951 that the partition of the management fee between the two businesses after an underwriting was the primary reason for the acrimonious conversations between them. With the enactment of the Securities Act of 1933, the management fee was a relatively recent phenomena among underwriters and was created to reimburse the lead underwriter for the extra effort necessary to comply with the SEC rules.

DISCUSSION

John Hancock, a partner at Lehman, made it plain in a letter dated February 6, 1936, addressed to Messrs. Goldman, Sachs & Co, that he thought Goldman had broken the terms of their amended contract. Hancock said, We think we have behaved totally in conformity with these memos and their spirit, after citing the written agreements from the 1920s. Hancock then stated in his letter that recent financings Goldman had completed for Brown Shoe, National Dairy, and Endicott-Johnson indicate clearly that you have not felt bound by your agreements with us, despite the fact that no notice has yet been given to us of the termination of the arrangement to which both firms were parties. Given the circumstances, we don't see any other course of action for us except to advise you that because the agreement hasn't been controlling on you for a while, we are unable to accept any obligation included in the written agreements that we have always taken to be controlling upon us. We believe that we have done all necessary to carry out an agreement that we both agreed to keep going, but we also believe that you have rendered any further continuation of our arrangement impossible [4].

Goldman answered in writing the next day. Sidney Weinberg wrote on behalf of his partners, We find ourselves unable to concur with the description of the facts contained above, but we cannot see that it would serve any beneficial purpose to get into a debate of these topics which are clearly extremely contentious. Consequently, we will be satisfied with stating that even while we cannot accept the premises on which your conduct is founded, we do accept your conclusion that our agreement has come to an end. On February 18, 1936, Herbert Lehman, a partner at Lehman Brothers, wrote to Thomas H. McInnerney, the CEO of National Dairy Products Corporation, offering his resignation as a board member of the company. He then lashed out at McInnerney and the company for siding with Goldman Sachs on which firm would lead an upcoming financing, which brought the hostility between the two firms to a low point. The next year, Goldman and Lehman engaged in a similar argument over a deal involving Cluett, Peabody, which Goldman likewise prevailed in.

In his July 1951 evidence at the antitrust trial, Sachs also recalled how the two companies once again clashed over responsibilities and how to divide the management fee during a conversation about a financing with General Foods. According to Sachs, the issuer's management were irritated by the dispute and threatened to take their business elsewhere unless GS and LB united, maybe even going so far as to have informal negotiations with other bankers. At the time, Sidney Weinberg was on the General Foods board. Sachs said that GS and LB worked together on the General Foods matter in the interests of peace. Sachs brought out William Hammerslough, a

partner at Lehman, to attempt to come up with a means to stop further public manifestations of animal spirits in order to quell the growing hostility between the two corporations. In a second memorandum dated June 30, 1938, Goldman and Lehman split up a new list of 42 firms and outlined how they would split underwriting fees if they were fortunate enough to get finance from these companies in the future. This message was an attempt to avoid a public event like the National Dairy disagreement from happening again. Depending on the client, the inclusion of a second houseGoldman or Lehmanin a given piece of business, and if included, its position in such transaction, is subject to consent on the side of the Company engaged and subject to the rights of any house, the document said. Both houses are to exert their best efforts so that the above-stated principles of mutual participation may be The new agreement had a six-month period that would conclude on January 1, 1939, unless the parties agreed to an extension.

With the exception of a 1945 finance that Goldman, Dillon, and Read underwrote for tire maker B. F. Goodrich without Lehman, the arrangement was afterwards mostly upheld. Despite all of these verbal and written agreements made between Goldman and Lehman over the course of 32 years, Judge Medina concluded that nothing in these agreements... supports the government's claims of an overall, integrated conspiracy and combination, as there is no evidence that any of the other defendant firms were parties to the agreements between Lehman Brothers and Goldman Sachs, or that they were aware of the existence of these memoranda. Despite Medina's assessment of this arrangement, Walter Sachs at Goldman and John Hancock at Lehman Brothers found themselves in the awkward position of having to publicly defend the arrangement and convince a sceptical public that they weren't working together to harm businesses looking for financing.

Henry V. Stebbins, the special assistant to the attorney general who presented the case to Judge Medina in room 1505, of the federal courthouse in Foley Square, suggested eerily eerily reminiscent of words Senator Carl Levin would utter five decades later that these bankers were playing on both sides of the ball to the detriment of their clients. They counsel their customers on what they should sell and the price at which they should sell it while sitting on one side of the table, he claimed. Then they turn around and purchase it on the opposite side of the. The opening speech by Stebbins lasted for four and a half days. Then Arthur Dean, a lawyer at Sullivan & Cromwell who is defending five of the defendants, including Goldman Sachs, entered the room and began to question the government's claims, as one would anticipate. He said that he was happy about the trial since Congress had been effectively demonizing bankers for years without giving them a chance to tell their side of the story.

As a result, when Dean finally had the chance, he fought for the dismissal of the accusations against Goldman Sachs and spoke out in favor of the company's dignity whenever possible. Automobiles, rubber tires, and wheels without spokes appeared early in this century, he remarked. Although not having the right to vote until 1920, women were working in offices and companies and had less free time to knit, sew their own clothing, bake, and preserve. It was necessary to prepare, can, and distribute food and meat in new ways. Machines were used to create store-bought apparel, including hosiery and shoes. Goldman, Sachs & Co. assisted in financing the shift in our society. Walter Sachs was the partner whose responsibility it was to ensure that Goldman Sachs did not get a conviction in the antitrust trial. Walter Sachs had long labored in the background at Goldman Sachs while Sidney Weinberg basked in most of the firm's glory. He provided the government's lawyers with a lengthy deposition in December 1948 that lasted for four days and was close to 400 pages long during the pretrial stage of the case.

Early on in the deposition, Sachs provided an insightful illustration of how Goldman specifically saw the role of an investment banker in 1948. I believe that an investment banker should be a someone who, via his experience, his training, and his education, should be in a position to provide firms, issuers, competent advise on the subtleties of finance, he stated. And he should be in a position to deliver solid investment advice to institutional or individual clients because of all these qualities, the statement said. Investment bankers sought out guys who are schooled in such institutions as Harvard Business School and served on the boards of directors for their customers as a result of the professional features of the industry. The challenges are quite real the problems of commerce, the problems of marketplaces, he said. There are always very serious difficulties that arise, and in my view, the only way to have greater understanding of and judgment about a company's problems over time as a director is to be in frequent touch with them. From the perspective of the corporation and the investing public, I believe it is preferable.

According to Sachs, Goldman was a veritable machine for generating new business. I'm not trying to be facetious, but I will say this, he said in his testimony. We have members of our organization who devote themselves almost exclusively to ferreting out opportunities of doing new business, and I would also have said that of course a major part of the activity of our partners, or at least some of our partners, is to originate or ferret out and get new business, and we all do it at one time or another. Salespeople must constantly be selling, to quote David Mamet in Glengarry Glen Ross, but many other businesses' favored new-business strategies at the moment on Wall Street might best be summed up as waiting for the phone to ring or waiting for the business to float in over the transom. This was not Goldman's plan, and the company instead employed a network of offices outside of New Yorkin Chicago, Boston, St. Louis, and Philadelphiaas well as having agents in Detroit, Albany, and Buffaloto stay in frequent contact with businesspeople throughout much of the nation.

To a doubt, there was some fierce rivalry among the many investment banking companies for clients, notwithstanding the government's claims in the antitrust case. Yet despite exploiting its expanding network of relationships, Goldman lost its share. In fact, during Sachs' cross-examination, Arthur Dean, his attorney at Sullivan & Cromwell, grilled him with questions about one unsuccessful underwriting after another in an attempt to convince Judge Medina that Goldman could not have conspired with the other defendants to obstruct trade. Recall the October 1948 $75 million Michigan Bell Telephone bond issue? According to Sachs, they fell down pretty dramatically after the public offering price. There was an extremely sad situation. At around the same time that AT&T announced a $150 million bond sale, Goldman made the decision to promote and sell the bonds. Suddenly, there was an imbalance between supply and demand. He said that some investors sold out at a reduced price and lost quite an amount of money. In August 1937, Pure Oil had a terrible preferred stock offering, Bethlehem Steel issued another extremely bad $48 million bond, and Reynolds Tobacco Company issued a disastrous preferred stock offering in September 1948.

In general, however, Goldman Sachs proven to be an expert at leveraging its business ties and converting them into large profits over many years for the firm's partners via continual trial and errorand through friendships refined and burnished over many years. Consider the corporation's lengthy partnership with Merck, the significant German pharmaceutical giant. During World War I, circa 1919, the Alien Property Custodian's office had acquired the German Merck family's stock in the firm and was creating arrangements to transfer of those shares to American interests. At that time, Goldman and Merck first became acquainted. George Merck, the firm's founder,

devised a strategy to sell his shares via a public stock offering with the help of Alfred Jaretzki, the senior partner of Sullivan & Cromwell. This enabled the American branch of the Merck family to gain greater control of the company. Jaretzki presented the offer to Goldman Sachs, the top customer of his business. Goldman successfully sponsored a preferred stock issue in 1920 to take the company public. Waddill Catchings joined the Merck board of directors at the time. Merck continued to be a dependable and, as it expanded, a profitable customer for Goldman.

The May Department Stores Company and Goldman had a long-lasting and successful connection. In 1919, Sachs became a member of the company's board. He began making frequent tripstwo or three times a yearto St. Louis as a consequence of that job in order to look for business prospects at May and at other significant St. Louis corporations. Sachs had developed strong relationships with the May executives as well as those at Kaufmann Stores, a comparable premium department store company situated in Pittsburgh and headed by Edgar Kaufmann. Sachs said that the Kaufmann Store was always in the back of my thoughts because it was a shop quite similar in kind... to the May Stores and because it was placed geographically where it was a logical thing to tie the two together. Sachs had been chatting with Kaufmann for approximately 10 years about his suggestion to combine the two businesses. Sachs knew May was interested in such a transaction if he was able to interest Kaufmann since he had given Sachs the go-ahead before to chatting with Kaufmann. For a while Sachs's proposal floundered because Kaufmann intended to retain the company independent and hand it on to his son, Edgar Jr. Kaufmann Sr. assured Sachs, Oh, they cannot pay me anything near what I am ready to accept.

Later, Sachs learned that Edgar Jr. had changed his interests and had been appointed an assistant curator at the Museum of Modern Art in New York. Here is the opportunity to complete this transaction that I have been dreaming about since he won't have that goal longer, Sachs told his coworkers as soon as he entered the office that morning. The time Sachs chose was ideal. There was a widespread understanding that if the terms could be worked out, both parties would be interested in a deal. A protracted discussion followed. In the end, Sachs remembered, figures were exchanged, weighed in the balance, and, along with us and after prolonged negotiations, an equation was ultimately worked out to which the two men agreed in so far as they could. The respective boards of directors of the two firms were then presented with the transaction. Sachs naturally excused himself from the board vote since he was a member of the May Company's board and Goldman would be paid for its assistance in drafting and negotiating the acquisition. He only remained for the first hour of the board meeting, during which I expressed my conviction that this was a positive thing.

Next came our portion of the effort, he continued, in ensuring that all the mechanics were carried out appropriately, once the agreement had been authorized by both boards. Goldman continued to counsel May on more acquisitions and financings, but according to Sachs' testimony, the account had not been profitable in the lengthy history of the two companies' relationship until Goldman earned its fee for the Kaufmann transaction. It turned out that this type of behavior was not unusual, which was hard for the government attorneys to comprehend. According to Sachs, he and his associates often provided free advise to corporate leaders in passing in the hopes of securing a future M&A assignment or underwriting. These spontaneous discussions were common, particularly when the Goldman partner in issue held several board positions concurrently, as Sidney Weinberg and Henry Bowers did. About fifty dollars per year were paid at the time as pay for board membership. In response to these remarks, the government attorneys questioned how Goldman could continue to operate without receiving compensation for its

counsel. He said, Financing does sometimes occur with these firms, and we make every effort to maintain the connection that we have by providing them with appropriate counsel. When it comes time for a securities offering, we obviously wish to be chosen to receive them.

He said, I cannot underline the fact that in Goldman, Sachs & Company's history there has never been an agreement of any type as to a prospective entitlement to a future piece of financingever, obviously playing to the crowd since this was a deposition leading up to a major antitrust lawsuit. Sachs made much of the notion that it was sometimes pointless to attempt to woo customers away until and until there was a chink in the armor of a firm's relationship with its client. This didn't imply any sort of unspoken agreement among bankers about such matters, he acknowledged, but rather that there was a well-developed understanding that existing relationships between bankers and companies develop over a long period of time and frequently involve close personal relationships, making it often not worthwhile to spend the valuable time necessary to pry a potential client loose if there was no compelling reason to do so. Of course, there were other instances when other companies attempted to unseat Goldman Sachs from its position at a particular corporation, only for the Goldman partners to naturally go to tremendous efforts to keep that from occurring. One occasion, in 1930, Sachs used all of his might to keep Dillon, Read & Co. out of Goldman'sat the time, ostensibly still unprofirelationship with May Department Stores. Dillon, Read was connected to Henry Ittelson, the CEO of Commercial Investment Trust, now known as CIT, and had helped fund the company.

The May family was a significant investor in CIT, which was at the time also situated in St. Louis, and Ittelson had started out in business at May. Five years later, in 1935, Sachs once again had to defend Goldman from a rival trying to obtain access to Brown Shoe Company, another St. Louis-based customer where Sachs served on the board, from a rear-guard action. This time, Stifel, Nicolaus & Co. was the intruder. Inquiring about their interest in perhaps heading such a transaction for the firm, several underwriters were contacted by Brown Shoe, which was thinking about completing a financing. The Brown Shoe Company should work with us rather than with someone else, Sachs said, I suppose it was around this time that I hopped on a train and went out there. I might add to that by noting that during the height of the Great Depression, they were among the companies who were really uneasy in their interactions with us. I made every effort at the time, and afterwards, and I believe successfully, to maintain their business. Ultimately, Goldman and Lehman completed the $4 million bond purchase without the assistance of Stifel Nicolaus. Sachs took the witness stand in May 1951 after the government added significant portions of his deposition to the court file.

In a very egotistical sense, Sachs thought of himself as a solid testimony for Goldman. In other words, he felt Judge Medina was someone Wall Street could do business with and, thus, was worth banking on to do the right thing and find in its favor. He loved observing Judge Medina up close and regarded him to be extremely clever. He said that his personal viewpoint, Sidney Weinberg's position, and the position of his company were all steadfast from the beginning. I was never, ever ready to hear any argument against a consent decree. I believed that a financial institution's connection with its customers was somewhat professional in nature. I've already said that I would never consider any kind of compromise. He recalled telling the firm's colleagues and bankers at other companies, We will never surrender to this, along with Weinberg. Yet if Medina's decision went against the industry, Goldman was ready to keep going up against the government. Sachs said that Goldman would file an appeal and that it had also requested the cooperation of its clients in testifying on the firm's side.

Over 309 days in court, the antitrust trial against Wall Street lasted over three years. Around 6 million words and approximately 24,000 pages made up the trial transcript. The case-related printings totaled around 108,000 pages. The seventeen businesses spent millions of dollarsthe New York Times pegged it at $6 millionon legal bills to defend themselves. At a period when the firm's entire capital was roughly $6 million, Goldman reportedly spent $700,000 on Sullivan & Cromwell, which is an impressive amount. First Boston alone paid $1 million on its legal counsel. Goldman never thought about reaching a settlement with the government or exploring the potential for a consent decree. According to Sachs, Goldman was completely solid because we believed would be a mistake. We had faith that the extremely bright judge would comprehend the matter if it was given to him correctly and clearly, and that the outcome would be what, in our opinion, should have been the case [5], [6]. Goldman Sachs made a wise wager. Medina really decided to make his announcement during a procedural hearing because he was worried that information from his written opinion, which was at that point over 80% complete, might get out. He drew up his ruling on a yellow legal pad with a fountain pen throughout the hearing. He astonished the roughly forty witnesses present that day in court.

He dismissed the case by writing on his legal pad, I have come to the settled conviction and accordingly find that no such combination, conspiracy and agreement as is alleged in the complaint, neither any part thereof, was ever made, entered into, conceived, constructed, continued or participated in by these defendants, or any of them. Due to the absence of a combination, the monopoly fees are forced to reduce. Wall Street naturally exhaled a sigh of relief that Medina had decided in its favor. There would be zero changes to the way investment bankers conducted their business of funding the explosive postwar expansion of American industry, despite the years' worth of headlines and the massive amount of documentssome of them unflatteringthat were created. When it came to Goldman, Medina determined that the company had a competitive policy that was in every sense aggressive and that it was at no time a party to any scheme or plan involving deferring to any other investment banking house, or holding off because of'satisfactory relations' between an issuer and any of the defendant firm or any other firm named or not named as an alleged co- conspirator. Contrarily, there are signs that Goldman Sachs even went beyond the boundaries of fair competitive effort in its quest to acquire every possible piece of business, given the constraints of its staff and its resources.

Sachs was convinced that the investment banking industry had been justified by the trial, that it had a very bright future, and that it would continue to draw the best and the brightest from the top business schools in the country. The investment banking business, as a profession, performs a perfectly huge function for American industry, he said. More importantly, he said in a familiar-to-modern ears argument that the industry now earns every dollar that it receives, putting out this claim without fear of disagreement. He stated, You have to have an organization of highly skilled professionals year in and year out. You must pay your sales staff commissions for sales. He said that despite the fact that the investment banker also paid selling commissions, the press made much of the allegedly enormous feesfour or five hundred thousand dollarsthat the banker earned for financing a transaction. They've covered the cost of printing. They have paid for the telephone and telegraph. They paid for these highly skilled individuals who graduated from the Wharton School, the Columbia Business School, or the Harvard Business School. These individuals are career guys who earn large salaries.

