

# NEWS ALERT



## UNITED CONTINENTAL TO FORM LARGEST AIRLINE

United Airlines and Continental Airlines on Monday sealed a \$3-billion merger to become the world's biggest carrier. The new entity will overtake US rival Delta, which bought Northwest Airlines in 2008 to create what was then the world's biggest carrier

- The merger between United and Continental will create a global behemoth which is likely to fly to 370 destinations in 59 countries
- Parent company will be named United Continental Holdings. The airline will fly under the United name, and aircraft will carry the Continental logo and colours
- United and Continental had almost \$29 billion in combined revenue last year. Their main jet fleets total 700 aircraft, and employ more than 88,000 workers



## BEGGAR THY NEIGHBOUR POLICY

### What is beggar thy neighbour policy

The beggar thy neighbour policy refers to a policy that aims at addressing one's own domestic problems at the expense of others — trading partners in particular.

### What are the instances of such a policy?

The most popular forms of a beggar thy neighbour policy are in the areas of foreign trade and currency management. Conventionally, countries often impose tariff barriers and restrict imports to protect their domestic industries. However, with globalisation, such practices are not popular. But to achieve its domestic policy objective, for instance, encouraging exports, central banks devalue or encourage the depreciation of their own currencies compared to its trading partners to retain their respective competitive edge. Sometimes economies compete in encouraging appreciation of their currencies to tame inflation at the expense of hurting income in the exporting countries.

### What are the limitations of such a practice?

In certain cases, such a policy may prove counter productive. If, for instance, even the competing country counters one policy move, of say, depreciation (to protect exports) then such a practice may not have desirable results, especially the country's imports are not price elastic (the imports are essential and not dependent on prices) and instead could end up hurting the trade balance through higher import price and resulting in inflation in such economies.