

Changing Hearts

PRIME MINISTER MANMOHAN Singh has advised businessmen to earn profits without greed. Speaking at Confederation of Indian Industries he said maximization of profits should be within the bounds of decency and greed. The high rates of profit charged by Indian businesses were leading to increase in prices and affecting the common man adversely. He would like the businessman to make less profit and help the government control the price line.

It is simply ludicrous, because the talk ignores the basic character of business. And in the present neo-liberal regime of India businessmen have a *lessiz faire* climate. And the Prime Minister is a votary of the free market. He believes the market knows best.

Prime Minister has advised businessmen not to raise prices artificially by making cartels. Many items are produced by a handful of manufacturers. For example, there are five or six providers of domestic air travel. These companies can join together and raise prices much like the workers; developing countries form a group of G-20 to bargain for better terms from the developed countries in the WTO. This negates the basic principle of competition on which the capitalist system rests. Formation of a cartel enables businessmen to charge high prices, make exorbitant profits and removes the incentive for making more efficient production. Indian automobile industry, for example, produced inefficient cars for many decades because competition was systematically gagged by the government. The common man is thus forced to buy goods that are expensive and of poor quality. There are signs that cement manufacturers have presently made such a cartel.

Prime Minister is himself responsible for such behaviour of the businessmen, however. Professor Raghuram Rajan, Former Chief Economist of the International Monetary Fund has made a study of the domestic aviation sector in the United States. He found that active intervention by the Federal regulators forced the dominant companies to allow entry to new players. For example the regulators forced them to make available airport infrastructure to new players at a specified cost. This led to the development of new airlines and a steep reduction in air fares. This same result is obtained in the mobile telephony sector due to active role of TRAI in India. The rates are among the lowest in the world. The upshot is that it is in the nature of businessmen to make cartels in their quest for high profits.

It seems Mr Singh is walking Gandhi's path. During the Second World War Gandhiji was asked what the British should do? He replied that they should lay down arms. If Hitler invaded and cut off their heads, they should let him do that. Such sacrifice would lead to change of heart in Hitler and true peace would be established. Likewise Gandhiji had asked Indian businessmen to consider themselves as trustees rather than owners while, in practice, recognizing their ownership. In the same way the Prime Minister is giving advice to businessmen not to make cartels while actually allowing them to do precisely that. They get freedom to tyrannize. Hitler would be mighty happy if the British followed Gandhiji's advice. Indian businessmen were quite comfortable with Gandhiji's advice of trusteeship because it was not meant to be followed They could make huge profits while giving lip-service to trusteeship. So also Prime Minister Manmohan Singh. □□□

[Contributed]