During the Great Depression, Harvard Business School graduates turned away from Wall Street and sought employment in corporate America, according to Sachs. Naturally, they are now

returning in the more recent active years. Several of our most talented guys have graduated from the Harvard Business School. Every year, guys from the top third come to us. Several of them remained on to form partnerships. Others spent several years at Goldman before leaving to work for other companies, where they often remained loyal to the company and brought in new business. It goes without saying that Goldman, Sachs and Company are friendly since they received this training from us. He believed Goldman would continue to draw the most talented and intelligent individuals. He said, It seems to me that it's a beautiful profession for young guys, just as chemistry is a wonderful field and a lot of other things are wonderful fields. Money is always in style, he informed these young guys, employing a quaint expression that belonged to my uncle Henry Goldman. There was one, and the other said, You must follow the trends. He meant by stating that you must align your funding with what is in fashion at the time. The next 10 years would be enormously busy years in investment banking, as the industry would flourish. In April 1956, Sachs said, And it's clear why. You simply need to read the daily newspaper to realize the massive sums of money needed by industry for plant construction and development. Yet, there would be a break in the boom. We'll definitely have it, he said.

I don't think we're going to see a slump or a fiasco like 1929 or 1930, but I may be mistaken. Yet, business grows and then gradually declines. There shouldn't be any question, in my opinion. The population is still growing, which increases demand for consumer products, which necessitates the construction of factories to manufacture such things. The population growth is the biggest factor. I believe it to be that straightforward. He said that the cause for 1929 was simple to understandhere was cheap money, and it was advantageous for individuals to incur debt from a tax perspective. Currently, you follow that path up to a certain point, but it takes care of itself in a particular sense because you must choose a different path if your debt to asset ratio becomes too much. With the exception of seven other investment banks, Goldman had greater equity capital ($6.5 million) at the conclusion of World War II. The company with the largest capital was Merrill Lynch ($11.4 million), followed by Wertheim & Co. ($10.6 million), and Loeb, Rhoades ($10.3 million). Bear Stearns had $6.9 million, barely above Goldman, while Lehman Brothers had $9.9 million. Lazard Frères & Co. came in second on the list behind Goldman with $6.447 million.

The twenty-sixth-ranked company on the list, Morgan Stanley, had $2.9 million invested in the company by its partners. Sachs had an idea for how Goldman might increase its share of the market. Essentially, Sachs's goal was to identify businesses where rivals did not yet have a foothold and then provide the highest-quality service imaginable to ensure the company would have the greatest opportunity of securing business and subsequently returning business. He stated, Industrilists naturally go back to financial firms that have done a fantastic job. You wouldn't have one guy compete against another if you had a lawyer or a doctor who had done well for you. You're likely to retain the same attorney again. You're probably going to see the same doctor again. In a similar vein, you're probably going to stick with the same lender. He said that although Goldman worked to maintain our own fences well patched, it also sought to take advantage of flaws at other businesses.

We are continuously looking for vulnerabilities. The first hints of a business philosophycall it the idea of being long-term greedythat would serve as the foundation of the Goldman Sachs partnership for the next fifty yearseven as it evolved into a global behemoth that Sidney Weinberg and Walter Sachs would not have recognizedappear in Sachs' 1956 musings about how to win investment banking business and its future [7], [8].

CONCLUSION

In the judicial system, documented evidence has a higher position to other types of evidence. Documentary evidence must be supported by primary evidence, with the exception of public records. Secondary evidence may be used to support public records. Documents are referred to as dead evidence, in contrast to witnesses, who are referred to as live proofs. In terms of longevity, reliability, and other factors, documentary evidence is preferred over oral testimony. It also gives the reader closure while reinforcing the significance of the paper's contents. It does this by removing itself from the details in order to see the document's overall context.

REFERENCES:

[1] C. Gordillo, 'Peacebuilding in Colombia: teachers' and students' perspectives on the Lectures on Peace', *Peacebuilding*, 2021, doi: 10.1080/21647259.2020.1731124.

[2] 'A preliminary global inventory of historical documentary evidence related to climate since the 14th century', *Past Glob. Chang. Mag.*, 2020, doi: 10.22498/pages.28.2.58.

[3] G. Battipaglia *et al.*, 'Five centuries of Central European temperature extremes reconstructed from tree-ring density and documentary evidence', *Glob. Planet. Change*, 2010, doi: 10.1016/j.gloplacha.2010.02.004.

[4] S. Tang and D. Demeritt, 'Climate Change and Mandatory Carbon Reporting: Impacts on Business Process and Performance', *Bus. Strateg. Environ.*, 2018, doi: 10.1002/bse.1985.

[5] S. Ulucanlar, G. J. Fooks, J. L. Hatchard, and A. B. Gilmore, 'Representation and Misrepresentation of Scientific Evidence in Contemporary Tobacco Regulation: A Review of Tobacco Industry Submissions to the UK Government Consultation on Standardised Packaging', *PLoS Med.*, 2014, doi: 10.1371/journal.pmed.1001629.

[6] M. Carmona and A. Renninger, 'The Royal Fine Art Commission and 75 years of English design review: the first 60 years, 1924–1984', *Plan. Perspect.*, 2018, doi: 10.1080/02665433.2016.1278398.

[7] A. F. Khalid, J. N. Lavis, F. El-Jardali, and M. Vanstone, 'The governmental health policy-development process for Syrian refugees: An embedded qualitative case studies in Lebanon and Ontario', *Confl. Health*, 2019, doi: 10.1186/s13031-019-0231-z.

[8] L. A. Tetteh, C. Agyenim-Boateng, S. N. Y. Simpson, and D. Susuawu, 'Public sector financial management reforms in Ghana: insights from institutional theory', *J. Account. Emerg. Econ.*, 2021, doi: 10.1108/JAEE-06-2020-0134.

CHAPTER 22

INSIDE INFORMATION: UNVEILING SECRETS OF DEVELOPING ECONOMIES

Vipul Pancholi, Assistant Professor
ISME - School of Management & Entrepreneurship, ATLAS SkillTech University, Mumbai, India
Email Id-vipul@isme.co.in

ABSTRACT:

Insider information, often known as inside knowledge, refers to unreleased details about a publicly listed firm that might provide investors a competitive edge in the markets. Economic information refers to financial and economic calculations, including capital cost estimates, anticipated expenditures, price forecasts, and estimates of metallurgical recovery, for any future mining of an ore body. In this chapter author is discusses the group of rough-and-tumble entrepreneurial clients.

KEYWORDS:

Arbitrage, Godman, Inside, Levy, Trading.

INTRODUCTION

The previously stated telephone-turret trading desk was made specifically for the business by New York Telephone and was featured prominently in the New York Times on April 1, 1957, the same day Goldman relocated to 20 Broad Street. The invention was really just a collection of large, vertical rotary phones with 120 separate access lines and the ability to listen in on any of their fellow traders' talks by pressing a button on the desk for more flexibility in conducting business. At the time, this represented a material breakthrough. Thirteen Goldman traders can be seen in the image seated at their respective turrets, and each of them is wearing a suit jacket. Gustave Lehmann Levy, who was then the partner in charge of the firm's developing trading activities, was standing behind one of the traders, dressed tastefully in a suit and pocket square, a tight-collared shirt, a tie bar beneath the knot of his tie, and slicked-back black hair. Levy, who was almost six feet tall and athletic, seemed especially aristocratic on that particular day. Although he was everything but, his significance to Goldman Sachs was undeniable. Levy was referred to as the company's new dazzling genius with a wonderful flare for the security industry by Walter Sachs a year before during one of his reminiscences of his banking career. Walter Sachs later noted that Levy was the fourth genius in the firm.

Levy's childhood was everything from polished, despite how he seemed in that artfully posed photograph. Levy, the sole child of box maker Sigismond also known as Sigmund)Levy and Bella Lehmann Levy, was born in New Orleans in May 1910. Levy's father was a box maker, but someway that fact changed over time. L. Jay Tenenbaum, who for years worked directly under Levy at Goldman, recalled being informed that His father was a middle-class doctor. At the age of 47, Sigmund Levy passed away in June 1924. Once Sigmund Levy passed away, Bella was

able to relocate the family to Paris so that Gus could attend the American School with some insurance money. When asked why the Levy family relocated to Paris, Tenenbaum said, She wanted to show the people in New Orleans that the Levys were someone. According to him, Bella attempted to wed one of the daughters to European nobility, but things did not work out so well. To be honest, she was kind of an ugly sister. It was immediately determined that Gus' six months of bar-hopping and inactivity were not the greatest for him.

The New Crowd, a 1989 book by Judith Ramsey Ehrlich and Barry Rehfeld on Jewish bankers on Wall Street, states that he was unsupervised and unruly. His preferred activity was skipping out on school to go to the racetrack. Levy's family relocated back to New Orleans in 1927, at least in part so he could enroll at Tulane University and try out for the football team there. But, Gus struggled academically and his mother was unable to pay the tuition. His mother, according to Betty Levy Hess, Levy's daughter, was a complete flake. He had to work to provide for the family. When his father passed away, his mother took the children to Europe and squandered the whole inheritance. After three months at Tulane, Levy departed for New York City in an effort to find employment. His mother settled in the Bronx and trained as a seamstress. Levy, who resided at the Young Men's Hebrew Association on Lexington Avenue and Ninety-second Street, was so impoverished that he once failed to pay the Y on a two-dollar deficit. Tenenbaum said that Levy used to reassure him by saying, I had two bucks in my pocket. I was living at the Y and had nothing more than two bucks [1], [2].

In November 1928, he started working as a runner on Wall Street in New York. In a 1961 interview with the Times, he said, That was the thing to do in those days. After that, the author added the idea, which was undoubtedly Levy's Given that he is closely connected to the Lehman family, it is not all that strange that he chose to make Wall Street his profession. He began working for Newborg & Company, a tiny brokerage on Broadway, as a runner but swiftly advanced to become both a trader and an assistant in the firm's arbitrage division. He spent the evenings studying at New York University, although he never received a degree from either institution. He subsequently admitted to a New York Times reporter that he was one of the few persons who did not experience financial loss during the 1929 Crash. He said, I had nothing to lose. Gus, age 20, was listed as a broker in art and bronze on the 1930 census, but no other information was provided. Bella, Gus, and Rose, his sister, were all listed as residents of Manhattan.

After the Crash, Newborg's trading division went out of business in 1931, and Levy departed to work as a securities trader for Pringle & Company, a two-man firm on Wall Street, where he lasted for approximately a year. He also revealed to the media that he was living at the Y throughout this time. Levy said, That could just emotion, but the Y provided me more than a place. During a time when I really needed it, it offered me companionship and self-assurance. He learned that Goldman was hiring a rookie trader in 1933 and that the position paid $27.50 per week, or $1,400 annually. At the time, Goldman was still suffering from the Trading Company affair. Levy landed it with a friend's assistance, according to the Times. He started out at Goldman on the foreign bond desk before switching to the arbitrage desk under Walter Sachs, where he produced a treasure of ideas and added large profits to what would have been otherwise extremely lean years. Edgar Baruc is a relative of Bernard Baruch. He had to purchase and sell foreign stocks for a living. I was referred to as a foreign arbitrageur, he said. The daughter of Alec Wolf, a limited partner at Goldman from 1935 until 1945, and a chorus girl named Janet, was married to Levy the next year. Peter and Betty, their two children, were born. The legendary

mergers and acquisitions banker at Lazard, Felix Rohatyn, described the arbitrage business to Congress in 1969 as a business age-old in concept and execution represents basically the hedged short-term investment of funds at fairly high risk with commensurate rewards. Walter Sachs assigned Levy responsibility for the company's relationships with the New York Stock Exchange as well as its arbitrage business.

The New Crowd claims that arbitrage has a long history extending back to the Middle Ages, when Venetian merchants swapped convertible currencies in order to benefit from price differences. Ehrlich and Rehfeld stated that Levy led the way from traditional to risk arbitrage in which arbs purchased shares in companies being reorganized or merged into other companies on the basis that if the transaction was completed, they would be holding a new stock worth considerably more than their investment. While the rewards may be enormous, the game was not for the timid. Rohatyn explained the rules of the game in his Senate testimony. The arbitrage of a merger between two publicly listed businesses after the exchange prices have been declared, he added, is the typical example in today's markets. The two values should theoretically be the same since one security is going to be exchanged for others at a specified ratio, but they are not for the reasons listed below.

He listed abrupt shifts in the securities and money markets, multiple warranties and other outs in the merger agreement, government resistance, and shareholder opposition as some of these causes. The arbitrageur is prepared to assume the risk that the deal will go through and benefit from the discrepancy between the current market and the eventual realized value, the speaker added. Levy had already earned his first million dollars by the end of the 1930s, claims Charles Ellis in his book on the company. Levy utilized his aptitude for math, amazing memory, ability to interact with many, many people, and capacity for long hours of extremely focused hard work to advance at the company in the years after the Trading Company affair, according to Ellis. During the outbreak of World War II in Western Europe, the Times said that Mr. Levy became active in arbitraging of railroad reorganization instruments and of convertible debentures since prospects for trading foreign bonds had decreased.

DISCUSSION

Sidney Weinberg and Goldman Sachs were primarily uninterested in Levy's concentration on trading in hazardous railroad and utility bonds, despite the fact that it was generally profitable. Roy Smith, a former business colleague, said that Levy had gathered a gang of rough-and-tumble entrepreneurial clientele who Weinberg thought of as ragtag. In contrast to an equity or debt underwriting, which often uses cash sparingly, or advising on a merger or acquisition, which requires no capital at all, Levy's wagers also needed capitaland tied it up for potentially lengthy periods of time. Since Goldman's money at the time was smallroughly $9 million in the early 1950sand originated from the partners' own funds, there was unavoidably great care around its usage. The ultimate investment banker Weinberg and the younger, equally ambitious and diligent trader and arbitrageur Levy were naturally tense as a result. For instance, Weinberg said in a 1967 interview that the $100,000 he put up as capital when he joined Goldman in early 1927 came from the money he had made as a banker. None of it, he maintained, came from trade. I never exchanged. Then he said again with pride that he was a investment banker.

Gus Levy was a friend of Sandy Lewis's since he was a little boy growing up in the beauty of Park Avenue. Sandy Lewis was a former Wall Street arbitrageur and the son of Solomon L. Clews, a longstanding senior partner at Bear Stearns & Co. Gus Levy and Cy Lewis were

extremely good friends, in large part due to the fact that they had a lot in common. Their shared hobbies included arbitrage trading, golf, bridge, and Jewish charitable endeavors in and around New York City.

After the attack of Pearl Harbor, when America decided it was time to join World War Two, Cy Lewis got his big break at Bear Stearns. As the war broke out, Roosevelt had to equip the country, get the necessary supplies to the manufacturers, get the finished goods to the ports, and get them out of the country, Sandy Lewis said. He was attempting to build many items, including tanks, vehicles, and aircraft. They had to take control of the railways, compel traffic across them, and ensure that they were only being used by the government to transport goods. When you needed it, you had to make sure you had it. There was a war. The railways were destroyed. Credit restrictions were activated. You couldn't get a loan. Cy Lewis observed that railroad bonds were trading at par because interest payments were still being received when Roosevelt nationalized the railways for the war effort. Sandy Lewis observed, But all of a sudden, they can't pay the coupon. Thus, they begin trading what is known as 'flat. A rail bond may be purchased and sold in any manner, but the coupon is not accumulating. It is dead. If you purchase it, you may think of it as an investment that could one day be worth anything. These railroad bonds were trading for as little as five cents on the dollar since they were no longer paying interest. Lewis began debating whether to purchase the bonds at these very low rates. Either Apocalypse was approachingin which case nothing would matteror the United States would win the war and sorely need its railways back to feed and reconstruct the triumphant nation. In the second scenario, railroad bonds acquired at a significant discount during the war would be very valuable [3], [4].

Gus Levy was greatly influenced by Cy Lewis. He urged Levy to engage in distressed railroad bond trading as well as other types of arbitrage, such as so-called block trading, which entails buying and selling sizable blocks of stock with the goal of making a profit, and so-called merger arbitrage, which, according to Rohatyn, entails trading in the stocks of businesses that are merging, typically after the mergers have been made public. Since the time and risk involved in waiting frequently many months for a merger to close in order to get slightly more cash or stock was typically not worth doing, many institutional shareholders who owned the shares of companies involved in mergers frequently chose to sell those shares into the marketshares would trade up to near the offer price after a merger had been announced. Simply put, merger arbs agreed to purchase the shares being offered because they wanted to maximize their return on investment. In order to profit from their wager, they were ready to risk the possibility that the agreement would not go through or that the financial consideration could alter negatively. There were dangers, of course; if they invested in the shares of a firm that was being acquired and the transaction fell through, the financial repercussions might be dire. Nonetheless, these blunders were uncommon, and professionals in the field of merger arbitrage made every effort to prevent them.

It may never be understood for sure why Cy Lewis would hand out excellent trade ideas one after another to a rivaleven if that rival was also a buddy. Maybe it was simply a matter of friendship, or maybe it helped open up a market for the goods Lewis was offering. Levy was eager to see battle in 1941, when the United States was on the brink of joining World War Two. Due to the fact that he already had two kids, he was spared from going to war. Yet he was adamant about doing it. He allegedly informed his wife, I'm going in, before making plans to join the Civil Air Patrol as a mission observer. Levy was a pilot who formerly owned a single-engine

Stinson Voyager. He believed that his background would help him get a job during the war flying fighters. Yet it wasn't enough. He previously told the New York Times, I didn't have enough experience to qualify as a pilot, and at thirty-two, I was too old for training. I eventually became a lieutenant colonel in the Air Force's ground headquarters in Europe. He served in the war for 26 months.

