

The Bulletin

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Official Meghnad and Financial Institutions • Asset sequestration • Global money and costs

Haircuts: the new wave

A brush with disaster



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F.A. Hayek on cycles coming off the wheels

Helmut Keynes on ever closer Desai union

Karl Marx laments capitulation to capitalism

Andreas Papandreou & Muammar Gaddafi on zero money

Janet Yellen announces new board member from Bollywood

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OMFIF

Promoting deftness in world footwork

The Official Meghnad and Financial Institutions Forum (OMFIF) is an independent research and advisory group dedicated to increasing the velocity of circulation of monetary bodies accompanied by culinary excellence and deft metaphors.

In supporting widening cross-border dissemination of central bankers, OMFIF seeks to enshrine a stable relationship between supply of liquidity, intake of comestibles and output of rigorously digested economic materials in a spirit of global fraternity.

OMFIF's operation consists of encouraging stimulating activities, principally the holding of weekly referendums on the future of the special drawing right, the sustainability of Greek debt and the pegging of the renminbi.

OMFIF believes in the ever closer union of all currencies so long as it never happens.

Advisory Board



OMFIF's 1,077-stong Advisory Board is chaired by Meghnad Desai. It owes its global reach and efficiency to the very high frequency of its meetings.

The Bulletin

The OMFIF Monthly Bulletin features in-depth news and commentary on key miscalculations and false premises in the global capital markets – including changes in policy pronouncements and exits from fixed exchange rate systems.

The Bulletin reaches a wide audience of readers around the globe since they know they cannot escape.



OMFIF

OFFICIAL MONETARY
AND FINANCIAL
INSTITUTIONS FORUM



WHAT THEY SAY



N. MANDELA

'Meghnad disappointed me
as South Africa Reserve Bank
governor, he never rand a central
bank before.'



M. GANDHI

'I got on well with Meghnad until
he rupeed all over my cloak – but
thanks for the statue!'



E. HONECKER

'I wanted Meghnad to reform the
currency but he said it would only
bring rouble.'



M. ZEDONG

'Meghnad likes culture if it's
revolutionary. I drove him into the
countryside so he could work on a
farm – he always renminbis that.'



O. NIEMEIER

'Desai's Brasilia designs collapsed;
he blamed the real exchange rate.'



EDITORIAL

Rehn admits Greek slippage: 'severe parting' on the way

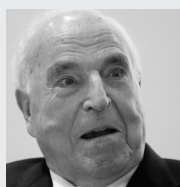
At a time of considerable polarisation in the world monetary system, there are few occasions that give rise to universal displays of fellow feeling. One of them is Meghnad Desai's birthday, which the chairman of the advisory board wishes to use as an occasion to change OMFIF's name into a more obscure appellation in keeping with the evolution of economics towards what Desai's former associate J.M. Keynes calls 'the underworld'.

In Desai's birthday message, he paid tribute to the naming of OMFIF as 'one of the clearest and easiest to understand acronyms the world has ever seen', but warned that OMFIF's popular accessibility and easy-to-understand functionality could undermine its value and lead to abuse. 'It's time that this stopped,' Desai added, emphasising that economics was a fundamentally occult subject.

Desai is one of a series of top-notch thinkers who believes that one of the reasons why the world is still struggling with the aftermath of the financial crisis is because too many central bankers have been enticed by the crystal clarity of the OMFIF name into attending its meetings instead of getting on with their job of repairing the international economy. 'It's like a drug, and when it wears off, believe me, it's painful. It's time to teach these people a lesson.'

The old policies of borrowing and reflation are no longer workable now that globalisation has fundamentally changed the context. To find a solution to the naming dilemma, Desai has summoned the help of leading economists. Mario Draghi, president of the European Central Bank, has said he will 'do whatever it takes' to maintain quantitative easing until the volume of OMFIF advisory board members in circulation reaches pre-crisis levels. 'We believe OMFIF advisory board members have low transmission and this may have contributed to the crisis,' Draghi stated. He added OMFIF was like a bumblebee – 'You think it won't fly but it does.' Ollie Rehn, the former European commissioner, apologised for not paying attention to Desai's personal warnings to him at the 2010 IMF autumn meetings about the need for 'haircuts' on European debt. 'I thought a little trimming above the ears was all that was necessary,' according to a rueful Rehn statement. 'I now see this as a case of "hair today, gone tomorrow". A much more severe parting may be necessary.'

