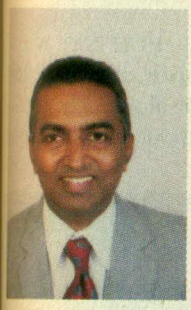
BT, Aug 15, 2004, Page - 101

TAPMI NURTURING WEALTH CREATOR SERIES



Competition is more than a scramble

By K. Sankaran

After decades of socialist rhetoric, our nation's grey (and greying?) cells are now getting stimulated with tons of free-market mumbo-jumbo. Ideas after ideas confuse and confound us. The worst of these 'idea marauders' is 'Competition.'

It is said that Darwin's theory of evolution is a difficult idea to grasp. Not so among our compatriots. Suddenly it seems such an obvious theory and we love him for it. To all of us in the subcontinent who are happy to be fed and clothed, Darwin's thesis echoes simplistically, monotonously and sweetly in our ears, all suitably adapted to the local milieu.

The fittest shall survive.
None but the fittest shall survive.
The strong shall inherit.
None but the strongest shall inherit.
This blessed earth.
And all the material (and non-material) wealth.
The pious amongst us knoweth.

The point is we do not understand what competition really means. For most, competition is still the zero-sum games that we all play under inadequate supply conditions, like those we experience with the great Indian train journey. The scramble for body space, leg space and luggage space still define competition for us. It is such raw forms of human exchange that condition our idea of competition. And we seem to have difficulty in coming out of this mindset.

True competition is richer than minimal skirmishes that ordinary life presents.

True understanding of competition in the free-market economic sense, requires understanding of both demand and supply sides. On the supply side, collectively, we seem to lack a mature understanding of the freedom and dignity due to the supplier, the role of the entrepreneur, the freedom to carry on business unhindered by government agencies once the ground rules are specified, etc. Any minor misdemeanour by the supply class becomes a case of greed and an occasion to build further 'safeguards'. The cynical attitude is carried not only by politicians and bureaucrats but also laypersons. For free market to succeed, we need to internalise that

1. The supplier is no saint. It requires the collective wisdom of the buyers to keep him on his toes. But, he is a necessary entity. The balance of power between the buyer and supplier keeps the system in fine mettle. Adopting market forces to mediate the economic affairs of society rather than leaving it to the machinations of politicians and the whims of bureaucrats requires this realistic understanding.

2. Long-term healthy suppliers would much rather seek out other combatants who are alive and healthy, so that they can enter into a social contract with them, without value-reducing hit-and-run guerrilla warfare (or, at the other extreme, cartelisation). Bad suppliers fight to the last and leave no fruits for anyone to enjoy.

3. Good suppliers automatically prevent bad suppliers from entering the arena. The dynamic balance of power between suppliers and buyers (and amongst suppliers) ensures a minimum entry barrier.

4. The supplier exists not because of an executive order from the government, but by the legitimisation provided by the buyer.

5. Applied to any society, the Competitive Paradigm carries bigger and nobler ideas of 'choice to the customer' or 'efficient utilisation of resources' 'enlightened civil society-backed businesses' etc. Competition as part of state policy, should only be a manifestation of higher societal norms.

6. True competition recognises 'the smart other'. This carries possibilities for cooperation. Within such recognition, resides possibilities for creating positive-sum games, with entities not traditionally thought of as partners. Cooperation need not be cartelisation.

If we understand competition properly, we will stop vulgarising Darwin's theory of evolution and more importantly, reap the benefits of free markets.

Prof. K. Sankaran is a Professor at T. A. Pai Management Institute, Manipal and can be contacted at sankaran@mail.tapmi.org

TAPMI NURTURING WEALTH CREATOR SERIES

Competition is more than a scramble

By K. Sankaran

After decades of socialist rhetoric, our nation's grey (and greying?) cells are now getting stimulated with tons of free-market mumbo-jumbo. Ideas after ideas confuse and confound us. The worst of these 'idea marauders' is 'Competition.'

It is said that Darwin's theory of evolution is a difficult idea to grasp. Not so among our compatriots. Suddenly it seems such an obvious theory and we love him for it. To all of us in the subcontinent who are happy to be fed and clothed, Darwin's thesis echoes simplistically, monotonously and sweetly in our ears, all suitably adapted to the local milieu.

The fittest shall survive.
None but the fittest shall survive.
The strong shall inherit.
None but the strongest shall inherit.
This blessed earth.
And all the material (and non-material) wealth.
The pious amongst us knoweth.

The point is we do not understand what competition really means. For most, competition is still the zero-sum games that we all play under inadequate supply conditions, like those we experience with the great Indian train journey. The scramble for body space, leg space and luggage space all define competition for us. It is such raw forms of human exchange that condition our idea of competition. And we seem to have difficulty in coming out of this mindset.

True competition is richer than minimal skirmishes that ordinary life presents.

True understanding of competition in the free-market economic sense, requires understanding of both demand and supply sides. On the supply side, collectively, we seem to lack a mature understanding of the freedom and dignity due to the supplier, the role of the entrepreneur, the freedom to carry on business unhindered by government agencies once the ground rules are specified, etc. Any minor misdemeanour by the supply class becomes a case of greed and an occasion to build further 'safeguards'. The cynical attitude is carried not only by politicians and bureaucrats but also laypersons. For free market to succeed, we need to internalise that

1. The supplier is no saint. It requires the collective wisdom of the buyers to keep him on his toes. But, he is a necessary entity. The balance of power between the buyer and supplier keeps the system in fine mettle. Adopting market forces to mediate the economic affairs of society rather than leaving it to the machinations of politicians and the whims of bureaucrats requires this realistic understanding.

2. Long-term healthy suppliers would much rather seek out other combatants who are alive and healthy, so that they can enter into a social contract with them, without value-reducing hit-and-run guerrilla warfare (or, at the other extreme, cartelisation). Bad suppliers fight to the last and leave no fruits for anyone to enjoy.

3. Good suppliers automatically prevent bad suppliers from entering the arena. The dynamic balance of power between suppliers and buyers (and amongst suppliers) ensures a minimum entry barrier.

4. The supplier exists not because of an executive order from the government, but by the legitimisation provided by the buyer.

5. Applied to any society, the Competitive Paradigm carries bigger and nobler ideas of 'choice to the customer' or 'efficient utilisation of resources' 'enlightened civil society-backed businesses' etc. Competition as part of state policy, should only be a manifestation of higher societal norms.

6. True competition recognises 'the smart other'. This carries possibilities for cooperation. Within such recognition, resides possibilities for creating positive-sum games, with entities not traditionally thought of as partners. Cooperation need not be cartelisation.

If we understand competition properly, we will stop vulgarising Darwin's theory of evolution and more importantly, reap the benefits of free markets.

Prof. K. Sankaran is a Professor at T. A. Pai Management Institute, Manipal and can be contacted at sankaran@mail.tapmi.org

BT Aug 15, 04 · 13(16) P-105