When Levy was away at war, Baruc, a colleague in the arbitrage department, stayed behind at Goldman to attempt to maintain the firm's minimal business. During the war, Levy and Baruc continued their collaboration in the company's arbitrage division in November 1945, and, in the words of Walter Sachs, created one of the most active over-the-counter trading departments on Wall Street. On January 1st, 1946, Levy joined Goldman as a partner. Al Feld, a former office boy at Goldman who began working there in July 1933, recalls Levy's aptitude for profiting from the trading of railroad and utility bonds. He told Ellis, Gus was incredibly innovative and brilliant. He established a successful company because he saw the potential in all the when-issued paper that resulted from the significant railroad and public utility financings of the 1940s. Also, he had a reputation for creating enormous marketplaces. And if it meant taking a loss, he did. Two brothers from Dallas, Texas, John D. and Clint W. Murchison, who were the heirs to a Texan oil wealth amassed by their father, Clint W. Murchison Sr., were among Levy's biggest customers when he returned to Goldman after the war. The Missouri Pacific Railroad's declaration for bankruptcy in March 1933 was the catalyst for Levy and Goldman's collaboration with the Murchison brothers.

One of the longest-lasting bankruptcies on record, the Missouri Pacific bankruptcy lasted for 23 years. Investors had the option to purchase Missouri Pacific's debt at that time with the intention of reselling it or holding onto it in order to gain control of the business after it emerged from bankruptcy in the hands of its previous creditors. The Murchison brothers eventually took control of Missouri Pacific's general mortgage bonds after the war. The Times said that Levy and Goldman Sachs were suggested to them because they were seeking the services of a Wall Street arbitrageur... and Mr. Levy. is usually considered as tops in the industry. An arbitrageur is one who trades in equivalents of currencies, stocks, and the similar, the article said. In transactions involving counterparts, he stands between the parties and guessesguesses!how the views that each man will have of what the other man wants will differ. If he makes the proper prediction, he stands to gain significantly. As the quantities at stake are often too huge, if he makes a mistaken prediction, he doesn't continue in the arbitrage industry for very long. Levy has been an arbitrager since he joined Goldman in 1933, according to the newspaper, and by guessing correctly, he has earned a considerable lot of money.

The Times noted that since the railroad's bonds were to be exchangeable for other securities of the to-be reconstructed firm, there were plenty of possibilities for arbitrage trades in the securities throughout the lengthy pendency of the Missouri Pacific bankruptcy. The insolvent railroad's bonds sometimes sold at a discount from what the financial experts participating in the bankruptcy projected they may be worth when, and if, the firm ever emerged from bankruptcy due to the doubt that the reorganization would be implemented as promised. The Murchisons and other investors were fast to profit on price discrepancies whenever it seemed to be in their favor throughout the years. The Murchisons received assistance from Levy with their purchasing and selling as well as their research and best guesses on the value of the railroad's bonds. The Murchison brothers kept in contact with Levy and Goldman Sachs after they had success trading Missouri Pacific bonds, as would be anticipated of a loyal customer. They soon joined forces

once again in pursuit of a greater goal: the Murchisons planned to take over Allegheny Company and sought Levy for assistance. Levy and Goldman were directly involved in the Murchison's proxy war for control of Allegheny, which was not in the least bit amicable. Two businessmen, Robert R. Young and Allan P. Kirby, took over management of Allegheny from the Ball family in 1942. Allegheny was called a heap of trash with a diamond or two lurking amid the ruins by The Times.

Young and Kirby had purchased ownership of the second-largest railroad in the country, the New York Central Railroad, as well as Investors Diversified Services, Inc., a Minneapolis-based mutual fund company, using the profits from asset sales to diversify Allegheny's assets. In addition, after the restructuring, Allegheny acquired 51% of the Class B shares of Missouri Pacific and invested $20 million in the real estate firm Webb & Knapp, Inc. The Murchison-Kirby alliance began on a note of hearty mutual interest, according to the Times, during Kirby's proxy fight for control of the New York Central Railroad against the Vanderbilt family in 1954. Young and Kirby requested that Clint Murchison Sr. and his old business associate, Sid Richardson, purchase 80,000 shares of New York Central and cast their votes in support of the acquisition. Richardson and Murchison complied. The two Murchison brothers obtained control of IDS in 1955 via a stock agreement with Allegheny that was arranged by Young and Kirby in exchange for their backing, or so it seemed. But the flamboyant Young killed himself with a 20-gauge shotgun in the pool area of his 25-room beachfront Palm Beach estate in January 1958. He was sixty years old and was reportedly experiencing melancholy and sadness as a result of the 1957 recession, which had a negative impact on Allegheny's enterprises.

About 10:00 a.m., two hours after having his typical meal, he had discharged both barrels of the shotgun while kneeling and holding it to his head. When Young missed a scheduled visit, the mansion's employees, who had not heard any firearms fired, started to wonder about his whereabouts. Kirby assumed control of Allegheny five days later. Allegheny's public shareholders sued in 1959, claiming that the Murchison brothers were granted control of IDS in exchange for favors done by their father to Mr. Young and Mr. Kirby. The Murchisons agreed to give Allegheny back ownership of IDS in exchange for a 47.5 percent share in the litigation. At IDS, the Murchisons still have a 17 percent share. Together, the Murchisons, Kirby, and the Young estate gave Allegheny another $3 million. Nevertheless, after the settlement, the Murchisons found themselves abruptly frozen out of IDS's operations, which they did not like. The Murchisons purchased the estate's investment in Allegheny for $10.2 million from Young's widow in an attempt to bolster their position. The Murchisons believed they would have greater influence on IDS if they owned a significant portion of Allegheny. But, in response to the Murchisons' aggressive behavior, Kirby launched an inquiry into the manner they had run IDS and requested their assistance. Kirby removed the Murchisons from the IDS board when they refused to assist [5]–[7].

In an effort to oust Kirby from control of Allegheny, the Murchisons launched a very visible and hostile proxy war in September 1960 with Levy's assistance. Levy was described as the Murchisons' primary banker-adviser and as having a quiet, strong role in the nine-month proxy struggle by the Times. In the end, the Murchisons were able to persuade other shareholders, likely including Goldman Sachs, to vote in their favor in sufficient numbers to win an 855,000-vote majority, despite only possessing 2 million of the 9.8 million Allegheny shares that were outstanding. The Murchisons took over Allegheny in May 1961 after receiving five shareholder

votes compared to Kirby and his allies' four. The conflict was regarded as one of the biggest and most heated to have taken place up to that point.

The Murchisons removed Kirby from his position as CEO and chairman of the firm after acquiring Allegheny. One of the richest men in America, Kirby departed with a fortune estimated at $300 million. At the age of 69, Kirby had the option of retiring to his 27-room estate in Harding Township, New Jersey, his chateau in Easton, Pennsylvania, or any of his other three properties, but he instead set out to take back Allegheny. After all, he continued to hold 31% of the business. With the aid of strategically positioned supporters, Kirby was able to wrest control of the corporation back from the Murchisons after spending an additional $10.5 million purchasing further Allegheny shares. Once the votes in another proxy battle were counted, Kirby gained control over 5.9 million of the 6.7 million Allegheny shares that were then outstanding. He replied, Pride, when asked by a New York Times reporter why he had bothered. family esteem. I don't think I ever got licked up until the proxy struggle with the Murchisons in 1961. I felt quite angry.

Levy's initial mentor in the arbitrage business at Goldman, EDGAR BARUC, had passed away unexpectedly in 1952, leaving Levy to manage the organization alone. Levy, though, had by that point exceeded Baruc in terms of income generation and significance to the Goldman partnership. Baruc had evolved into Levy's assistant over time. Once Baruc passed away, Levy realized right away that he needed additional assistance and began the process of finding an outsider to join his team. Levy mentioned his need for help to Harry Tenenbaum when they were playing golf in Boca Raton, Florida. Tenenbaum and Paul Peltason had founded the Peltason Tenenbaum Company, a small brokerage in St. Louis, together. Levy informed Tenenbaum, I offered the position to John Weinberg, Sidney's son, but he rejected me down. He wants to continue working for his father in investment banking. Levy was questioned by Tenenbaum about the possibility of recruiting his son, L. Jay.

L. Jay Tenenbaum attended Vanderbilt University to study mechanical engineering, but in 1943 he joined the military and attended infantry training. As soon as he was promoted to second lieutenant, he was sent abroad to fight with the Tenth Mountain Division, which included men skilled in skiing and winter survival. Tenenbaum rose to the position of commander, and at one time, forty men were under his command. He had an age of twenty-one. He saw battle at the start of 1945, but the war was soon finished. He said, I was in war for six, seven months. I received two Purple Hearts, a Bronze Star, and a Silver Star at the end. He was sent to Fort Ord on California's Monterey Peninsula when he left the service. Tenenbaum was playing the adjacent Pebble Beach course at the time. Fort Ord had one lovely eighteen-hole course at the time. Tenenbaum was a scratch golfer. His folks were paying him a visit over the holiday season.

Tenenbaum informed his father that he intended to join the PGA Tour after an almost faultless round of golf. You darn idiot, he yelled. All those men, including Snead, Demeret, Nelson, and Hogan, are unbeatable. You're going to work, right? Tenenbaum didn't know what to do at Goldman Sachs, and Levy didn't have the time or desire to advise anything, much less educate him how to run an arbitrage firm in the Goldman Sachs fashion. Tenenbaum said, I joined him April 1, 1953. I learned that I would serve as his assistant. So I would ask, Gus, what can I do for you? L. Jay, leave me alone, he commanded. I'm occupied. I was left unsure of what to do with myself. Levy was requested to write a letter for Tenenbaum at one time early on, and Levy advised him to deliver a letteras they used to say in the old daysto his secretary, Charlotte Kamp.

Tenenbaum heeded Levy's counsel. Will you accept a letter, Charlotte? he inquired. She said, Will you go for a walk?

Tenenbaum's big break came when he met a Palm Beach-based family friend at the Parke-Bernet Gallery in New York. Tenenbaum revealed that he worked at Goldman in the arbitrage division after they had spoken for a while. After many additional discussions, the buddy agreed to give Tenenbaum $3 million to invest on his behalf. Tenenbaum was also introduced to other well-off Jewish exiles who were searching for a location to store their money by him. He remarked, Gus gave me nothing to do, so I became a salesperson instead of helping Gus. Gus had practically no experience as a manager, thus that was the reason. He had the ability to accomplish things on his own and do them effectively, but he lacked management experience. After Jerry McNamara, whose top customer was the Catholic Archdiocese of New York, Tenenbaum rose to the position of second-best salesperson at Goldman Sachs. He said, I had all my Jewish refugees, and I couldn't top him. But, I was doing really well. Two hundred and fifty, three hundred thousand dollars was my annual salary. I owned a portion of the arbitrage division.

Tenenbaum was one of many guys that Sidney Weinberg unilaterally chose to become partners in 1959, including other aides. No other businesses were stealing them. They weren't generating a lot of money. They worked as assistants one day, then as partners the next. Weinberg made the choice, I suppose because he was the person, Tenenbaum said. Gus wasn't it, I never heard the phrase L. Jay, you've earned it. Not even a partner was created for me to perform what I was doing. I worked in sales. At this point, Levy and Weinberg's favorite country club, the Century Country Club in Purchase, New York, was Tenenbaum's new home at 983 Park Avenue. Tenenbaum was still extremely excellent, despite the fact that he was no longer a scratch golfer. I was in the finals for around four or five times and won the club title a couple of times, he stated. Making these men partners turned out to be a wise move for the company, however, given the economics, which were typical of Wall Street partnerships at the time, as Goldman was able to pay them less as partners receiving a portion of the profits than as nonpartners receiving a portion of the revenue they generated.

Tenenbaum said, Now I'm a partner. What was going on? A forty thousand dollar year wage was mine. I received 0.5 percent of Goldman's overall earnings, or, what, ten million dollars? One point five percent translates to $150,000, which had to be retained in the company's capital account, and $45,000 for living expenses. And as a salesperson, I bring in between $250k and $300k annually. What kind of transaction was that? Levy once outlined the economics of the Goldman partnership: We have a clear and fast rule. We pay wages, which are low by historical standards. We also pay capital interest at a rate of 6%. We pay partners' taxes on the profit at the end of the year. The company maintains its equilibrium. It has been the company's success formula. That allowed us to continue without experiencing financial hardship even after all of the Sachses left or passed away. Levy said, But don't forget, the partners do have money in the business, in response to a question regarding the seeming contrast between the small income and the glitter of Wall Street, and the sense that everyone there wason a relative basis at leastgetting wealthy.

It piques their attention. Let's imagine a man makes $40,000 per year in income and has $500,000 in capital. He earns a thirty thousand dollar interest on it. Also, the company pays his taxes, so the money is essentially net to him. According to him, Goldman partners are not permitted to sign loans, trade stocks on margin, or borrow money unless specifically authorized

by the management committee of the company, and then only to finance the purchase of a home or insurance. He said, You cannot borrow money for any reason, even to purchase stocks. Jim Robertson, Chuck Grannin, Jim Callahan, and Arthur Altschul were among a group of five young men who were made partners almost overnight but had their pay reduced. Tenenbaum was a member of this group. Tenenbaum said, I'm living on $40,000 and borrowing money at 983 Park and borrowing money from my parents to live on. Since they recalculate the partnership percentages at the end of two years, it carried on for two years. Tenenbaum was invited to see Sidney Weinberg in his office by Sidney Weinberg after the two years were over.

He said, Sidney Weinberg was the omnipotent. As Tenenbaum entered the office, Weinberg was wearing his pince-nez spectacles and informed Tenenbaum that, as a result of Weinberg, he and his gang of five would see a 33 percent boost in their partnership percentages, from 1.5 percent to 2 percent. What are your thoughts about that? Weinberg was curious. Tenenbaum said, Mr. Weinberg, I don't like it. I'm not the same as those four people either I'm better or worse, and I don't like that. Weinberg was shocked, which was understandable. Nobody addressed him in such manner. To Weinberg's credit, though, Tenenbaum wasn't immediately fired. Tenenbaum recounted, He stated to me, Keep your nose clean and see me in two years. I leaped all four of them in two years. Tenenbaum was able to advance at Goldman in part because he was a self-starter and could make things up as he went along. Even though legally he was Levy's bag carrier in the arbitrage department, he understood at this time that Levy was not going to offer him any directioncertainly not on any regular basisleaving him to be opportunistic about gaining his own customers and starting a company. Levy sometimes barked orders at him [8]–[10].

CONCLUSION

Insider information is knowledge about a public company's intentions or finances that has not yet been made available to shareholders and that, if used, might offer its holders an unfair advantage. Based on insider knowledge, buying or selling shares may be illegal. Also, failing to trade based on insider knowledge is unlawful (whereas without the inside information the trade would have taken place). The CC BY-SA license allows for the reuse of this Wikipedia example. The specialists don't know anything personally about the strangers. Inside out is cited. The terms inside and outside may sometimes be used interchangeably. Inside out refers to a turning inside out, or more literally, a decomposing, dismembering, or undoing.

REFERENCES:

[1] X. Peng, F. Chen, and W. Wang, ‘Robust optimal investment and reinsurance for an insurer with inside information’, *Insur. Math. Econ.*, 2021, doi: 10.1016/j.insmatheco.2020.10.004.

[2] M. Hössl-Neumann and U. Torggler, ‘Inside Information’, in *EU Market Abuse Regulation:A Commentary on Regulation (EU) No 596/2014*, 2021. doi: 10.4337/9781800882249.00017.

[3] B. M. Dymke and A. Walter, ‘Insider Trading in Germany — Do Corporate Insiders Exploit Inside Information?’, *Bus. Res.*, 2008, doi: 10.1007/BF03343533.

[4] I. D. Baltas and A. N. Yannacopoulos, ‘Uncertainty and inside information’, *J. Dyn. Games*, 2016, doi: 10.3934/jdg.2016001.

[5] P. O. Mülbert and A. Sajnovits, 'The inside information regime of the MAR andthe rise of the ESG era', *European Company and Financial Law Review*. 2021. doi: 10.1515/ecfr-2021-0013.

[6] K. Sadiraj and A. Schram, 'Inside information in Ponzi schemes', *J. Econ. Sci. Assoc.*, 2018, doi: 10.1007/s40881-018-0047-4.

[7] X. Peng and W. Wang, 'Optimal investment and risk control for an insurer under inside information', *Insur. Math. Econ.*, 2016, doi: 10.1016/j.insmatheco.2016.04.008.

[8] L. Cohen, C. Malloy, and L. Pomorski, 'Decoding Inside Information', *J. Finance*, 2012, doi: 10.1111/j.1540-6261.2012.01740.x.

[9] I. Rohjadina, 'Penentuan Inside Information Dalam Praktek Insider Trading di Pasar Modal Indonesia', *Ilmu Huk.*, 2018.

[10] A. R. A. S. Alshebli, 'Fair Disclosure of Inside Information by Listed Companies: A comparative study between the UK and Kuwait', *J. Res. Emerg. Mark.*, 2019, doi: 10.30585/jrems.v1i1.317.

CHAPTER 23

BUSINESS OF COMMITTING THE FIRM'S

Kanchi Malhotra, Assistant Professor
ISDI - School of Design & Innovation, ATLAS SkillTech University, Mumbai, India
Email Id-kanchi.malhotra@atlasuniversity.edu.in

ABSTRACT:

An underwriter's pledge to take on all inventory risk is often referred to as a solid commitment. The agreement to acquire all securities for an IPO directly authorized issuers for public sale is another example of a solid commitment. The author dives into the use of firm commitment in the worlds of loans and derivatives in this chapter. The emphasis is specifically on the Tenenbaum dispute, assessing the arguments and views surrounding this issue in order to offer a full analysis and comprehension.

KEYWORDS:

Business, Firm, Company, Investment, Trading.

INTRODUCTION

Whether it was part of a larger vision or not, Weinberg was undoubtedly coming to grips with his own mortalitywhich he never truly did, in factand the necessity to develop a new generation of leaders at Goldman in the late 1950s and early 1960s. Even while Weinberg was unwilling to allow Levy to use the firm's precious funds for arbitrage transactions, client trading, or his personal account, he was becoming more unable to stop Levy from not just engaging in that activity but also assuming more control over the company. In reality, Weinberg's investment banking customers weren't bringing in as much money for the company as they previously had been since Levy was consistently guessing accurately, earning the business substantial money. Weinberg found that no matter how terrible it was for him to confess it, he could no longer deny Levy. The similar situation has often occurred on Wall Street, particularly after World War II when businesses began to make increasing amounts of money and the generation that had guided them through the Great Depression and the war started to consider retirement. Evidently, a group of younger men had to be put in place to run the company on a daily basis if Levy was to succeed Weinberg as the firm's senior partner. The Gang of Five were thus unexpectedly promoted to Goldman partners [1], [2].