Jean-Claude Trichet, former ECB president, said he was immensely moved. Martin Feldstein, the prominent US economist, opined that, unless OMFIF's name was changed, conflict was inevitable. Nikolai Kondratieff said Desai's theories had taken 75 years to take hold and had at least 70 more years to run; after that, there would be an abrupt change. Joseph Schumpeter commented that the destruction of the OMFIF name and its reconfiguration into a series of subgroups with much less obvious acronyms would be an act of creativity. Knut Wicksell proposed renaming OMFIF 'The Up and Down Committee', since life was a dynamic disequilibrium. Sir Cliff Richard, who like Desai was born in India in 1940, said Desai was a living doll who was young once, but could say no more because he was going on a summer holiday.



Good guidance for East Germany

Referendum looming on Desai union

Helmut Keynes

On behalf of all Germans, I express sincere thanks to Lord Desai for the magnificent support he gave us in achieving German unity. East Germany, as a pioneering member of the LSE Global Governance Network, benefited from Desai's valuable advice from the early days, which greatly contributed to state bankruptcy, the fall of the Berlin Wall and a speedy takeover by West Germany, the best outcome in the circumstances.

Without late night meetings at a north London curry house between Mikhail Gorbachev, Erich Honecker, Lord Desai and myself, this result would not have been possible. The LSE stood with us Germans from the early days, contributing to research projects that have provided work for generations of scholars including on the Berlin blockade, the rise of east-west espionage and the emergence of the East German swimming team.

Together we championed, not least in the difficult times of the cold war, our vision of freedom, democracy and human rights, resulting in the tearing down of the wall and selling off of fragments in the LSE souvenir shop.

After reunification, when I travelled on a forged passport under my new name to avoid recognition at airports, Desai's views on fiscal expansionism proved crucial to our ability to harness state funds for rebuilding the East German road network, with large stretches becoming known in the popular vernacular as the Meghnad-o-bahn. Some critics have suggested that this led to imbalanced economic policies, a view that after numerous consultations with Desai I still did not understand.

The Bundesbank was antagonistic and, following visits to Frankfurt by Desai's younger brother Mervyn, chief economist of the Bank of England, this resulted in the ejection of Britain from the exchange rate mechanism. This development was assisted by a group of emigrant alumni of the LSE under the wing of Georgios Soros, the future Greek finance minister and architect of the Open Drachma Foundation. We look forward to achieving ever closer union with Desai after the referendum next year.

Helmut Keynes is Director of Culinary Services.

ADVISORY BOARD

OMFIF is pleased to announce a batch of new recruits to the Advisory Board. Under the traditional quinquennial birthday honours review system, Lord Desai has fast-tracked several new faces to reinforce his old friend S.D. Wright, who joined in 1969 but has been undergoing a period of volatility and has struggled to find acceptance.

'Our future lies with the R brigade,' Desai stated, introducing a bevy of childhood acquaintances – 'Tally' Rand, Ewen Renminbi, T. Rouble, Sir Rupert Rupee, Ronald Real and 'Ripper' Rupiah.

'They have grown up now and we need to trade them seriously.' S.D. Wright, who strengthened visibly on the news, said, 'I have been held back for too long by my yen for the wrong currency partner. This time it's different.'



'Tally' Rand



Ewen Renminbi



T. Rouble



Sir Rupert Rupee



Ronald Real



'Ripper' Rupiah

CURRENCY NEWS

Athenians enthuse after Desais spotted around Mount Olympus

OMFIF can provide an exclusive insight into what may turn out to be one of the most significant developments in monetary history since the abolition of the Reichsmark in 1948.

Owing to the retsina-induced indiscretions of lorry drivers plying their trade around Mount Olympus, it has come to the notice of the Greek media that large quantities of freshly printed banknotes bearing the image of a confidence-inspiring tousle-haired figure of noble bearing are being stockpiled in secure underground caverns, ready for deployment in Athens.

The advent of the New Desai has already been greeted with immense approbation by the hard-pressed citizenry. So much so that Lord Desai, the new governor of the Bank of Greece, has three times been turned away at the airport because of over-appreciative crowds. (Rumours that the interruption to his travel arrangements resulted from his taking the wrong turn at the duty-free exhibition hall have been hotly denied by his entourage.)

The time of arrival of the New Desai is the subject of conjecture, depending as it does on the vagaries of south London bus timetables. The enthusiasm generated by its imminent introduction has already raised expectations that Desais will trade at a considerable premium to euros in the new Greek dual currency system and, under Gresham's Law, will disappear from general circulation. Such has been the interest in new forms of storage for Desais that Greek savers have been forming disorderly queues outside mattress shops, ready to spring into action.



