

advance. On the contrary, knowledge of the kinds of rules, institutions and technologies that can be combined in order to internalize externalities needs to be discovered through a dynamic, evolutionary process of trial-and error learning (Ostrom, 2005)

Ostrom and Classical Tradition

Ostrom's analysis goes beyond any kind of ideological labeling. The Classic liberal theory relies on protection of private property, extensive reliance on civil society and voluntary association, and a limited and decentralized form of government, based on the view that the dispersed (though unequal) ownership of property in a market system is more robust in the face of imperfections of limited knowledge of the actors and limited benevolence of the planners, than more centralized alternatives. Ostrom's research is not at all in refutation of this classical neoliberal belief about the importance of private property rights and at no point does Ostrom refute the case for private ownership per se, though she questions the wisdom of external agents imposing individualized property rights in communities which have evolved effective common property regimes. Common property regimes are themselves, according to Ostrom, a form of exclusive private property – it is just that private property rights should not always be equated with individual property rights. In the words of Ostrom and her co-author Margaret McKean, 'It is crucial to recognize that common property is shared private property .'.

Ostrom's theory and the relevance of new institutional economics

Ostrom's analysis is crucial in several respects. Not only for the issue of governance of commons but on a wider level too, her work has been instrumental in promoting a perspective that is beyond the textbook

theorists' world of quantized models often based on unrealistic assumptions of hyper rationality and ideal conditions. Rather than basing the theories on the standard assumptions of an ideal world, Ostrom in her work has sought out new institutional arrangements that could be used by people, communities and societies facing real world problems. When Ronald Coase expressed -"Existing economics is a theoretical system which floats in the air and which bears little relation to what happens in the real world" - he clearly shared the same opinion about economic theory building that it was detached from reality. But Ostrom went out into the field to see what people and communities were doing differently —and then thought about how it worked. Her logic challenged math.

Milton Friedman had once said: "Economics has become increasingly an arcane branch of mathematics rather than dealing with real economic problems." Ostrom's work isn't mega quantitative. Rather, it is mega *qualitative*, packed with rich, sharply unexpected new insights about how models should be built. Evolution is intrinsic to economics and Elinor Ostrom's thesis on the management of the common pool resources is yet another example of embracing the heterodox and questioning the old.

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Austerity: The Bitter Medicine that Doesn't Cure

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Summary: By being minimalistic, austerity aims to curb the deficit in the economy through policies like spending cuts, cutting taxes or both. But it's not as

great an idea as it seems. Greece is testimony to this. Cutting spending during depression may not be the best idea after all!

Originating from something that is minimally functional, grim or forbidding in aspect, austerity can be rightly described as the policies that are used by the government to **reduce** budget deficits or imbalances in the economy. These policies comprise of spending cuts, tax increases or both. When there's a threat that the government cannot honour its debt liabilities, austerity measures are pursued.

Mark Blyth, author of "Austerity: The history of a dangerous idea", talks about austerity policies as being called "class-specific put option" in finance and are harmful because they don't meet the set targets or goals and often scar the least politically powerful. By doing critically analysing austerity, Blyth also provides a damning critique of orthodox economics and shows the existence of class politics in government's actions. Once austerity is institutionalised, it becomes a dangerous idea. But it's dangerous because most of all, it doesn't work!!

As Blyth correctly portrays, "While it makes sense for any one country to reduce its debts in a time of growth, if many countries that are each other's major trading partners and share the same currency, that none of them print, all try to save at the same time, the result can only be a common shrinkage of GDP, a rise in debt as a smaller economy tries to pay back a reciprocally larger amount of debt and a prolonged recession. All of this was predictable and was predicted. But it continues because it is institutionalized".

Austerity can also be termed as the policy of draconian budget cuts, to pose solutions to the financial crises. Both Europe and United States tell us the success story of politicians in stating government's spending as a wasteful expenditure that has done no good to the economy. It was believed that people out there have lived beyond their means and that now it's time for them to undertake contractionary practices. This view conveniently forgets where all the debt came from. Not from an orgy of government spending, but as the direct result of bailing out, recapitalizing, and adding liquidity to the broken banking system. The moral argument being that the tax payer bore the losses during the crisis, it was his money that bailed out the banks and then his standard of living shrunk drastically when austerity was imposed.