Levy was a powerhouse. Roy Smith described him as clever, fast, and incredibly perceptive. Most intense guys had never encountered a man like him, one said. Smith observed that Levy was unable to remain motionless, either when sitting or standing, or while listening to others. His entrance, which was hardly acknowledged, was signalled by the money jingling in his pocket. According to Smith, Levy was exceedingly difficult on his employees, and two or three deserted the business shortly after becoming partners due to the tremendous strain they felt working under his continual supervision. He was always curious in what everyone else was working on, but he quickly lost patience when getting answers that required more time than he had available. Smith

said, We used to write down everything we wanted to say to him as briefly as we could, with no extra words, and read it to him. Even the most complicated concepts were always quickly understood by him. He intimidated most of us and gave us all the creeps like no one else did. At his little, glassed-in office in the middle of the trading room, where he could see the tape and shout at individuals for missing transactions without interfering with his phone calls, Levy maintained a hectic pace. His two secretaries would answer incoming calls from clients and make outgoing calls at the same time. Very little time was wasted. Smith noted that if you needed to see him about anything, you just walked down and waited in his office until he spotted you. Then, you gave your ten-second report and exited when it became evident that you were no longer being watched.

Levy was becoming more well-known in New York City at the same time as his rise at Goldman Sachs was appearing more improbable, mostly because of his buddy Cy Lewis. In addition to managing Levy's money throughout the war and increasing his riches, Lewis was also connecting Levy to significant New York organizations so that Jewish Wall Street might pose and preen while aiding a worthy cause. Levy, for example, served as vice president of the Federation of Jewish Philanthropies of New York and served as chairman of the organization's annual campaign in 1954 and 1955. Levy was recognized at the 1955 benefit dinner held at the Plaza Hotel, when the federation revealed it had collected $2.5 million of its $18.1 million goal for the year. The federation gave Levy an antique silver tankard and a book of testimonials, including one from Herbert Lehman, the former governor and then-current senator from New York. In the quirky way that notable New Yorkers agree to be honored at such dinnersand where expectations of a sizable donation are de rigueur as a resultand where expectations of a sizable donation are de rigueur.

The presents were given in honor of Mr. Levy's efforts to the federation and to local religious and nonsectarian groups, according to the Times. Too many of our neighbors were forced to wait too long for assistance from the moment they initially asked for services until the necessary care and treatment began, Cy Lewis said in reference to this issue.

Levy replaced Lewis as the Federation of Jewish Philanthropies' president in April 1957, serving a three-year term. Levy wasn't even somewhat religious, which was amusing. His wife Janet was an atheist, and he was an agnostic.

Both my father and mother never encouraged me to participate in any religious activities, according to Peter Levy. My mother didn't believe in celebrating anything, ever. No holiday. Not even Chanukah. No God, no Passover, nothing. There are no bar mitzvahs, nothing. Levy may not have been very devout, but he was a brilliant fund-raiser who chose the strategy of calling the cards, or using public peer pressure, to generate money.

Cy Lewis had come up with the concept, deciding that the best approach to solicit donations from his fellow Jewish bankers was to host a dinner, call out each guest by name, and encourage them to increase their annual contributions from the previous year. The issue was that Lewis did not like doing this public theater; as a result, he had Levy take over. Levy would come up and address the group while holding three-by-five note cards, saying, Hey you, you. You contributed $5,000 last year. Joe, you've had a fantastic year thus far. I've spoken to your partners, so I am aware of how well you are doing. So what can we anticipate from you this year? This continued for hours and was unexpectedly successful in earning money and providing amusement.

DISCUSSION

Levy was elected to multiple boards of directors despite being a trader rather than an investment banker, including Diebold, Inc., the maker of bank vaults, the Pacific Uranium Mining Company in Beverly Hills, California, Witco Chemical Corporation, Inc., and the New York Telephone Company. His board seats were consistent with Goldman's concept, which was established by Weinberg, of seeking out company board positions to increase Goldman's chances of gaining banking and trading business. Five of Goldman's partners, including Weinberg and Levy, wrote pieces describing various facets of the company's operations for the Christian Science Monitor in 1960. The series, which amounted to free promotion, was exceedingly uncommon both for the newspaper's uncritical publication of the pieces and for Goldman's decision to engage at all, providing some insight into its operations. When Marcus Goldman moved to New York from Philadelphia in 1869 to purchase and sell merchants' bills receivable, he could not have anticipated the size, variety, and leadership his investment banking business would acquire by 1960, according to Weinberg.

He said that Goldman had more than 500 workers in 1960, spread over nine different U.S. locations, including, of all places, Albany and Buffalo, and that the company had purchased and sold commercial paper worth more than $2 billion in 1959, making it the largest dealer in the nation. Also, he bragged about the $637 million IPO for Ford in 1956 and the $350 million bond offering for Sears in 1958 [3], [4]. The most enlightening of them was Levy's essay, which discussed Goldman's over-the-counter trading and arbitrage operations. This is mainly because it gives the impression that Levy authored it personally. He was obviously pleased with the three-year-old trading desks and the almost 2000 available private telephone lines. He gushed, though, that the company's arbitrage division was by far the most active of any in the nation. He briefly explained the concept of arbitrage before sharing two instances of recent profitable arbitrage possibilities utilizing AT&T stocks and Studebaker-Packard Company convertible preferred shares. The trickier transaction was the Studebaker one. In that case, according to Levy, Goldman and three other companies organized a syndicate to purchase 30,165 shares of the Studebaker convertible preferred stock for $11 million, earning almost 1 million rights to purchase Studebaker's common stock at $11 per share in the process.

In order to lock in a profit of around $2 per share, or $2 million, the Goldman syndicate then sold short 600,000 of the when issued shares for $12.75 per share and sold short the remaining 400,000 shares at a higher price. When the syndicate converts its preferred shares and delivers the common in exchange for its short position, the arbitrage will be finished in January 1961, according to Levy. Even though it would be difficult to imagine the average Christian Science Monitor reader understanding Levy's trade, let alone wondering why it was even being reported on, the fact that Goldman could profit $2 million from that single trade in less than a year demonstrated why Levy was so crucial to the firm's finances. Levy was able to earn almost twice as much in a lot less time than Weinberg, who toiled for years on the Ford IPO to raise $1 million for the company. Levy significantly extended his civic obligations in the early 1960s. He was chosen the head of the B'nai B'rith Foundation's 1961 fundraising drive in August of that year.

A few weeks later, Levy was appointed a member of a special committee to investigate the state's public welfare by Levy's close friend and governor of New York, Nelson Rockefeller. He served as the treasurer of the Lincoln Center for the Performing Arts in New York and was a

member of the Tulane University board of visitors. He was appointed chairman of a committee by the American Stock Exchange in October 1961 to study and look into any necessary changes after the expulsion of two membersa father and sonfrom both the exchange and the securities industry for willful violations of securities laws that caused millions of dollars of harm to unwary investors. The American Stock Exchange had allowed manifold and sustained violations of trading regulations by its members, the SEC soon discovered. As a consequence, the Levy Committeea group of Wall Street executives chaired by Levybecame more significant. The American Stock Exchange adopted many of the recommendations made in Levy's committee's three findings, which it released over the course of the five months that ended in February 1962. In the same month, Levy was selected to become the sixteenth president of Mount Sinai Hospital after serving a three-year term as president of the Federation of Jewish Philanthropies. For the rest of his life, he continued to play a key leadership role at Mount Sinai, where he oversaw the creation of the Mount Sinai School of Medicine, a university affiliation, a $154 million fundraising drive for the construction and endowment of the medical school, and the design and construction of the Annenberg Building, which houses the Gustave L. and Janet W. Levy Library on One Gustave L. Levy Place in New York City.

He was chosen to serve on the Board of Governors of the New York Stock Exchange in May 1963. The stock exchange chose Levy vice chairman two years later, making him the first non-floor governor to hold a leadership position in 25 years. After his victory, speculation spread that he would soon take over as leader of the 33-man group ranked as the most influential governing body on Wall Street. There was also considerable worry that the election of an office partner, operating off the exchange floor as Levy did, would signal the start of a transfer of authority away from those who had been in charge of the exchange for years and who really worked on the floor. To be really honest, the finest management ability in our industry is not found on the trading floors but rather in the offices, a floor trader told the Times regarding Levy's hiring. The brokerage companies' office partners are the ones with the best organizing skills.Levy was proposed for the position of chairman of the New York Stock Exchange in April 1967. Walter Frank, his predecessor at the NYSE, described him as a really enthusiastic, industrious businessman. Good leader, regarded more for his skills than his clubs or school tie.

He was not only the first office partner in a generation to hold the position of chairman of the stock market, but he was also the first Jew to hold the position. According to his buddy Tubby Burnham, Gus was quite pleased of being the exchange's first Jewish chairman; but, he noted that he did not believe Levy was a very effective manager. According to Burnham, e couldn't divorce his thinking from what was in his firm's own interests. He consistently favored Goldman Sachs. Levy, however, refuted the allegation that he ever placed Goldman's interests ahead of those of the NYSE in a 1973 interview. As long as I am the governor of the stock market, I must speak in that capacity, he said. I have the opinion that I am unable to hold any position other than the one the board has chosen. That would be a different situation if I were to talk as a partner of Goldman, Sachs. He acknowledged that his opinions and those expressed in the conversation were in agreement. He said that none of the stock exchange's viewpoints up to this time have supported anything that would be detrimental to Goldman, Sachs, or the sector. I suppose I would have to quit if they did. Someone who stood to gain financially from a conflict of interest often claimed on Wall Street that he could never be enticed to act unethically because of his unblemished character.

Every day at 5:30 a.m., he went for a fifteen-minute jog before getting ready and saying his prayers, as he once told an interviewer. I offer prayers each day. He never made any requests during his prayers. I've just finished reading a little book called the Daily Word. He often ate fruit or a glass of juice for breakfast, but sometimes he would have leftovers. He once commented, I had crab flesh for breakfast this morning. He perused the Times and the Wall Street Journal before arriving downtown at 7:50 a.m. to Goldman's headquarters. Upon arriving, I review the trade sheets, transaction sheets, any lingering mail from the previous day, and complete reading what's in my briefcase. When I can locate someone available, I start calling about 8:30. He added that he often phoned several early-bird customers while at home. They have become used to it, he continued. And then, about quarter to nine, the lads began dribbling. His staff met in his office twice a week, on Tuesday and Thursday, to discuss trends in the bond or the stock market, he claimed. There was a Management Committee meeting every Monday morning. Often lasting about fifteen minutes, the meetings had no discussion, no agenda, no minutes, and no chairs, according to Charles Ellis. Levy often answered his phone during the sessions, demonstrating the lack of significance he really accorded to the committee. He also had stress beads, which he would continually touch, and a pocket full of money. As he began to circle the trade floor in search of answers, the sound of the money in his pocket would alert others. The traders prepared for Levy's rhetorical onslaught.

A block trade or arbitrage opportunity, which Lewis and Levy had pioneered, in which Goldman or Bear Stearns would buy sizable blocks of stock from the selling institutions as principals with the intention of dividing them up and selling them off to other investors in the market, would also send him into a rage. Block trading was a terrific service for Goldman's customers since they could make a large sell in one go, but it also meant that Goldman had to start taking on more primary risk, even though they were typically making more money doing it. Levy was almost hard to be around if he believed a block transaction had been missed or that Goldman had lost a piece of business due to this and his inborn competitive nature. According to Bob Menschel, an equity trader at the company, Gus was always 100% devoted, and that devotion might unnerve others or it could bring out the best in each person. He was so focused on making every transaction that if he thought we had missed one, he may go into catatonia. Gus would berate us for failing, saying, We're losing out! as he stormed about. We are no longer in the market. We've gone crazy! We no longer engage in competition! We needed to figure out a strategy to control Gus so we could grow the company. Establishing a trade is similar to fly-fishing in that it requires both patience and calm perseverance to catch the biggest fish.

Levy often ate lunch at his desk and then spent the rest of the day in meetings, meetings, meetings at his many civic or charitable groups. He answered, I usually come home about 7:00. I never drink during the day, so I am not an alcoholic, but I like having three or four drinks in the evening. Nonetheless, he would get foolish and his lisp and southern accent would become more noticeable as he drank. Practically every evening, September through May, I have business of one type, he stated of his business meetings. Either I'm taking a client outtypically to 21or I'm attending one of those dreadful testimonial dinners, the most of which are charitable and at which some person is being recognized, or one of the banks is hosting a meal for a notable citizen. My wife is really compassionate. With regards to her father, Betty Levy remarked, I can't say I really truly got to know him. We didn't have a lot of time to ourselves. He attempted to be a good parent but lacked the necessary skills. She said that he didn't spend much time with his kids since he was either working or playing golf. Sarah and Peter used to wish their father shared

more of their interests. But there wasn't much to chat about, she admitted. Talking to him was difficult. He and Cy Lewis, together with Levy's pals Ray Kravis, a highly sought-after oil and gas consultant from Tulsa, Oklahoma, and George Buchanan, another oil executive from Cody, Wyoming, would travel together every year for golf getaways in Scotland and other locations. Levy anticipated that the staff at Goldman would share his love of the company. He said, Yes, we do want a whole day, when questioned about the fact that many at Goldman believed the pressure Levy placed on them was excessive. But in terms of critical employees, I believe we have the lowest turnover of any organization on the Street. We believe that consistency, in addition to intelligence, is the key to success in business. And the only way to be consistent is to make your calls, carry out your duties, and consistently visit your present and potential clients' doorsteps. Yet, I believe that our company is generally content, and nobody has ever complained about being overworked here. How about the high divorce rates at Goldman? Levy said, I don't know about that. Yet, it is true that a member of staff is also married to Goldman Sachs' wife. We really have a spirit. We like doing business. It's funny to us and enjoyable. We all want a man to have a family and a house, but we also want Goldman Sachs to be a close second to his wife and family. very almost second-place [5]–[7].

Tenenbaum seemed to agree, even though he would eventually burn out at Goldman and depart the company in his early forties. He would often cite Gus Levy as the reason he separated from his first wife. I wouldn't allow him to sabotage my second. Yet before that, he described the company as a family. He noted that Goldman Sachs was more than just a location to do interpersonal work. They turned into your enduring pals. That was definitely more of a social scenario in this case. Men work in offices and factories and have independent lifestyles. That wasn't how it used to be. All of us were pretty close. Tenenbaum started to take on more responsibility and initiative in developing Goldman's arbitrage business as Levy spent more and more time managing the company and overseeing his extracurricular activities. As the M&A market started to grow up in the 1960s, one way the arbitrage industry got more sophisticated was when Goldman would arb the transactions by buying and selling shares in the businesses engaged in a dealtypically after the agreement had been made public. Information was crucial in this emerging field of merger arbitrage, which arbitrageurs refer to as event driven arbitrage. It might make the difference between earning a lot of money and losing a lot of money. The corporate executives, investment bankers, and lawyers who put together M&A deals were, of course, the ones with the information about them. Arbitrageurs would not hesitate to make the callas arbs referred to the practiceto these groups of insiders in an effort to gather any information that might provide them with a trading advantage. Since there were frequently months between the time a deal was announced and when it closedthe time required for regulatory approvals, either by the Justice Department, the Federal Trade Commission, or the SECas well as the time needed to file proxy statements and obtain shareholder votesand the stocks of the companies involved in a deal continued to trade during this period of uncertainty, arbs put themselves in the position of either making or losing enormous sums of money depending on minute changes in market conditions. For instance, if an arb knew before the merger was publicly publicized that the Justice Department would prohibit it on antitrust grounds, he would have the opportunity to profit from the knowledge that others in the market lacked. Therefore, in the event-driven arbitrage industry, making the calls to get knowledge that others did not possess became the central tenet. Tenenbaum gave an example, saying that immediately after a merger was announced, he needed to know if it would be examined by the Federal Trade Commission, which had injunctive authority, or the Justice Department, which

had the authority to halt a transaction on antitrust grounds. An arb might profit from the disparity between the price the firm being purchased would trade for in the market and where it would tradegenerally higherif he learned that the FTC was going to approve the transaction. He would also know that the deal would not be halted. when the transaction was finally completed. An arb would trade the stocks in a different manner if they learned that the Justice Department would be looking into the arrangement, increasing the potential that it may be canceled for antitrust reasons. There was a helluva fantastic spread there hanging over the market, Tenenbaum observed. If you found out that Federal Trade is going to receive it, he said, clapping his hands together.

Tenenbaum made the choice to engage with the Washington legal office of Heath Jacobs and Worth Rowley, who had formerly worked for the Justice Department's antitrust section, in an attempt to increase the quality of the material he was receiving. He confessed, I don't know how I discovered them, but I found them. They were both former agents for the Justice Department, so they were familiar with everyone there. They attended the appropriate cocktail receptions. Tenenbaum would contact the legal office after the news of a merger. He would ask, Guys, is this a Federal Trade issue or is it Justice? The attorneys would contact him back soon to give him their perspective. They would tell Tenenbaum, We believe it's going to be Federal Trade, and then provide their justifications. He would respond, Great, and I got it going. Was this insider knowledge? Whatever you want to call itinside knowledge, for examplehe would gain the information he needed to make the deal more profitable for Goldman.