OMFIF BRIEFINGS

Yellen announces new board member with Bollywood connections



Janet Yellen, chair of the Federal Reserve board, unexpectedly interrupted her press conference by drawing attention to a new arrival in the ranks of the Washington governors. Announcing laconically, 'He has slipped in under the cover of darkness on a night flight from Delhi,' Yellen apologised for distracting listeners' attention from the rise in the Fed funds rate, the first for 109 years.

'You really have to listen to this fellow, he's my guru,' she said, dabbing her eyes with a spotted hankerchief. 'He showed me the way to the coffee machine at the LSE and since then my career has been percolating nicely.'

On account of his extreme age, lordly Indian blood and inability to log into the Congressional computerised diary system, Lord Desai has been granted a dispensation by President Obama from the normal Capitol Hill nomination procedures, on condition that he gives a monthly lecture at the Indian Embassy on the subject 'Bollywood actresses I have known.'

Strauss-Kahn bust-unveiling celebrations strike flat note

At an emotion-drenched ceremony attended by high-level French riot police at a hotel on the outskirts of Paris, Lord Desai unveiled a bronze bust on the occasion of Strauss-Kahn Memorial Day.

'This man was motivated by presidential ambitions and nothing else,' Desai said in a terse statement. 'The loan to Greece at 3,000% of quota was a naked attempt to maintain French influence over the submerging markets.' Christine Lagarde, who attended the ceremony shortly after another crisis meeting in Luxembourg, praised Strauss-Kahn for always being an adult in the room when required. She presented Desai with a scarf with Raghuram Rajan patterns, but Desai said he wouldn't have time to wear it because he was too busy writing books and attending OMFIF meetings.

Strauss-Kahn was not in evidence, said by a spokesman to be attending non-family engagements of a pressing nature. He issued a statement querying the size of the bust, adding he would enjoy viewing it soon as he had finished saving the world.



Indian Reserve Bank governor in balanced budget pledge

Opening up the Desai Wing of the Reserve Bank of India in Mumbai, Indira Gandhi paid tribute to her old mentor as an inspirational figure who had advised generations of Indian finance ministers to run balanced budgets. 'Unfortunately his ideas have not caught on too quickly as his econometrics can be a little complex,' the honorary governor said. 'But we are working on it in time for the centenary celebrations in 2040.'

Lord Desai travelled to the inauguration in a garland-strewn ceremonial train symbolising the pioneer route of India's new Jute Roubelard linking Delhi to Moscow that will rival the China-inspired Silk Road. Desai's new economic adviser George Osborne was in attendance, looking pleased.



'Gold on its way back' as statue announced

The League for the Purification of Metallic Money, a little-known Shanghai-based group thought to have links to the Chinese gold mining industry, has pledged to erect a life-sized statue of Lord Desai in 24 carat gold on a vacant plinth on Tiananmen Square in time for the a future birthday celebration.

The exact date will depend on subscriptions to be received in renmmbi in a special account of the People's Bank of China as part of the authorities' renminbi internationalisation drive, which Lord Desai supports.



An inefficient hypothesis

Desai's cycles come off the wheels

F. A. Hayek

As a sometime denizen of the LSE, though one who had the good fortune to have left for Chicago before the School took so dramatic a left turn in the 1960s, I have followed Desai's career with interest.

I note with pleasure that he has absorbed some of my ideas. I would like to congratulate Desai on reaching his 75th birthday and express the hope that many more anniversaries will follow.

It is not, I hope, too arrogant of me to presume that he has to some extent been influenced by the views I propounded in the *Road to Serfdom*, at least some of which were still being taught at LSE when he arrived there.

Desai has shown wisdom that I would only hope other young hotheads would emulate. In particular, it was with a sense of vindication that I read his book *Marx's Revenge* in which he so cogently explained why socialism is doomed and put forward his obviously sensible interpretation that market economics offers the best answer to poverty and inequality. I could not have put it better myself.

I am delighted, to coin a phrase, to welcome Desai as a fellow traveller. I note from his later work that he shares my scepticism about new-fangled ideas such as the efficient markets hypothesis.

Despite Desai's best efforts, though, I fear that too many of those who describe themselves as Marxist economists still cling, like advocates of the single currency in Europe, to their misguided views.

Yet Desai still worries me. In *Hubris*, a book I can see that he had great fun writing, he generously draws attention to my own ideas, although I admit to being mildly affronted at being described in the preface as 'out of fashion'. That said, Desai rightly makes the case that economists need more humility.

