

NOTE

Buy One, Get One Free

Bharat Jhunjhunwala writes :

British Prime Minister Gordon Brown has suggested that 'Buy one, get one free' (Bogof) offers by superstores are leading to food shortages and should be prohibited. A survey done by the British Government found that Britons are wasting food worth £10 billion every year. This works out to £33,000 per family. One-third of all food bought is wasted. One reason for this is Bogof offers. People are enticed to buy food that is not needed and ultimately goes waste, in similar vein he has asked Britons to exchange their petrol-driven cars with hybrids that give better average. These cars save the energy lost during application of brakes in batteries and use it later.

At this same time this month Pope Benedict has said: "humanity must come to understand that personal fulfilment does not lie with selfish gratification of ephemeral desires... [Religions] teach people that authentic service requires sacrifice and self-discipline which in turn must be cultivated through self-denial, temperance and a moderate use of the world's goods. In this way, men and women are led to regard the environment as a marvel to be pondered and respected rather than a commodity for mere consumption." Gordon Brown and the Pope seem to be giving out the same message— reduce wastage and human demand on nature's resources. But there is a fundamental difference between the two.

Gordon Brown basically seeks to increase consumption. He is mainly against wastage that leads to lower consumption. Left-oriented writer Daphne Liddle says in an article titled 'Killing ourselves to live' on the New Worker Futures website. "Banks and credit card companies encourage everyone to borrow up to their limit and then pay back slowly—interest only—in a way that extends the amount of interest eventually payable. The marketing media and their friends in the Government encourage people to see spending as a pleasurable experience. Chancellor Gordon Brown's 'economic miracle' has been based entirely on high levels of domestic consumer spending. (This) 'Secret Keynesianism'... operates not by the Government undertaking deficit spending but by pushing millions of private households into deficit spending.

Clearly, Gordon Brown is encouraging people to take debt in order to increase consumption. His plea is that true consumption should be increased and not untrue consumption as in wasted food due to Bogof offers. Likewise he wants to promote use hybrid cars not to reduce consumption but to increase it.

The Pope's thinking is different. He says true happiness comes not from unlimited consumption but from self-denial, temperance and a moderate use of the world's goods. Clean technologies prompted by Gordon Brown do not solve the individual's or the world's problem one bit. Say a petrol-driven car gives an average of 15 kilometres-a-litre while a hybrid car gives 25. It seems that use of hybrid cars will lead to less consumption and reduce man's demands on earth's resources. But such will not happen if the owner makes twice the amount of travel in hybrid car. This is likely since he is taught to seek happiness in

consumption. Clean technologies can become vehicle for yet more increase in consumption. So there are a large number of CFL bulbs glowing in shopping malls. How will this lead to less consumption? It seems that ultimately man will have to seek happiness within less consumption as told by the Pope.

Modern economics stands contra this happy scenario. One of the basic concepts of economics is that of 'utility'. The basic proposition is that higher consumption leads to higher utility for the consumer. Nobel Laureate Paul Samuelson teaches like this : Say, the eating of one banana gives utility of 10 units. Eating of the second banana will give a utility of 8 units The third banana will give 6 units. The utility increases along with level of consumption. After bananas have stopped giving utility the consumer will consume clothes, music, travel or whatever. In this way ever increasing consumption will do two things. It will provide demand for goods in the market and lead to economic growth, and it will provide increasing levels of utility to the consumer. This connection between consumption and utility-or-happiness is seen in real life. Poor people, deprived of consumption are generally less happy. They drink, play cards and indulge in wife-beating more than the rich who have more consumption. Gordon Brown says more consumption begets happiness while the Pope says that does not happen.

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