He depended on tax attorneys he recruited who had previously worked for the Justice Department for tax concerns, which were usually a significant component of mergers. If there were any tax matters, he questioned whether they were serious or not. Sullivan & Cromwell, our attorneys, didn't believe in antitrust, therefore I didn't utilize them. They leaned far to the right. I needed linemen who were familiar with the players. I had competent tax counsel. I had competent antitrust attorneys. I was also rather skilled in communicating with management and treasurers. Tenenbaum has no qualms about phoning an organization's leaders and interrogating them about a recently disclosed contract. He would question them, When do you suppose you'll sign the agreement? They might reply, Oh, we're about a month away, for example. I maintained a solid calendar and phoned them in a month, Tenenbaum said. According to Tenenbaum, the executives didn't mind the calls. I would ask, 'Did all the directors concur? Was there agreement? They seemed to be rather delighted to respond. I had no issues. But, he said that he had drawn the line and refrained from making a deal when he received a call informing him that the merger agreement would be signed the next day. I made no purchases, he said. Shooting fish in a barrel, that. That was how I specified. Never have I fired a fish in a barrel.

He assumed it would constitute inside knowledge, not realizing that getting attorneys in Washington to divulge confidential information regarding mergers may also be seen as inside knowledge. What constitutes insider knowledge, asks the question? Tenebaum enquired. What's that? It's a noteworthy item that will serve as an announcement. Now, it is not inside knowledge if a man says, We're signing the merger deal in a month. It could take a month. Perhaps six weeks. Never could it happen. A merger would be announced in a few weeks, so he kept a careful eye on what they informed him and would follow up with them to find out how it was going. These calls, he said, were made on the basis of his personal instinct, not Levy's advice. Levy also encouraged Tenenbaum to expand the arbitrage business by hiring additional traders and analysts. One of the most peculiar hires made by Goldman was Robert Lenzner, who was

also employed in an unorthodox manner by Levy. Levy's dentist in New York, Lenzner's father, one day asked Levy if he would offer his son a job. Although having excellent credentials, Bob Lenzner lacked Tenenbaum's relevant background on Wall Street, much alone in arbitrage. He earned his Exeter University diploma in 1953, his Harvard College diploma in 1957, and his Oxford University diploma one year later. Lenzner served as the Harvard Crimson's business manager during his senior year at Harvard. In 1961, he received his MBA from the Graduate School of Management at Columbia University. In 1962, Levy recruited Lenzner as his assistant. Tenenbaum said, Gus brought him in just as he brought me in for my dad. You get that man out of here, Gus orders after Lenzner served as his assistant for six months. That was not a nice match for the stern Levy and the frightened Lenzner. He was no longer desired by Levy. Tenenbaum hired Lenzner as his assistant in an effort to placate Levy. The September 1963 arrangement between Sinclair Oil and Lenzner to acquire Texas Gulf Producing Company for $252 million was one of the first transactions Tenenbaum and Lenzner worked on together. Texas Gulf had placed itself up for sale in April of the previous year. Texas Gulf possessed oil and gas holdings in both Texas and Louisiana as well as producing facilities in Libya and Peru. In May 1964, Texas Gulf's shareholders authorized the sale to Sinclair; but, the transaction could not be finalized until Sinclair received approval from the Libyan government to take over Texas Gulf's local production facilities. The likelihood that Libya would approve was growing as a danger to the deal's closure and as a source of growing anxiety for Goldman's arbitrage division. The company had staked a significant sum of money that the sale would complete, but this was impossible without the approval of the Libyan government. On Broad Street, tension was beginning to rise.

As usual, Tenenbaum had been in constant contact with Joe Dowler, Sinclair Oil's treasurer. Lenzner once requested Tenenbaum's assistance. Lenzner said to Tenenbaum, L. Jay, I know you're working with Dowler, but let me pursue this issue. I am familiar with every New York Times freelancer now working in Libya. I am able to provide us with a lot of knowledge since Ramadan, which is the ninth month of the Islamic calendar and normally occurs in the late summer, has a feast day when no one did anything. According to Tenenbaum, Lenzner interacted with the Times stringers while he was in Libya and obtained great information from them, which he subsequently sent to Dowler. I was able to give it to Dowler and win Dowler over, he said. You did what I said. Due to the fact that you were important to them, you developed a friendship. And they gave you something in return. I would inquire, Joe, is everything well with this merger? He'd respond, Fine. Other Wall Street arbitrageurs, most notably Harold Cohen and Dicky Bear at L. F. Rothschild and George Soros and Arthur Klingenstein at Wertheim & Company, were a crucial link in Goldman's information chain concerning prospective transactions, in addition to bankers, attorneys, and corporate officials. Goldman had joint-account relationships with both L. F. Rothschild and Wertheim during this time, which meant that the companies would jointly arb certain deals together, sharing ratably in the profits and losses, for reasons that are not entirely clearaside from allowing Goldman to ensure that important information about deals was shared. For instance, Goldman and L. F. Rothschild served as joint account on the Texas Gulf trade. For Goldman, L. F. Rothschild, and Sinclair, having access to the information Lenzner was obtaining in Libya was tremendously beneficial. Tenenbaum stated, Lenzner's doing a fantastic job delivering us information. He approaches me one day, all fired up. L. Jay, L. Jay, we have a problem in Libya, he exclaims. I just learned that Libya may be experiencing a civil war or insurrection of some kind. That's awful. I said, Oh my God! It found out that Mu'ammar al-Gaddafi, a colonel in Libya, was a part of an early

insurrection. Lenzner was advised by Tenenbaum to verify the report and see what it's about by calling the Libyan ambassador to the United States. Lenzner considered it to be a wise decision. Hence, he leaves, Tenenbaum stated. He returns to me an hour later. Oh, my gosh, he said. We have a problem. We have a problem. Bob, what's wrong? I asked. What's going on? The Goldman Sachs operative placed him with the Liberian ambassador rather than the Libyan ambassador, he claims. Lenzner informed the US ambassador of Liberia that a revolution is taking place in your nation [8]–[10].

CONCLUSION

The purpose of a business plan conclusion is to persuade the reader of the company's success by summarizing the plan's advantages. The conclusion should concentrate on how the organization produces money and why it is a smart investment since business plans are often written by firms to attract financing or investors. Businesses are continuously looking for new sources of funding to grow. Funding, often known as finance, is the act of supplying resources to support a program, project, or requirement. Profit for a business is shown on the income statement; however, profitability is not displayed on the statements but is instead calculated using the numbers on the statements.

REFERENCES:

[1] J. Cong and W. Zhoub, ‘Inflexible repositioning: Commitment in competition and uncertainty’, *Manage. Sci.*, 2020, doi: 10.1287/mnsc.2019.3383.

[2] A. Bressan, A. Duarte Alonso, and S. K. Kok, ‘Confronting the unprecedented: micro and small businesses in the age of COVID-19’, *Int. J. Entrep. Behav. Res.*, 2021, doi: 10.1108/IJEBR-09-2020-0602.

[3] I. Y. Blount, D. A. Smith, and J. A. Hill, ‘Minority business networks as sources of social capital for minority firms’, *J. Dev. Entrep.*, 2013, doi: 10.1142/S1084946713500192.

[4] S. SanMartín Gutiérrez, J. Gutiérrez Cillán, and C. Camarero Izquierdo, ‘The consumer’s relational commitment: Main dimensions and antecedents’, *J. Retail. Consum. Serv.*, 2004, doi: 10.1016/j.jretconser.2003.12.001.

[5] B. Kalkanci and E. L. Plambeck, ‘Reveal the supplier list? A trade-off in capacity vs. responsibility’, *Manuf. Serv. Oper. Manag.*, 2020, doi: 10.1287/MSOM.2019.0795.

[6] A. Pishdad and F. Taghiyareh, ‘Mass customization strategy development by FIRM’, *J. Database Mark. Cust. Strateg. Manag.*, 2011, doi: 10.1057/dbm.2011.37.

[7] J. S. Ray, ‘Using Effective E-Commerce Strategies to Improve Organizational Performance’, *SSRN Electron. J.*, 2012, doi: 10.2139/ssrn.2115064.

[8] F. Prenkert, ‘Market investments in resource interfaces: understanding market assets in networks’, *IMP J.*, 2016, doi: 10.1108/imp-09-2015-0055.

[9] J. R. Ramsey, L. L. Barakat, M. C. Mitchell, T. Ganey, and O. Voloshin, ‘The effects of past satisfaction and commitment on the future intention to internationalize’, *Int. J. Emerg. Mark.*, 2016, doi: 10.1108/IJoEM-06-2013-0097.

[10] W. L. Berry, T. Hill, and J. E. Klompmaker, ‘Aligning marketing and manufacturing strategies with the market’, *Int. J. Prod. Res.*, 1999, doi: 10.1080/002075499189943.

CHAPTER 24

ARBITRAGE DEPARTMENT:CAPITALIZING ON MARKET INEFFICIENCIES

Aditya Gupte, Assistant Professor
ISDI - School of Design & Innovation, ATLAS SkillTech University, Mumbai, India
Email Id-aditya.gupte@atlasuniversity.edu.in

ABSTRACT:

Trading called arbitrage takes advantage of the minute price discrepancies between identical or comparable assets in two or more marketplaces. The arbitrageur purchases the asset on one market and simultaneously sells it on another market to profit on the price discrepancy. In this chapter author is discusses the biggest man on the block.This chapter goes into the process of arbitrage, which involves an investor purchasing an item on one market and concurrently selling it on another in order to profit from price differences.

KEYWORDS:

Arbitrage, Business, Department, Goldman, Time.

INTRODUCTION

Tenenbaum required a fresh helper because the Goldman arbitrage machine had to keep surging ahead like a shark. He got a call from fund manager Martin Whitman, who advised him to think about employing Robert E. Rubin, the son of Alexander Rubin, a lawyer Whitman knew from New York. Bob Rubin was then employed by the New York legal firm Cleary Gottlieb, but he was thinking about moving to Wall Street. Rubin had previously worked for Fowler Hamilton, one of Cleary Gottlieb's well-known partners and a former Justice Department antitrust attorney. Tenenbaum d Rubin was familiar with antitrust laws regarding to acquisitions, which was helpful for Goldman's thriving arbitrage division [1], [2]. Whitman assured Tenenbaum that there was just one issue. I believe he's going to start working for Felix Rohatyn at Lazard. Tenenbaum gave Rubin a call. He claimed to have informed Rubin, Marty Whitman phoned me. Your dad counts him as a close friend. You want to visit the Street, I know that. Give it a try. We should have lunch.

Tenenbaum and Rubin decided to meet for lunch at a restaurant close to Wall Street.Tenenbaum utilized Rubin's potential involvement with Rohatyn as leverage against the sensitive child. Tenenbaum said to Rubin, I hear you may work with Felix Rohatyn. I've known Felix for a very long time; he's quite skilled and a huge man overall. He really serves on four important comp any boards. You'll be working for a man who has a lot of power. You're going to take his briefcase to all of those meetings. You will be doing that, but he needs you to do it. Tenenbaum hoped Rubin was receiving his message. He said, I lost my helper, alluding to Lenzner, who at this time had departed to go to another job. Throughout the previous year, I looked at 428 transactions. I want someone to look into half of these. So you work for me. You would stand alone. Deals would be under investigation, which fits with your legal experience. You'll have a

great time, in my opinion. You'll be employed by Gus Levy. He is a substantial guy, much like Felix. It will be more of a line position than an assistant to a powerful person. I was an unusual pick for Goldman Sachs when the company recruited me, at the age of twenty-eight, to work in its famous arbitrage department, Rubin writes in his biography In an Uncertain World, reflecting on this occasion many years later. Nothing in my personality or background would have hinted that I may be competent for the job. Bob Rubin has mastered the character of the humble, self-deprecating guy, which is the one thing that can be stated about him without a doubt. He has come to represent Goldman's team-oriented approach to banking, from his conservative, somewhat shabby wardrobe to his expressed preference for consensus building over being perceived to take unilateral action, to his propensity for making apparently random calls to journalists to gather their opinions.

With another Bob Rubin anecdote, it all conforms to the stereotype of the quiet achiever. It made sense for him to feel uncomfortable at Goldman since that was how he seemed overall. He stated, In those days, the archetypal personality type of the arbitrageur was strong and combative. I was a quiet, non-obviously aggressive person back then, as I am today. Regarding my credentials, when I began the job hunt that brought me to Goldman Sachs, I don't believe I had ever heard the term risk arbitrage. Morris Rubin, his paternal grandpa, arrived to Ellis Island in 1897 to escape being drafted into the czar's army. Morris was born in Minsk, Russia, in 1882. His paternal grandpa didn't believe the Russian military would be a great professional option as a young Jew, according to Rubin. He wed Polish immigrant Rose Krebs in 1906. They made their home in a Lower East Sid e tenement where Morris worked as a milkman. Alexander Rubin's parents relocated to Brooklyn's Flatbush Avenue shortly after the birth of their first child, which Rubin referred to as a step up from the tenement. The Rubins' circumstances became better in Brooklyn, but Morris was very sick in the 1920s after becoming infected after having a tonsillectomy.

The Rubins departed Brooklyn for Miami on the doctor's recommendation that Morris would have the greatest chance of recovering in a warm, sunny environment. Thankfully, the climatic change had the desired effect, and Morris's health andfor a whilehis financial situation both improved. In the 1920s, a surge of southern migration and land speculation accompanied Morris Rubin's arrival in Miami, which the businessman found difficult to resist. His grandson said that he soon gained a substantial lot of money gambling in real estate with significant debt. Morris Rubin had a brief period of riches in the 1920s. The Florida real estate bubble eventually broke, taking Morris Rubin's wealth with it as a forerunner to the Crash of 1929. Morris Rubin exhibited some signs of insanity for a number of years following that, until he recovered his equilibrium. Morris had recovered his composure by the time Rubin was born, and he had figured out how to survive with the money he had saved while living in Miami, a mile from his grandpa. His wealth never returned.

His maternal grandfather, Samuel Seiderman, hailed from a prominent Brooklyn family that had been a part of the neighborhood for many years. According to Rubin, Seiderman was a lawyer, a real estate investor, a political activist, and a major in his Brooklyn world. He was also a significant player in Brooklyn's Democratic Party apparatus. Family lore has it that my grandpa and his associates selected judges while hanging out in the basement of what I recall as their big home at 750 Eastern Parkway in Brooklyn, according to Rubin. While Rubin was a sophomore at Harvard in 1958, his grandpa passed away, but his impact lingered with me. During a 1933 Waldorf-Astoria charity dinner-dance, Rubin's parents first connected. Property tax lawyer

Alexander Rubin, a graduate of Columbia Law School, attended the event with a client who had made a sizable contribution to a hospital and was being recognized. Over dinner, the client bemoaned the fact that he had never wed and pushed Rubin to avoid the same mistake. He advised that his attorney dance with a close female patron. Rubin examined her briefly before stating that he didn't feel like dancing but that he believed another lady he spotted on the balcony was more his style. Sam Seiderman heard Rubin make the remark. He said, Would you want to dance with that young lady? That's my daughter, I said. They would be together for about 70 years. In Neponsit, Queens, resided the Rubin family. In 1938, Bob Rubin was born. His family relocated from Queens to an apartment on West Eighty-first Street in Manhattan when he was three years old, just across from the American Museum of Natural History.

He attended the Walden School, which is on Central Park West just across the block. Alexander Rubin volunteered to give the family's loss-making mica minea relic of Morris Rubin's commercial empireto the US government for the war effort during World War II. The offer was accepted, but the government insisted that Alexander operate the mine instead. The family relocated to Sylva, North Carolina, in the Great Smoky Mountainsbriefly, it turned out. My father was referred to as Jew guy and Mr. Jew by the locals, Rubin recounted. My mother found it to be a little much, feeling as if she had woken up in the wrong century. Alexander remained in Sylva and traveled by rail to see Rubin, his sister Jane, and their mother every few weeks while Rubin, Jane, and their mother relocated to New York. To be near Bob Rubin's grandpa and to provide his father a calmer, more peaceful existence, the family relocated to Miami Beach when Bob was nine years old. Along with developing a retail complex and continuing to practice law, Alexander Rubin's wife, who had a shelf full of local club trophies, was also an avid golfer. Robbie Rubin has attended a private school in New York and has never studied script, his teacher informed the students on Bob Rubin's first day of fourth grade at North Beach Elementary. So let's all treat him kindly.

Notwithstanding his objections, his classmates voted him class president that same day. While he said, I wasn't the class president type, the title nevertheless remained with me. While I never served as class president, I did sometimes hold office during my time in school [3], [4]. Rubin wrote in his memoirs about growing up in a normal, ideal family in post-World War Two America. He always took his bike to school, worked a paper route, read Hardy Boys mysteries, fell in love with fishing, and avoided being too affected by Rabbi Leon Kronish at the neighborhood synagogue. His parents were social people who often played cards and golf and frequented the cabana club at the Roney Plaza Hotel. Rubin, however, once again saw firsthand racial discrimination after briefly experiencing it in North Carolina. He and his sister went to segregated schools, and there were white and colored drinking fountains at the Woolworth's in the neighborhood. Jane Rubin deliberately sat at the rear of the bus and drank from the colored drinking fountain.

Since Bob admitted he was quite excellent at poker and played it often, he was able to flourish in that unpleasant atmosphere. In addition to luck, Rubin attributes his admission to Harvard to his election as the senior class president of his high school, which is consistent with the pattern. He said, I went to a standard public high school, and my grades were okay but not extraordinary. Yet he insisted that chance was the key element. Rubin's father encountered a lawyer at a Harvard Glee Club performance whose buddy, the dean of admissions at Harvard College, just so happened to be travelling through Miami at the same time. Robert Rubin had a fortunate interview with the dean as a result of a series of events. Rubin, a member of the Harvard class of

1960, struggled with feelings of inferiority. He took four years of French in high school, but he couldn't pass the exam to get out of the beginning course. He hadn't done calculus in high school, so he couldn't even enroll in the introductory math course. He paid attention when the dean predicted that 2% of the class would fail on the first day of freshman orientation in the autumn of 1956. He later said, I glanced around and believed that everyone else was fortunate since I was going to satisfy the full quota by myself.