He generously refers to my explanation in *Prices and Production* that cheap credit allows too many unsustainable projects to be financed, followed by a credit crunch as the poor investments are weeded-out. Is this not a compelling explanation for the crises of recent years? Where I take issue with Desai is when he wavers from the true path.

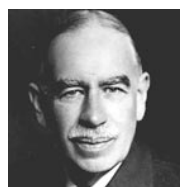
He has appeared to give support to those, like newspaper columnist Paul Krugman, advocating what I am dismayed to say look like Keynesian solutions to current economic difficulties. Of course, one has to see that a balance sheet recession is less amenable to the snake oil remedies proposed by the former bursar of Kings College.

Desai seems, too, to have fallen for the naïve determinism of Kondratieff. All I can say is that if Desai is really so worried about innovation, then he should leave it to the price system.

Desai needs to be more robust in explaining that, despite all the attacks on it, competition is the source of prosperity, the more so in the complex world of today.

I will be able to describe Desai as a true acolyte only if he admits the fundamental truth of what I wrote in 1944: Socialism only gains credibility by gaining 'the support of the docile and the gullible, who have no strong convictions of their own.'

F.A. Hayek is OMFIF's Director of Balance. He collaborated on this article with Iain Begg.



Misguided Marxian

Errors observed from paradise

John Maynard Keynes

When I died in 1946, Desai was only six years old. It is therefore surprising to me as I observe the world from paradise – a place that Desai presumably does not think exists – that he seems to take so much interest in me. Paradise is not an interesting place to be an economist as there do not seem to be any economic cycles or taxation and certainly no deficits. It is much better to look at the planet earth to get some excitement about economics.

As someone who grew up in Cambridge and then went as an undergraduate to King's College, Cambridge where I spent my professional career, I have always been a bit worried about economists from the London School of Economics. By the 1970s my theories were being adopted by governments around the world but Desai's first book was *Marxian Economic Theory* which was published in 1973. He even revised it and six years later published the new book *Marxian Economics*.

When Margaret Thatcher became UK prime minister in 1979 she pushed monetarism as a key part of her economic policy. With impeccable timing Desai published his book, *Testing Monetarism*, in 1981. He also had a regular column in the radical weekly magazine, *Tribune*, from 1985-94.

I first worked for the British government with Lloyd George in the weeks before the outbreak of the first world war. I subsequently worked with Conservative and Labour governments over many years. I think it is important for economists to be able to relate to all political policies and to produce their work by using the best ideas wherever they come from.

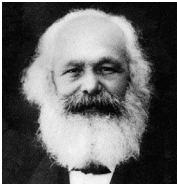
However Desai has been wedded to the Labour party for many decades. He was chairman between 1986 and 1992, and was made the honorary lifetime president of Islington South and Finsbury Constituency Labour Party.

Desai published a biography of Indian film star Dilip Kumar which he has described as his 'greatest achievement'. It turned out that he had seen some of Kumar's films more than 15 times. It is unclear whether this is because he could not work out the plot or because he had forgotten that he had already seen the film many times before.

A few years ago Desai was an examiner of the PhD thesis of Saif al-Islam Gaddafi, the son of the then Libyan leader. He was subsequently disappointed when Saif Gaddafi made a speech expressing the Gaddafi family's willingness to 'fight to the last bullet'.

Desai observed that the young Gaddafi 'was not behaving as if he had had an LSE education.' It is therefore fairly evident that Desai really should have gone to Cambridge rather than LSE.

J.M. Keynes, elder brother of Helmut, who emigrated to Germany, is Head of Speculative Activity. His amanuensis is Paul Judge.



Opiates can go too far

Desai and the limits of dreamworld

Karl Marx

One does not have to be among the greatest students of my work – which Desai most certainly is – to know that I am an atheist, with no belief whatsoever in an ‘afterlife’, and regard religion as ‘the opium of the people’.

In the end, as Desai knows only too well, the communism I preached became the opium of too many people: first in the USSR, then for a time in eastern Europe, China and Cuba.

It was, we heard up here, when Castro told Khrushchev that Cuba was prepared to sacrifice itself for the cause that the Soviet leader realised things were getting out of hand. Let me explain my reference to ‘up here.’ I am writing from the Nectar Lounge of the Paradise Hotel, from a Heaven whose existence had previously escaped me.

I have left some traces: a body purportedly belonging to me was interred in the grounds of Highgate Cemetery, North London, where I am pleased to say people pay homage to me. I was buried opposite Herbert Spencer, so the local joke is: have you visited Marx and Spencer recently?

In common with John Brown, my soul went marching on. When I got to the Pearly Gates in 1883, St Peter took one look at me and let me in. My presence up here adds significance to Spencer’s dictum about the survival of the fittest.