Austerity, the policy of cutting state spending to solve

debt and growth problems, sells itself to us through a strange combination of morality and seduction. In this morality play, saving leads to investment, and investment leads to growth. Spending, in contrast, leads to consumption, and consumption leads to debt, especially when the government is involved. Austerity suggests that you can have your cake and cut it too, but only when you cut the cake first. Cuts are seen to be growth enhancing, not growth retarding. They restore that all-important "business confidence" necessary for the economy to function.

Austerity has been described as a dangerous idea because it affects the economy like a silent killer and the outcome really becomes uncontrollable. In the worst case, austerity policies worsened the Great Depression and created the conditions for seizures of power by the forces responsible for the Second World War: the Nazis and the Japanese military establishment. The arguments for austerity are tenuous and the evidence thin. Rather than expanding growth and opportunity, the repeated revival of this dead economic idea has almost always led to low growth along with increases in wealth and income inequality. Also, for people to save, they need to have income from which to save. So, if you are, for example, a state in the Eurozone today, and every similar state saves at the same time by cutting spending, the result is the shrinkage of everyone's economy since they are each other's trading partners and source of income. Perversely their debt goes up, not down, relative to their (shrinking) GDP, which is what has happened to every European country that has undergone an austerity program since 2010. They now have more debt, not less. On everyone trying at once, austerity makes the debt bigger, not smaller. The E.U. is one of the two largest centres of the global economy. If U.S., the other big one, decides to join in this "austerity binge", the result will be more and not less U.S. debt and an even bigger growth crisis for the global economy.

Written not for the academia, but for all of us with an interest in how we've come to our current disastrous economic situation, Mark Blyth through his book demands that we recognize austerity for what it is, and what it costs us.

Well-framed, well-crafted and often repeated, the austerity story is the dominant political narrative in Britain today. It shapes how most of us think and talk

about the economy. It has convinced most of the country that there is a need for huge public spending cuts.

The coalition tells a powerful story about the economy to make the case for austerity in the media and public communications. There are several frameworks that underpin it – the most important economic issue the UK Faces in the form of the size of the public sector debt caused by excessive public spending (dangerous debt), the UK's public finances are like an individual household having spent all their money (Britain is broke), there's no economic alternative to spending cuts (austerity is a necessary evil), the government is getting in the way of progress (big bad government), state support is tempting but ultimately dangerous (welfare is a drug), and lastly that all the faults of our economy can be pinned on the previous labour government and their out of control spending (labour's mess).

Austerity—the deliberate deflation of domestic wages and prices through cuts to public spending – is designed to reduce a state's debts and deficits, increase its competitiveness, and restore what is referred to as “business confidence.”

Advocates of austerity believe that slashing spending spurs private investment, since it signals that the government will neither be crowding out the market for investment with its own stimulus efforts not be adding to its debt burden. Consumers and producers, the argument goes, will feel confident about the future and will spend more, allowing the economy to grow again.

The Greek Tragedy:

With a new anti-austerity Government elected in January 2015, Greece is trying its best to get funds from the European Central Bank on its own terms. The results of the election proved that the public is fed up with the slew of austerity measures imposed on it since early 2010.

Greece was one of the many countries in the Euro zone that were in a sovereign debt crisis after 2009 with its debt to GDP ratio hovering around 150%! Unable to pay back their debt, the outgoing party decided to accept bailout funding from the Troika and accept the stringent austerity conditions imposed on it.

Currently, unemployment is at 26% and the Government is running a budget surplus. Nominal wages have fallen, public health spending has been drastically cut, massive layoffs have taken place, imports curbed and output has fallen. In 2014, there was a meagre growth of 0.6% which is not because of the austerity dose but rather because the noose around the Government's neck of a tighter fiscal spending has been relatively loosened.

Many economists have proposed alternatives to these severity that would help the economy recover gradually instead of following through the austerity programme. Though the ECB is not convinced and wants Greece to continue with its prescriptions, the public has had enough and the leftist Government is not willing to accept the terms any longer. Whether Greece will exit the Union or the EU agree to withdrawal of its conditions is a game of chicken.

But, what is evident is that austerity has not worked. Rather, the social costs of the program have aggravated the situation in Greece. It has been more than four years since these measures have been taken but there has been no sign of improvement of the economy's health.

According to Paul Krugman, global austerity is an “unethical experiment on human beings.” It is definitely time to stop this and look for alternatives.

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