DISCUSSION

Rubin finished his first year at Harvard performing well. He began as a government major since he looked to be headed toward law school. Thereafter, however, Rubin shifted to economics, which was mostly taught as a conceptual subject rather than with the exactitude of later decades. He remarked, I found it challenging yet interesting. He worked on his 125-page senior honors thesis, Inflation and Its Connection to Economic Growth in Brazil, with Nobel Prize-winning economist Thomas Schelling, who had recently relocated from Yale to Harvard, and Rubin was his lone advisee. Regardless of what Rubin meant, the topic attracted to him since it seemed a potentially rewarding field for entrepreneurial participation. One of Rubin's favorite memories of Harvard was spending the summer between his junior and senior years in Cambridge, with no job, sleeping on a broken couch in the living room of a shared apartment, and working on my thesis to get a head start, researching and writing the thesis in the stacks of the Widener Library every day, along with occasionally hanging out in coffee shops in Harvard Square contemplating existentialism and the mean [5], [6].

Rubin's senior year at Harvard was when he finally felt at home. While he acknowledged that his early worries about whether he should be attending the school were unfounded, he came to the conclusion that his paranoia served as a strong motivation for him. He managed to graduate from Harvard with the surprising honors of Phi Beta Kappa, summa cum laude, and a summa minus on his Brazil thesis, despite initially believing he wouldn't make it to the finish line, he wrote afterwards. Both the Harvard Law School and the Harvard PhD program in economics accepted him when he applied. After graduating from Harvard, Rubin apparently addressed a letter to the admissions director at Princeton, where he had been turned down four years before, as a joke. He wrote, I assume you monitor the persons you graduate. I thought you may be curious to hear what happened to one of the applicants you turned down. He got a letter back saying, I just wanted to let you know that I graduated from Harvard summa cum laude and Phi Beta Kappa. The dean responded, I appreciate your message. We at Princeton believe it is our obligation to turn away a certain percentage of highly qualified applicants each year so Harvard may have some top kids as well.

Rubin returned to Cambridge in the autumn of 1960, but this time he was less eager to start preparing for the demands of law school. He went to the associate dean to inform him of his withdrawal after three days. The dean showed no pity. He said to Rubin, You've stolen a spot someone else may have had. Rubin said, I informed him that I was quitting nonetheless. The dean informed him that Rubin would not be re-admitted to Harvard Law unless there were extenuating circumstances. But while they continued to speak, the dean said that Rubin would be readmitted the following year provided he saw a psychiatrist, had an evaluation, and it was found that he was acting reasonably. The psychiatrist revealed to Rubin that he took a year off before beginning medical school. The doctor assured Him that everything was alright, but suggested that maybe the dean needed to come see him if he found what I planned to do so distressing.

Rubin had a free choice to attend Harvard Law School and was unsure on how to spend his next year. He ended up applying by wire to the London School of Economics, emphasizing his Harvard credentials, after discovering it was too late to apply to academic programs at Cambridge and Oxford. Rubin didn't notify his parents about leaving Harvard Law School for the London School of Economics until after that. Rubin had to first go back to Miami to seek the local draft board's consent to be delayed from the draft while attending graduate school overseas, a possibility provided the institution was duly recognized, before he could leave for London. The Miami draft board representative was unfamiliar with the LSE. He said to Rubin, The problem with males of your ethnicity is they don't want to go to battle. Rubin requested a letter from Arthur Smithies, the head of the Harvard economics department, declaring that the London School of Economics was the genuine thing in order to get the support of the draft board. It succeeded.

Rubin has only ever been to Mexico with his family and a school trip to Cuba back when it was still an option. His recollection of the year strikes me as being very lavish. He was able to do anything he wanted since he was an occasional student at the institution, working for a certificate rather than a true degree, which was very much what he did. He stated, I spoke to people for the most of my time. The feeling of independence was fantastic. I could prepare supper at midnight, go to bed late, and then get up and read all day if I wanted to at my accommodations on Earls Court Road. Rubin enjoyed his wanderlust with David Scott, his traveling partner. He was dressed in a suit when he hitchhiked in England, and his sandwich board said, Two Harvard students need transport. Over Christmas break, he spent six weeks in Paris reading Jack Kerouac and Arthur Miller while staying at a modest hotel on the Left Bank. He went skiing for the first time in Austria. He spent Easter in Italy and the following summer, Scott and he on a road trip through Denmark, Norway, and Sweden. He had applied to and been accepted into Yale Law School and could now select between those two schools or Harvard Law School. In the end, he chose Yale over Harvard because, in his words, at Harvard you sit around and discuss contracts, while at Yale you sit around and discuss the meaning of good and evil.

Rubin also, apparently, spent time debating the meaning of life, and he nurtured a skepticism that had first been encouraged in him by his rabbi in Miami, Leon Kronish, and then by his rabbi in New York, Abraham Joshua Heschel. Rubin met Judy Oxenberg at the London School of Economics she was a friend of a Harvard student he had dated. Judy and his ex-girlfriend were traveling through London on their way to spend the summer in France while she was a junior at Wellesley College. He recalled being awestruck by Oxenberg's beauty that evening. The two began dating when Oxenberg showed up at Yale to study graduate-level French during Rubin's second year of law school. She had a passion for dancing, ballet, and classical music. By November of his final year of law school, the couple was engaged, and they were married in March of the following year at the Branford Chapel at Yale. Rubin wrote that they shared a sense of curiosity about everything around us, from the people we knew to world affairs to the books the other person had read. Although if Rubin had some hazy plans to go back to Miami and work with his father in the real estate industry, one does not spend three years at Yale Law School without having some hope of practicing law, even if just for a short time. Rubin looked for employment at a number of renowned corporate law firms in New York City after graduating from Yale Law. He and Judy resided in a basement apartment on Henry Street in Brooklyn Heights, with the rent covered by his parents, and he ultimately picked Cleary Gottlieb because it had a more comfortable atmosphere and was smaller than other companies but similarly

established. Rubin traveled by subway to his offices on the southern point of the island, while Oxenberg took the same route to her infrequent performing jobs near the Broadway theaters. Rubin enjoyed the cachet of Cleary Gottlieb and being a member of an established firm, but he was not interested in doing research for significant legal cases, business disputes, or tax analyses of individual estates. Rubin was struck by the fact that investment bankers appeared to be making the fascinating business choices and receiving substantial salaries while the attorneys faithfully documented the proceedings for hourly billings, as is common among lawyers working on Wall Street transactions. Rubin reflected, I want to be doing what those men are doing when I'm forty, not what we are doing. Rubin, though, had no intention of delaying the change until he was 40. After working at Cleary for a while, he sent out a ton of resumes to Wall Street companies in an effort to get into the transaction sector. He said, By complete coincidence, two companies offered me positions doing something I'd never heard of. He joined Goldman in October 1966 and stated that he picked it over Lazard because it was considered the leading company in the arbitrage business, because to Levy's talent and cunning, and because the salary was somewhat greater. Yet he was concerned that he could not make the calls necessary for an arbitrageur to get on the phone and question executives at firms about transactions.

His yearly salary rose from $13,000 to $14,400, saying, I wasn't sure I could be that brazen. Working at Goldman, as opposed to Cleary, was a step down on the social scale, he had heard from a number of sources. In September 1967, medical equipment producer Becton Dickinson made a $35 million stock sale for eyeglass lens manufacturer Univis Lens Co. This was one of Rubin's earlier transactions. Rubin started to place his calls. The first step, according to Rubin, was to do quick, thorough research. I had to review every piece of material that was readily accessible to the public. I had to consult with proxy and antitrust attorneys. Finally, just like a securities researcher, I had to talk to officials at both firms. I virtually never got access to all the information I preferred. Hardly did I have enough time to really consider anything. Sadly for Rubin, the merger failed. Rubin's wager cost the business $675,00 by the end of January 1968, the first month of the new fiscal year. Levy, who Rubin characterized as having terrific insight into deals in retrospect, was furious and stalked around the trading room muttering that we should have known better than to think a merger like that would go through Anybody could have seen that was going to happen! Rubin wrote that the amount was a lot of money back then, more than we made on any other arbitrage transaction that year.

Although the loss had been significant, Levy and Tenenbaum also understood that it was typical of the merger arbitrage bets Goldman was placing. Deals and bets might sometimes fail, but overall, according to Goldman's calculations, the chances were in the company's favor most of the time. As most acquisitions that are publicly disclosed do end up being completed in some way, Goldman had a good chance of succeeding given the breadth of the market knowledge that Rubin, Tenenbaum, and Mayers were gathering. Not only could I live with the risk without turning into a nervous wreck, risk taking actually comported with my way of seeing the world, according to Rubin. Although the antecedents aren't exactly clear, Rubin said he took naturally to being rigorously analytical in weighing probabilities and described this as being like a mental yellow pad. While flux and uncertainty made arbitrage quite nerve-wracking for some people, Rubin continued, somehow, I was able to take it in reasonable stride. Risk arbitrage sometimes involved taking large losses, but if you did your analysis properly and didn't get swept up in the psychology of the herd, you could be successful. Even though Rubin sought to downplay the

strain, and despite the fact that Goldman benefited from its market position, there was a lot of pressure to make the right bets.

Levy was on the cover of Finance magazine in MAY 1968, which was referred to at the time as the magazine of money, with the heading The Largest Man on the Block referring to Levy's and Goldman's domination of block trading. Block trading was one of Goldman's breakthroughs, despite the fact that it wasn't particularly recognized for this. The notion was that when institutional investorsmutual funds, pension funds, and their likerose, the ability of customers to purchase large blocks of stock from them all at once became a valued service. Large blocks of stock that a customer wished to sell in the past had to be divided up into manageable chunks for the market to take without significantly changing the stock price. This would often be time-consuming, have a negative impact on stock price, and cost the customer money. Goldman assumed the risk of selling the block of stock from the client by agreeing to acquire it right away, using its own cash, and betting that it would subsequently be able to sell the shares at a better price. In either case, Goldman would also get the fees for both purchasing and selling. Levy came up with the saying, Anything well purchased is half sold, since the whole danger is in the purchasing.

For instance, institutional investors bought about half of the shares traded on the New York Stock Exchange in 1968. Levy said in May 1968, We, of course, know where all the huge blocks are. Levy was the top block trader for Investors Diversified Services, or IDS, the largest mutual fund business in the country at the time. IDS was controlled by Allan P. Kirby, a former foe from Levy's conflict with the Murchisons. There was plenty of evidence to support Goldman's claim to be the greatest mover of stock on Wall Street at the time. For instance, Levy executed the greatest single person deal in history on October 31, 1967, when he crossed 1,150,700 shares of Alcan Aluminum at $23 per share, acting as both buyer and seller and collecting all expenses related thereto. Levy was so fascinated by the deal, according to Finance, that he went to the exchange floor to work with the expert while the trade was moving through the system. Levy was evolving swiftly, the magazine acknowledged, from a tough trader with point-spread orientation into a statesman of the financial world as he approached his fifty-eighth birthday. According to a friend of Levy's, He aspires to be Mr. Wall Street like Sidney Weinberg. Levy, meantime, complained that he had been working too hard, despite the fact that he obviously enjoyed it, one Saturday morning while sitting in his Sutton Place apartment, surrounded by piles of work documents and his multiline phone blazing with calls. While it was down the road, he said that his long-term goal was to maybe get some Government post, appointive, not elected. I'm not yet prepared for it. Levy was very concerned with securing his expanding position of authority at Goldman Sachs.

In the late 1960s, his trade enterprise there had developed into the company's main source of revenue. John Whitehead said that compared to Sidney's leadership, more development happened during his era of leadership. Gus made sure the company had the desire and push to develop at this time while Sydney made sure the business survived and that its reputation reached a high level. Weinberg, who was then in his eighties, was undoubtedly still influential inside the company. Nonetheless, Tenenbaum, Rubin, and Lenzner, Levy's henchmen, were responsible for the company's financial success. Robert Rubin remembered Goldman when he first started there: It was the only business on the Street that was both a trading firm and an investment banking firm. Sidney Weinberg, aka Mr. Only once, when I sent a note for him at Levy's request on the Ford family's potential interest in exercising certain Ford stock options, did I address everyone as

Weinberg. Weinberg gave Rubin instructions over the phone during their conversation regarding the memo's subject matter. He said, Gus subsequently remarked that Mr. Weinberg thought I did a fantastic job. And then, one day, L. appeared while I was seated in the trading room. Jay erupted. What was he standing up for, I wondered? I encountered Sidney Weinberg when he appeared out of nowhere, wearing a vest, and coming through the door. That was the only time Rubin had ever spoken to Weinberg since, as a result of Levy, Weinberg no longer had an office at 55 Broad Street. Midway through the 1960s, Levy had sent him to a Goldman office in uptown, located at 375 Park Avenue in the Seagram Building. At the end, Weinberg and Levy had nothing in common. Whitehead said that Sidney glared down his nose at Gus. Nonetheless, Sidney certainly admitted to himself that there was no other alternative, and so chose Gus to replace him.

The Times noted in 1971 that Weinberg preached mandatory retirement at age 65, but he never quite practiced it, and that his semi-retirement allowed Goldman to change from a one-man show to a more broadly based operation. It was extremely uncommon for a senior partner of a firm to be removed physically from the firm's offices, but without Weinberg at 55 Broad Street, Levy had more freedom to run the firm as he saw fit. One of the more enigmatic tales in the Goldman mythology is how Levy orchestrated this maneuver. The conflict between Levy and Weinberg, which led to Weinberg transferring his office to the Seagram Building, was not covered in any of the previous two books on the company. Yet there is no denying Levy's ambition to operate the company according to his own preferences, free from Weinberg's very conservative and authoritarian temperament. George Doty, a partner, said, Sidney was a bit envious of his, I suppose, priority and he would tread on Gus if he felt Gus was looming too huge on the horizon. Yet Gus was the company's biggest revenue generator. A love-hate connection resulted. Levy observed that trading in options and commodities offered the greatest potential for profit, followed by arbitrage and block trading. Weinberg was a very risk-averse investment banker who had seen the Depression and come from a background of close to extreme poverty.

He was particularly risk-averse when it came to utilizing the firm's limited capitalwhich was really just the partners' moneyto place trading wagers. The Goldman team's repressed creative force was released by Levy. Alan Stein, a former Goldman partner, remembered that Gus was far more proactive with an interest in gaining new business and things like that. And he allowed people a lot more freedom to pursue their own interests, which Sidney never really liked to do. Doty was brought in from an accounting business to attempt to offset Levy's risk-taking instincts since he was very much a control person. Gus used to be feared by Walter and Sidney Sachs because he was a greater risk-taker in the markets than they really had the stomach for, according to Doty. I was hired, at least in part, to provide a balance and guard against our becoming overexposed. Sandy Lewis was also unaware of Levy's strategy for convincing Weinberg to go uptown. Yet he understood how significant the change was to Gus Levy. He remarked, That was a reason for joy between Dad and Gus. I have never experienced such laughter. They were happy to have him leave the place. They didn't disrespect him it's just that.

Yet he refrained from engaging in major trade. not simply soliciting business from agencies. He did not want trading to become a significant issue at Goldman Sachs. He detested it. He worried the damage it would do to the business. He saw the Crash's events. Yet as Levy's clout at Goldman and on Wall Street rose, he became referred to as Mr. Wall Streetmade the decision that Weinberg needed to leave. Levy succeeded Weinberg in a manner more like to that of Weinberg and Waddill Catchings than the seamless, well-planned transition in leadership that the

company's public relations team would have one think. Peter Weinberg, Sidney's grandson, said that when Gus Levy was made senior partner, Sidney Weinberg, like many great leaders, did not fall peacefully into the night. In fact, I had always heard that removing him from the structure and bringing him to 375 Park was really difficult. With his characteristic understatement, Rubin said, I think there was some tension there when Mr. Weinberg passed over the administration of the business to Gus. I suppose Sidney Weinberg thought he managed the firm until the day he died. Weinberg was not physically at Goldman's offices on Broad Street, but he retained for himself the power to set the partners' biannual profit percentages, which meant that Weinbergnot Levydecided what partners got paid. JimmyWeinberg, one of Sidney's two sonsonce said to me that Mr. Weinberg found it hard not running the firm. Nothing was more crucial on Wall Street. Doty said, Sidney, he was always the boss until the day he died. The senior partner, he was. Gus didn't seem to like it. Gus' popularity has significantly increased. He had developed into an excellent investment banker. He was now the New York Stock Exchange's chairman. Yet, Sidney always made it clear who the senior partner of the business was [7].

Levy rose to toast Weinberg in 1969 as the annual partners' dinneroften held at the '21' Clubdrew to a close. He continued, Mr. Weinberg, even though your office is now uptown and we're downtown, so we no longer see you at the office, we all want you to know that you are always in our hearts and thoughts. We are also so glad that you are active and well, and we just want you to know how much we appreciate you. Goldman Sachs is always with youand you are always with Goldman Sachsno matter where you are or where you go. Levy received praise from the other Goldman partners for his tribute. Weinberg, however, was not prepared to pass away peacefully at the age of 77. He said, Those are really wonderful ideas, Gus, and I'm delighted you feel as you say you do. But, Gus, never forget this. I am the senior partner of Goldman Sachs and I manage this company no matter where I go. Weinberg was a pain in Levy's side right up to the very end. One former partner recalled how Sidney put a damper on Gus's business while he was still alive. He used to say that some of Gus's business was borderline,' is the wrong word and I don't want to offend anybody by saying it, but he thought maybe some of Gus's business was 'too Jewish,' the former partner said. Gus was free to pursue any business he believed would be beneficial for the company after he was released from Sidney.

Gus's own standards had evolved in the meanwhile. He was less inclined to attempt to pursue marginal business now that he was more conscious of the firm's reputation. Weinberg passed away on JULY 24, 1969, at the Columbia Presbyterian Medical Center, after a brief illness. His extensive obituary, which published on the front page of the New York Times, detailed his disadvantaged Brooklyn origins, his skill in investment banking, as well as his largely unrecognized function as a presidential advisor. He not only assisted and worked for President Roosevelt, but he also gave secret advice to Presidents Truman, Eisenhower, Kennedy, and Johnson. He cast a cautious vote even though he supported Democrats. The Times described his impact throughout the two Eisenhower administrations as enormous. Weinberg was consulted by President Kennedy on tax policy and the establishment of COMSAT, the Communications Satellite Company. Weinberg was a founding member of the Johnson for President organization in 1964, which sought to elect Johnson as the nation's president that year. He suggested Henry Fowler and John T. Connor to Johnson, who picked both men for his cabinet as the secretaries of the treasury and commerce, respectively. The only presidential candidate Weinberg supported who lost the election was Minnesota Senator Hubert Humphrey. Weinberg served on the boards

of Ford Motor Company, General Cigar Company, and Corinthian Broadcasting Corporation at the time of his passing.