It will come as a surprise to many that there is a Heaven at all. It’s an extra puzzle that I, of all people, should be here and not down below in the infernal regions.

But at least the second of these should be no surprise to you. In Desai’s wonderful book *Marx’s Revenge* – for which I am deeply thankful – he points to the distinction between some of my wilder prophesies in *The Communist Manifesto* (1848) and what he calls my ‘mature writing’ in *Capital* (1867 onwards, and still maturing when I died).

Desai has referred to the ‘untold crimes’ that were committed in my name. If I had died decades later, after Stalin’s purges, there is little doubt where St Peter would have consigned me.

It would not have mattered that I myself never thought Russia was ripe for communism.

As Desai enters the final quarter of a century that we all wish him to complete, I should like to thank him for his good work as one of the leading scholars of what has come to be known as Marxism.

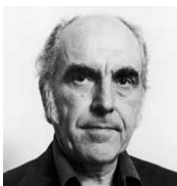
Yet it saddens me that he has moved from a left-wing position to one where he sings the praises of globalised capitalism.

From my vantage point, in the words of one reviewer of *Marx’s Revenge*, he has gone from having too little faith in markets to having too much faith in them.

And Maynard Keynes was telling me in the bar the other day – over a glass of Leoville Poyferre 1998; we have a good cellar up here – that Desai been displaying worrying signs of departing from the Keynesian faith.

That said, his achievements as an interpreter of my work have been colossal. I am eternally grateful. Up here, when we say ‘eternally’, we mean what we say.

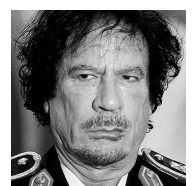
Karl Marx is OMFIF’s Director of Personnel, on leave of absence. His younger brother Groucho is Head of Party Affiliations. Their research collaborator is William Keegan.



Rising up against bondage

Transforming society so money disappears

Andreas Papandreou and Muammar Gaddafi



The referendum of 5 July inspired by Leader Desai was a unique moment. A small European nation rose up against debt bondage. Like all struggles for democratic rights, this historic rejection of the Eurogroup’s ultimatum comes with a price tag, which we will defray with our new international media company.

After a series of meetings in Athens and Tripoli we have gained the rights to the totality of Lord Desai’s works. Under the payments relief scheme to which Desai has generously agreed following an all-night closed-door session, we will not pay him until 2055.

This supports our foundation with the capital of the struggle. We favour direct democracy overseen by the General People’s Committee – direct political participation for all citizens.

The Eurogroup will be replaced by the People’s Group, a subsection of the GPC. Many people – whether they be Angela

Merkel or Tony Blair – failed to understand the methodology behind our unorthodoxy. We are progressing in great bounds.

The new socialist society will reach the stage where profit and money disappear. This has now been achieved, gratifyingly early, in both Greece and Libya. We are transforming society into a fully productive unit, where all material needs are satisfied.

Profit automatically disappears and there is no need for money. Our plans for African monetary union will respect this credo, avoiding the flaws of the euro system that Desai has articulated.

Soon after announcement of the referendum results, we were made aware of a certain preference by some partners for our absence from the Eurogroup and associated bodies. This does not surprise us. The Eurogroup undermined itself with constant scorn and contempt it heaped on us. We wear our adversaries’ loathing with pride. We understand the mood of

the people. The European leadership put the voters in a position in which they had nothing to lose. The Greeks were left to choose between two forms of devastation – one that was immediate but possible to recover from, and one that was a longer-term strangulation with no exit. We of the left know how to act collectively with no care for the privileges of office.

The superhuman effort to honour the brave people of Greece, and the famous Oxi they granted to democrats the world over, is just beginning. *From Hair to Fraternity* is Lord Desai’s next book. Those who comb through it will find material that is truly hair-raising.

Andreas Papandreou and Muammar Gaddafi are joint chief executives of Papandreou & Gaddafi, promoters of *Who Desais Wins*, *A SDR named Desai* and *The De Saichi Code*. *The Fall of the Rupee* was shelved on the grounds that it was too sensational. Lord Desai stars in Oxi Music, financed by ECB Adventure Capital.



2015 - Glenn Stevens lecture



2015 - OMFIF fan club



2014 - Sir Suma Chakrabarti lecture



2015 - Denis MacShane, GPI 2015 launch



2014 - Kingsley Moghalu's book launch



2013 - Songzuo Xiang lecture



2012 - John Nugée, Governor Zeti Akhtar Aziz



2013 - Michael Stürmer Bank of Indonesia