Even the debate over whether investment bankers should continue to serve on company boards had begun to shift by the time Weinberg passed away. It became less and less attractive from a legal standpoint for investment bankers to continue to sit on the boards of their clients as the SEC and the legal system changed how securities rules relating to trading on inside knowledge were interpreted. A court of appeals found in August 1968 that top Texas Gulf Sulphur Company officials had broken the law by trading in the firm's shares while being aware of a significant mineral discovery the business had made in Canada. Soon after, the SEC initiated an administrative action against Merrill Lynch, saying that fourteen of its officials had given inside information to fourteen other financial companies concerning an anticipated fall in profitability at the Douglas Aircraft Corporation. Then, a small investor in the Penn Central Transportation Company, the largest railroad in the country, filed a lawsuit against Howard Butcher III, a Philadelphia investment banker who was a director of Penn Central and 29 other companies.

The investor claimed Butcher had secret information about the railroad's financial performance and had persuaded his firm's clients to sell their Penn Central stock, artificially depressing the stock price. Butcher swiftly resigned from the thirty company boards on which he had been a member, and the case sparked a national discussion about whether investment bankers were improperly utilizing the knowledge they gained while serving as corporate directors. Butcher said that attitudes concerning the function of investment bankers on corporate boards had changed. The senior partner of Loeb, Rhoades & Co., John Loeb, disagreed. He said to the New York Times in December 1968 that if you have an ethical perspective toward life, you're typically ahead of the regulations. Unsurprisingly, Weinberg supported the method. There is no sin in having an investment banker on a board, I've been on boards for 40 years, he said. As for possible conflicts of interest, the old Wall Street adage basically you've got to be honest comes to mind.

There was no doubt that Levy owned Goldman Sachs when Weinberg passed away. In a deposition, when asked when he took over as Goldman's senior partner, Levy said, Since Mr. Sidney Weinberg's passing in July of 1969. He made the company's 100th anniversary celebration one of his top priorities. On December 15, 1969, this was carried out in a very covert manner without any exposure at a Bank of New York office building. The partners ate shrimp cocktail, assorted crackers, Duchess potatoes, and grilled Delmonico steak à la maître d'hôtel in addition to talks. The group shared butter biscuits, Curaçao, and lemon sherbet for dessert. Along with the century-old company, Weinberg had also left Levy with a number of unpleasant surprises in the commercial paper division of Goldman, the short-term, unsecured loans that had given Marcus Goldman his start in lower Manhattan. Goldman had established itself as an authority in putting, for a charge, its customers' short-term commitments with institutional investors, many of whom were banks and insurance companies.

By 1969, Goldman was by far the biggest commercial paper dealer on Wall Street. Because no companies had defaulted on their commercial paper obligations since the Depression, the low-margin, steadily growing business had not presented Goldman with any issues. This was in part because, by the late 1960s, only the largest companies with the best credit ratings had access to the market because the obligations were senior unsecured, low-yielding debt. This secure, routine business suddenly became unsettling. On the evening of December 27, rumors started to

spread that Mill Factors Corporation, known as the Tiffany of finance companies and a Cadillac of its sector, was in serious financial trouble as a result of unforeseen large losses in its loan portfolio and would probably seek bankruptcy protection. The business, which had opulent offices in the New York Life Building on Madison Avenue, claimed that the losses in its loan portfolio would more than wipe out its annual revenues. Creditors were attempting to estimate the magnitude of their damages. In an effort to acquire the company's assets at a discount, other financing firms had already begun to circle the business.

The leader in commercial paper underwriting for Mill was Goldman Sachs. Three months before to the disastrous disclosure, Goldman had actually sold $1 million of the company's commercial paper to New York Life, which was not only the biggest creditor of Mill, but also its landlord. Goldman had arranged for roughly fifty different investors to purchase about $7 million of the company's commercial paper throughout the years. The majority of the paper was suddenly delinquent, which meant that Mill had ceased making interest payments on the IOUs in order to save money. 35 million of Mill's $45 million loan portfolio came proven to be dubious and unlikely to be repaid to Mill. Due to this catastrophe, Mill was unable to pay off its own more than $80 million in short- and long-term debt. Charles Seligson, the company's special outside counsel, said that there is no disputing the reality that there was mismanagement here. Unless the credit extension was improperly handled, you don't have a portfolio of $35 million in questionable accounts out of a portfolio of $45 million.

Several of Mill Factors' creditors believed Goldman ought to have been aware of the business' issues before to offering its commercial paper. Two of them were Alexander & Baldwin, a Hawaii-based diversified mini-conglomerate, and Worcester County National Bank, a Worcester, Massachusetts-based institution that purchased $1.3 million in Mill's commercial paper from Goldman on behalf of several chari accounts it managed. Due to its dislike of Goldman, the Worcester bank was the only creditor that refused to support a proposal that would have kept Mill out of bankruptcy and resulted in the transfer of the business to another financing firm. This plan needed the support of all creditors. According to John Hunt, a senior vice president of the bank, Goldman was irresponsible in suggesting this paper to us and should make good the loss. In order to avoid setting a precedent that it would have to follow in subsequent bankruptcies where the commercial paper creditors experienced losses, Goldman declined to pay the losses, which were estimated to be worth 60% of the initial investment.

In the end, Goldman paid only $50,000 but denied all liability and agreed to settle the cases only to avoid the time and expense of protracted litigation, in contrast to other parties in the case who made substantial financial contributions to settle lawsuitsfor example, Mill's accounting firm, Lybrand, Ross Brothers & Montgomery, paid nearly $5 million. Goldman had good reason to be concerned about creating a precedent. The Penn Central Transportation Company, the biggest railroad in the country, went down in June 1970, and the Mill' Factors catastrophe was only a prelude to that event. The commercial paper division of Goldman was at the heart of the company's financial problems, and the Penn Central bankruptcy at the time was the biggest in American corporate history. The existence of Goldman Sachs was once again in jeopardy. Everyone dug in, as Doty put it. We had some challenging years [8], [9].

CONCLUSION

Arbitrage is the simultaneous acquisition and disposal of an asset in many marketplaces in an effort to take advantage of minute price variations. Trades in stocks, commodities, and currencies

are all examples of arbitrage. Arbitrage makes use of the inescapable market inefficiencies. Yet arbitrage gets markets closer to efficiency by taking advantage of inefficiencies. Arbitrage traders improve the effectiveness of the financial markets while they are working to increase their profits. The price discrepancies between identical or comparable assets become less when they purchase and sell. As the higher-priced assets are sold off, the lower-priced ones are bid up. Arbitrage corrects price inefficiencies and increases market liquidity in this way.

REFERENCES:

[1] V. Maltsev and M. Pokojovy, 'Applying heath-jarrow-morton model to forecasting the us treasury daily yield curve rates', *Mathematics*, 2021, doi: 10.3390/math9020114.

[2] D. MacKenzie and T. Spears, '"The formula that killed Wall Street": The Gaussian copula and modelling practices in investment banking', *Soc. Stud. Sci.*, 2014, doi: 10.1177/0306312713517157.

[3] T. Huang and Q. Yue, 'How the game changer was generated? An analysis on the legal rules and development of China's green bond market', *Int. Environ. Agreements Polit. Law Econ.*, 2020, doi: 10.1007/s10784-019-09460-9.

[4] T. Cho, 'Turning Alphas into Betas: Arbitrage and the Cross-section of Risk', *Rev. Financ. Stud.*, 2019.

[5] A. Carriero, 'Forecasting the yield curve using priors from no-arbitrage affine term structure models', *Int. Econ. Rev. (Philadelphia).*, 2011, doi: 10.1111/j.1468-2354.2011.00634.x.

[6] I. Kaminska, 'A no-arbitrage structural vector autoregressive model of the UK yield curve', *Oxf. Bull. Econ. Stat.*, 2013, doi: 10.1111/obes.12001.

[7] J. Mohammad and K. Elshqirat, 'An Empirical Examination of the Arbitrage Pricing Theory: Evidence from An Empirical Examination of the Arbitrage Pricing Theory: Evidence from Jordan', 2019.

[8] F. H. Page, 'Arbitrage and asset prices', *Math. Soc. Sci.*, 1996, doi: 10.1016/0165-4896(95)00807-1.

[9] F. Bec, A. Rahbek, and N. Shephard, 'The ACR model: A multivariate dynamic mixture autoregression', *Oxf. Bull. Econ. Stat.*, 2008, doi: 10.1111/j.1468-0084.2008.00512.x.

CHAPTER 25

UNDERSTANDING THE CAVEAT EMPTOR PRINCIPLE

Minakshi Rishabh Todi, Assistant Professor
ISME - School of Management & Entrepreneurship, ATLAS SkillTech University, Mumbai, India
Email Id-minakshi.todi@atlasuniversity.edu.in

ABSTRACT:

A lack of an assurance or warranty for an item acquired as is through a private seller is an example of caveat emptor. In this instance, the customer has complete responsibility for any problems that may develop with the goods, and the vendor makes no promise that it will satisfy their expectations. Caveat Vendition has replaced Caveat Emptor as the instrument's current state. Thirty years ago, Let the buyer to be cautious was the trademark with the passage of the Consumer Protection Act, it has now been modified to Let the seller be careful. In this chapter author is discusses thebankruptcy protection.

KEYWORDS:

Company, Caveat Emptor, Central, Commercial, Caveat.

INTRODUCTION

The Pennsylvania and New York Central railways merged to establish Penn Central in February 1968, making it the biggest railroad and one of the biggest businesses in the country. Almost fifty separate bonds totaling over $1.2 billion were outstanding between the two businesses. The company's leadership tried to refinance and consolidate that debt after the merger. Penn Central's regulatory body, the Interstate Commerce Commission, granted the request to issue commercial paper for the first time on July 29, 1968. On August 6, Goldman sold $35 million of Penn Central's commercial paper, and by the end of the year, they anticipated selling another $65 million. According to Goldman, the offering was extremely warmly welcomed. Less than two years later, Penn Central filed for bankruptcy protection, enabling it to continue operating rather than being liquidated, in part because it was unable to pay back the required minimum of $75 million in outstanding commercial debt by the end of June 1970.

Penn Central had been in talks with the US government about receiving loan guarantees, but those talks fell through. 35 percent of all railroad passenger service in the United States was supplied by the corporation, which ran 20,530 miles of track over sixteen states and two Canadian provinces. In addition, the corporation owned a sizable amount of property on Park Avenue between Grand Central and the Waldorf-Astoria hotel in New York, as well as Grand Central Station itself. Yet, Penn Central ultimately missed its payment obligations on $87 million of its short-term commercial debt. In an effort to reach an agreement with the different holders of the Penn Central commercial paper wherein Goldman would buy back their debt at fifty cents on the dollar, Levy sent John Weinberg, Sidney's son, after sensing potential legal difficulty. Due to Weinberg's failure, Goldman quickly encountered significant issues [1], [2]. Levy, on the other

hand, was expanding his public service endeavors, although in a background capacity. Nelson Rockefeller, the governor of New York, named him to the board of the influential Port of New York Authority, which was in charge of managing the airports, tunnels, and bridges used to enter and exit the city, in May 1970. As soon as possible, Levy got his Wall Street friends to put pressure on Rockefeller's successor, Governor Malcolm Wilson, to reconsider his decision to raid the authority's funds to support mass transit. This really infuriated Lewis Kaden, who was at the time Brendan Byrne's legal counsel and wanted to use the funds. Levy, according to Kaden, is where the money is.

In the meanwhile, Bob Rubin, who was still working for Tenenbaum at Goldman's arbitrage division, considered quitting the company. Rubin phoned Sandy Lewis, who oversaw White, Weld's arbitrage division, to inquire about the potential of working for Lewis there, according to Lewis. Rubin contacted Lewis at White, Weld after less than three years at Goldman, but it was obvious that he was impatient. Lewis claims that Rubin contacted him in 1969. Lewis said that Bob Rubin wanted to go. He had lost interest in Goldman and what he believed it required to be successful there. Lewis said that Rubin informed him, It's a dishonest disaster that's turning honest people into dishonest people. He said that Rubin bemoaned making the calls and the aberrant conduct he saw every day. Lewis said that Rubin informed him that people were hurling books and chairs about. There were many outbursts. Yet, what's happening was done to hide the kinds of things they had to do that embarrassed them. Rubin gave a different account of how he pursued the White, Weld offer in his book. He said that Sandy Lewis, who was sacked in December 1969, was the fellow who handled its arbitrage section at the company, and that Eli Jacobs, a buddy from law school, had phoned Lewis to see if he would be interested.

At the age of 32, Rubin accepted Paul Hallingby's offer to make him a partner at White, Weld. Rubin was ready to agree to the alliance between White and Weld. He said, I loved what I saw there. He also believed he would never be a partner at Goldman, and he believed White, Weld was a good option and, in any case, a foregone conclusion. Rubin said, I never in a million years anticipated they'd give me a partnership. To inform Tenenbaum that he was leaving Goldman for White, Weld, Rubin went to the latter. Levy, who Tenenbaum saw, wasn't thrilled about having to deal with this situation, Rubin later wrote. Gus, Hallingby offered Rubin a partnership, Tenenbaum stated to Levy. He is, in my opinion, quite important to us. He's a great young man. You are aware of it and his character. Alright, Levy said to Tenenbaum. Instruct him to maintain a clean nose. We'll put him up for partnership at the year's end. Tenenbaum said that Levy and Tenenbaum were drawn to Rubin because of, among other things, his pedigree of law. He had a law degree, summa cum laude, and everything else. He was just a clever and cautious youngster. Tenenbaum said that while he did not say it to Levy, Judy Rubin, who would later be designated the New York City commissioner of etiquette, impressed him as well [3], [4].

DISCUSSION

Rubin informed Hallingby he was remaining at Goldman based on Tenenbaum's assurances of a partnership. Levy kept his promise and did nominate Rubin for partner at the conclusion of 1970. Together with H., nine other individuals were designated new general partners of the company on December 30. Erik Sheinberg, Eugene Mercy Jr., and Corbin Day. Without explaining how he reconciled his astonishment with what Levy had informed him the year before, Rubin said, I was, to put it mildly, startled. Yet the fact that he joined Goldman in the midst of the Penn Central scandal was not lost on him. This isn't good, I told myself, since there won't be a firm in

which to be a partner. Rubin was right on the money. By November, four Penn Central commercial paper investors had filed a lawsuit against the company in federal court in Manhattan, demanding more than $23 million, or about half of the firm's capital. According to the Times, the basic issue is this: to what extent are commercial paper dealers, who have placed about $13 billion of the total paper outstanding, responsible when one of the companies whose notes they are handling get into financial trouble? For Goldman, in 1970, this was more than just a hypothetical query; it went to the core of whether it would remain solvent. The business had around $50 million in capital at that time, completely provided by its partners. It goes without saying that the consequences for the company might be disastrous if the holders of the whole $87 million of the Penn Central commercial paper that Goldman placed went after it. This would be particularly true given the looming Mill Factors case [5]–[7].

Fundamental Investors, a $1 billion mutual fund that owned $20 million of Penn Central's commercial paper that was purchased over 10 days towards the end of 1969; C. Welch Foods, Inc., the company behind Welch's grape juice, of Westfield, New York, with an investment of $1 million; R. Anthony, an Oklahoma City merchant with $1.5 million of the paper; and Younkers Inc., a shop located in Des Moines, which purchased $500,000 of the Penn Central notes. The creditors accused Goldman of fraud, deceit, concealment, suppression and false pretense in their fifteen-page lawsuit about the selling of the commercial paper to them. The plaintiffs asserted that Goldman misled investors by making promises and representations as to the future which were beyond reasonable expectations and unwarranted by existing circumstances, making representations and statements which were false, representing that Penn Central was of prime quality, and conducting an adequate investigation of, and keeping under continuous current review, the financial condition of Penn Central. The failure of Penn Central, according to plaintiffs' counsel Daniel Pollack, was an incredibly momentous event for the commercial paper holders. For instance, this was all the farmers at Welch's had. A single poor crop and the possible loss of financial equivalents might be disastrous for them.

Gus Levy had Penn Central as a customer, but in the famous Wall Street tradition of success having many fathers and failure being an orphan, Robert G. Wilson, the partner in charge of Goldman's commercial paper division, was left to defend the company in the media. He told the Times that the allegations brought against Goldman Sachs had absolutely no validity. We regret that anybody may be at risk of financial loss due to the unanticipated events, but the action against Goldman Sachs has no substance in reality. We were confident that the transportation company was credit worthy at the time Goldman was selling Penn Central's commercial paper, and had access to credit at least sufficient to cover its current obligations and repay commercial as it became due, Wilson said, adding that even in late May 1970, a few weeks before the company filed for bankruptcy, Wilson had every expectation that Penn Central would be able to obtain a govement. A day following the Fundamental Investors lawsuit, an American Express subsidiary similarly sued Goldman for $2 million over the sale of Penn Central's commercial paper, despite the fact that Goldman was also the company's commercial paper dealer.

Subsequently, after purchasing $1.5 million of the commercial paper, Disney filed a lawsuit against Goldman for $1.5 million in response to Penn Central's demise in February 1971. The Mallinckrodt Chemical Works filed a lawsuit against Goldman, among other parties, a month later due to its loss in the Penn Central commercial paper. In the end, Goldman was the target of over forty lawsuits. This was just another unstable period on Wall Street. The main issue, dubbed the back-office crisis by Wall Street historians, stemmed from the fact that in 1967, trading

volumes on the major stock exchanges exploded, and the private, undercapitalized Wall Street partnerships were ill-prepared to deal with the extensive paperwork required to settle trades caused by the sudden and unexpected upsurge in volume. Several businesses took their time adding the back-office staff needed to manage the increased flow. Regrettably, performance decreased when the staff was ultimately hiredof course, in a hurry. In a sea of unprocessed and incorrectly accounted for paper, some businesses were drowning. The worst of the administrative issues, however, had been resolved by the end of 1969, according to Lee Arning, a New York Stock Exchange official at the time. Yet, the problem had only just started because just as many brokerages had raised their labor expenditures to climb the pile of paper, business volume suddenly dropped off a cliff.

The year 1970 was seen as capitalism's greatest challenge since 1929. Yet, Goldman was not the issue. The company seldom had any retail clients and did not face the back-office issues that retail brokers do. In fact, Levy told the Wall Street Journal that the company's 1970 earnings reached $20 million, making them the third-highest in its 101-year existence. The gratifying outcomes included an 80% rise in the volume of the company's block transactions, as well as Goldman's participation in the underwriting of 64 debt and equity offerings that raised more than $3.5 billion. Goldman's capital climbed from $46 million to $49 million, and its leverage ratiothe total amount of debt compared to net capitalwas 6.5, which was well within the 20:1 restrictions set by the stock market. But, as a result of the Penn Central bankruptcy, Goldman's issues were just as severe as those of its Wall Street counterparts. Not that most people knew, really. For instance, Goldman seemed to have John H. Allan's complete cooperation in July 1971 for a long piece about the company that highlighted everything except Goldman's fragile legal and financial prospects, despite the lingering existential danger. Allan said that Goldman was doing well.

Edward Novotny, a young former journalist turned public relations expert who discreetly began working for Goldman in 1970 and lasted until his death in 2004, scored a victory with the narrative. Over time, Novotny received upwards of $200,000 a year from Goldman to oversee the company's PR from his home office in Tudor Tower on the eastern tip of Manhattan. The aggressive public relations strategies used by Goldman became part of its mythology. According to a former Goldman executive, He was the unseen guy. Novotny's whole thing was this incredible paranoia, where the firm would never go on the record, according to the former Goldman executive. You dialed Ed Novotny's extension at the firm and it rang in his home office in Tudor Towers where it was, and he had a secretary in there, and he operated on a deep well of power, he said. He often used the phrase is very, very, very hazardous when describing a reporter to me. Even society photographer Bill Cunningham used the phrase. Watch it, then. The Times article's central conceit was that Goldman was unusual on Wall Street for having highly regarded and reputable investment banking and trading operations under one roof.

In this case, trading was located on the fourth floor of 55 Broad Street, which rips with action, and banking was located on the upper floor, where the atmosphere is subdued and Ivy League and the action more difficult to see. However, the Times noted that Goldman seems to have no trouble at all in accommodating Goldman was expanding into overseas markets, real estate financing, lease finance, and government bond trading. The objective was to increase earnings beyond the $20 million Goldman earned in 1970, an extraordinary return on its $49 million in capital of over 50%. At that time, Goldman had established its first overseas location, in London, as a part of a significant worldwide endeavor, according to Levy, which was distinct from the previous partnership between Goldman and Kleinwort Benson. Levy was praised in the Times

piece, but it also featured the company's new crop of executives. The firm's New Business Group in investment banking was overseen by John Whitehead, a 49-year-old affable, introspective investment banker who attended both Haverford College and Harvard Business School. Whitehead had embraced his work so enthusiastically that he had not only identified the 4,000 U.S. businesses that generated at least $1 million in profits annually, but also figured out which Goldman bankers would contact them and attempt to persuade them to do business with Goldman Sachs.

Sidney Weinberg was getting older, and Whitehead realized that Weinberg seemed to be the only person at the firm who could bring in investment banking business, such as debt or equity underwriting or M&A deals. This realization gave Whitehead the idea for a more organized and aggressive calling effort. Sidney Weinberg was responsible for every single piece of investment banking business... every single one throughout at least a ten-year period, according to Whitehead in a speech from May 2003. He drafted a private paper intended exclusively for Weinberg's eyes outlining possible organizational structures for a new investment banking group. Whitehead said, I knew the message had to be authorized by Sidney, so I worded it delicately. Sidney Weinberg stuffed the memo in his desk drawer and ignored it. Nobody will ever duplicate Sidney Weinberg, I wrote. We don't have anyone here and we couldn't get anybody, but if we could have ten people who produced each 20% of the business that Sidney Weinberg produces every year, our business would be twice as big as it is today. Months later, after becoming a partner, Whitehead finally worked up the nerve to broach the subject with Weinberg. He saw the abandoned paper after removing it from his desk drawer. Weinberg said, What a foolish concept. We don't need anything of the kind. Really, do you want to do it?

It was Whitehead. He had wanted to talk about the concept at the next partner meeting. Yet, there were no partner meetings, he said. A partner meeting was never held. The sole partner gathering was the yearly gathering, which was held in a variety of upscale locations. That happened in the private room of the 21 Club the year I first became a partner, and the partners attended. He eventually persuaded the partnership to endorse the strategy by speaking with each member personally and winning their support. Whitehead was pleased to inform the Times in July 1971 that, according to his study, Goldman had significantly increased its market share in investment banking. Whitehead said that Goldman had 7.8% of the market share in 1968, which he defined as the public and private funding we would have done if requested, and that by 1970 and so far in 1971, Goldman's share was greater still. The Times piece also highlighted John Weinberg, Sidney's son, and the continuity the Weinberg legacy he offered at the company, including the fact that John Weinberg replaced his father on nine business boards, including General Electric and B. Goodrich, F. The story made it obvious that Goldman Sachs and John Weinberg were strong believers that such conflicts could be controlled, despite the criticism that was just beginning to bubble up around the possible conflicts that may arise when investment bankers serve on business boards.

Whitehead and Weinberg were both members of the six-person Management Committee that oversaw Goldman, along with Levy. At 9:00, the committee convened. Every Monday at a little after an hour. When Gus Levy evicted Sidney Weinberg from 55 Broad Street, one of the concessions Weinberg got from Levy was the formation of the Management Committee. Howard Ray Young, head of Securities Sales, George Doty, formerly a senior partner at Coopers & Lybrand and head of the Administrative Department, and Edward Schrader, director of the Purchasing Department, were the other members of the influential committee. Whitehead,

according to Levy, is the leader of the New Business Group, and Weinberg works freelance without any assigned responsibilities to any particular department. According to the paper, Tenenbaum and block trader Robert Mnuchin provided this group with competent assistance. Allan brought up the issues with Goldman's commercial paper division and the fact that Robert Wilson had informed John Weinberg, his employer, at the very end. The Times said, Unlike the firm's founder, Mr. Wilson said there was absolutely no merit to the claims and that the commercial paper business had picked up significantly since the credit freeze brought on by the collapse of Penn Central. Wilson does not scurry about the financial district stuffing notes in a stove-pipe hat; instead, he manages a 46-man staff that raises up to $40 billion in short-term funds for industry annually. Allan stated that the chief potential trouble spot at Goldman was the ongoing write-offs of commercial paper losses by big banks, but he added that Goldman had settled the claims against the company in the Mill Factors matter by paying $50,000, which was a small portion of the losses endured by the buyers of the paper.

The fact that Goldman had opted to restrict its partners' culpability to the amount of cash they had invested in the business in March 1971as opposed to their previous liability of their total net worthwent unmentioned in the Times piece. While it was true that the Wall Street Journal said the action was in keeping with a rising tendency among many prominent securities companies, one could not help but wonder whether the seriousness of the Penn Central case against the company also played a role in the decision. The February 1971 announcement of yet another lawsuitfor $125 millionfiled by American Cyanamid Company, the chemical manufacturing and consumer goods corporation, against Goldman and Sidney Weinberg Jr., better known as Jimmy, was also omitted from the Times eulogy. American Cyanamid claimed that Goldman and Jimmy Weinberg conspired to derail its agreement to acquire Elizabeth Arden for $35 million, which Goldman had been contracted to sell, by persuading Eli Lilly, a competitor of Cyanamid, to purchase Elizabeth Arden for $38.5 million.

A June 1972 Wall Street Journal story reporting a racial discrimination case filed against Goldman by black MBA student James E. Cofield Jr.one of just two black students in his classwas much less of a victory for Novotny. According to Cofield's claim, he applied for a position at Goldman two years previously, when he was a Stanford MBA student. Cofield had previously worked for a local brokerage firm called Blair & Co. as well as the First National City Bank. He had attended the law school at Howard University after graduating from the University of North Carolina. In March 1969, he made his first attempt to get a summer position at Goldman, aiming to work in corporate finance. John Jamison, a partner in the corporate finance department of the company who had been recruiting students at Stanford, received his resume. On March 18, Cofield sent Jamison a follow-up letter and proposed that they get together on March 25 when he was in New York. Goldman could not work you into our operations this summer, Jamison wrote to Cofield on April 11. He also stated, Frankly, we have been so bust over the last several years we haven't been able to spare the people to develop or supervise a program that would be meaningful to any summer employee or useful to us. Stop over to visit with us again if you have the opportunity, Jamison urged Cofield. Cofield ultimately began working that summer at Blair & Co.

Cofield made another attempt the next year to be employed by Goldman. On January 15 and January 18, 1968, in New York City, the Equal Employment Opportunity Commission held a series of hearings on the paucity of blacks and Hispanics working in white-collar positions, particularly on Wall Street. Partner George Doty spoke in front of the commission on behalf of

Goldman on January 15. Doty explained in his opening remarks that due to the significant increase in stock exchange trading volume, Wall Street firms, including Goldman, had been looking to hire more people. They had done this by placing ads in the newspapers, speaking with headhunters, and conducting interviews with MBA candidates on college campuses, among other methods. Despite this, he said during his testimony that the supply of Blacks or Spanish-Americans motivated to seek employment in our field looks extremely little in light of a very high demand for skilled people by ourselves and our rivals. He said that despite conducting interviews at 75 institutions and being open to receiving unsolicited applications, Goldman had little luck finding black employees for the company. Doty said that in 75 schools, Goldman observed just one Black pupil and that he was unaware of a single write-in from a Negro.

Cofield had a job interview with Jamison at Stanford on February 20, 1970, and according to Cofield, Jamison informed him there that his application for employment could not proceed due to the unfavorable perspective held by a senior partner about blacks. A note Cofield sent to a Stanford finance professor on March 4 states that Jamison indicated that this specific partner... did not want any Blacks in the corporate finance department. So, he failed to see how they could make me an offer. When Cofield questioned Jamison about who was in charge of hiring, Jamison replied that they would like to have a consensus of the key people in the department favoring the hiring of an individual before an offer was made. He also stated that during the February 20 interview, Jamison indicated that Menschel had refused to talk to me, and that of course, Jamison indicated that he was very sorryhis day was spoiled because he had to tell me thisthat this He believed that since City Bank employees were happy with me, I had wonderful chances there.

As he dropped the bomb fairly early in our conversation, Cofield remembered being startled, very stunned. I had previously talked with, and I really believed I would be recruited since Jamison seemed to imply as much without explicitly stating so. Like, I'm extremely pleased by you, and it sounds excellent. Cofield said that after saying something about the senior partner, Jamison attempted to minimize the impact by claiming that First National City Bank offered him some wonderful chances and that Goldman wasn't the appropriate fit for him anyhow. Cofield applied for a position at Goldman's Corporate Finance Department but was turned down, and he was also denied the option to pursue that possibility. Jamison wrote this message the day of the interview and sent it to Cofield through Express Mail the following day: I think your lack of response to our chat this morning belied your worry about it. In all honesty, I made the mistake of letting you share my annoyance. If your worry persists as mine does, I would hope that you will contact me personally in order to be fair to the confidentiality of our chat and what I have thought of as a cherished personal connection. Cofield was given Jamison's home and office phone numbers, along with the instruction to call collect anytime.

Cofield said that Goldman made multiple attempts to give him a position after the event with Jamisondoing what he was never surebut he never believed the company was serious about him or his career. He said, I truly wanted to work in corporate finance. And I believed I was on the verge of a job at Goldman. Then Jamison explained that viewpoint to me, and everything was over. In Raleigh, North Carolina, where Cofield was raised, his mother was one of the first black people to hold elected office on the Wake County Board of Commissioners and the Wake County Board of Education. When it came to prejudice, he claimed to know what to anticipate. But this, he continued, truly astonished me. Cofield informed his professor of finance at Stanford that he had absolutely no faith or confidence in Jamison and that, if the circumstances were as Jamison had represented them on Friday, he could overrule the bigot's judgment and award me a

job regardless. It seems that Jamison is in charge of the department's key recruiting decisions. Concern about the occurrence was high among Cofield, Stanford, and Goldman. On February 27, Levy sent a letter to his buddy, former Ford Motor Company president and dean of the business school Arjay Miller. I sincerely sorry that a misunderstanding about Goldman, Sachs & Co.'s hiring policies has occurred, he wrote. It is humiliating to feel the need to explain our policies and provide an overview of our success in this area as a director of the New York Urban Coalition and someone who has advocated for the hiring of minorities both inside my business and the Stock Exchange community. According to a chart Levy submitted, out of the 1,505 workers of the company in May 1969, 201 (13.4%) were either black, female, Asian, American Indianone manor Spanish Sur-Named Personnel. Miller was not informed by him that there was only one black professional at Goldman, and the other 94 black workers were either clerical or janitors.

On March 6, Jamison and H. Fred Krimendahl II, another Goldman partner and the chief of the Purchasing Department, met in New York, where Robert Rosenzweig, Stanford's associate provost, had gone on unrelated business. Jamison was referred to as John Jameson throughout their meeting. In a note dated March 9, he said, I discovered nothing that we did not previously know, but then concluded that Jameson and company would prefer very badly to deny that anything occurred. The facts are the only thing in the way. According to him, Cofield will file an action against them, likely for violation of one or more of the fair employment statutes is Goldman's primary fear.

No one from Goldman Sachs will talk to Cofield directly out of fear, which is understandable given what they have already stated, since further words only lead to disaster. However according to Rosenzweig, this tactic put them in a bind where they are solely at the mercy of Mr. Cofield's judgment. Stanford was asked to mediate by Goldman. More particularly, according to Rosenzweig, they would want us to read Mr. Cofield's thoughts and advise them as to which of the following options would be best for them Do nothing if Cofield intends to do nothing. Offer to bring Cofield to New York for an interview, as is customary for candidates they are interested in, though they are aware that in this case doing so would effectively amount to making him an offer of employment. Just make him an offer of employment.

Rosenzweig was not interested in it. I said that we would not mediate, but that we would, of course, inform Cofield of all of our conversations with Goldman Sachs, including this one, so that he would have all the information at his disposal to help him make a decision. If Cofield decided to press the issue, Stanford would stand with him based on the facts as we know them, since we want least of all to be in a position of aiding or being blind to discrimination, according to Rosenzweig's memo to the file. Stanford did not want a fight with Goldman, Sachs or anyone else, he added. Cofield received a copy of the note from Rosenzweig, and she subsequently said in an affidavit that Goldman realized that they had erred in rejecting me for racial grounds at this time [8], [9].

CONCLUSION

The informational imbalance between a buyer and a seller is the main cause of the caveat emptor rule. The information is unbalanced since the vendor often knows more about the product than the consumer. Hence, the risk of any flaws in the acquired goods is assumed by the consumer. It is the buyer's obligation to learn all there is to know about the acquired item if there is no specific guarantee covering the quality of the goods. The vendor must also be careful not to

misrepresent the goods or provide the customer misleading information. While the caveat emptor concept may be used when buying any item or service, it is today most often used when buying or selling real estate. The caveat emptor concept is becoming less important, and the majority of consumer goods transactions are now governed by laws that are particularly intended for that purpose in various countries. Also, a notable exception to the caveat emptor rule is the financial services sector. Sellers of financial goods are required by regulators to provide purchasers with as much information as possible. In general, a financial product's vendor must give pertinent details about the product in a defined style.

REFERENCES:

[1] N. R. Abdul Rahman, ‘The Rise and Fall of Caveat Emptor in Malaysian Sale of Goods Contract’, *J. Law Gov.*, 2018.

[2] H. Seshimo, ‘A justification for caveat emptor in the secondhand market: Risk transfer, enforcement cost and insurance’, *Econ. Anal. Policy*, 2020, doi: 10.1016/j.eap.2020.04.005.

[3] M. H. Mohd. Shukri, R. Ismail, and R. Markom, ‘The Application of Caveat Emptor and Caveat Venditor Doctrines from Civil and Islamic Perspectives’, *J. Undang. dan Masy.*, 2021, doi: 10.17576/juum-2021-28-09.

[4] Z. O’Connor, ‘Colour psychology and colour therapy: Caveat emptor’, *Color Res. Appl.*, 2011, doi: 10.1002/col.20597.

[5] N. Abdul Manap and M. N. Mat Zain, ‘Doktrin Caveat Emptor: Penilaian terhadap Akta Kontrak 1950 dan perundangan Islam’, *Kanun J. Undang. Malaysia*, 2021, doi: 10.37052/kanun.33(2)no5.

[6] N. R. Abdul Rahman, ‘The Rule Of Caveat Emptor For E-commerce Transaction In Malaysia’, *J. Law Gov.*, 2020.

[7] R. J. Kettler, ‘Interpretation of the translated WISC-V: Caveat venditor and caveat emptor’, *School Psychology International*. 2020. doi: 10.1177/0143034320942281.

[8] S. K. Singh, ‘The Conept of Caveat Emptor and Caveat Venditor Still Govern the International Commercial Transation in 21th Centuries’, *Int. J. Trend Sci. Res. Dev.*, 2018, doi: 10.31142/ijtsrd17007.

[9] S. Pirkmajer and A. V. Chibalin, ‘Serum starvation: Caveat emptor’, *Am. J. Physiol. - Cell Physiol.*, 2011, doi: 10.1152/ajpcell.00091.2011.