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Notes for talk to HSL
Training Centre, Delhi
on 15.3.1961.

Consumer & his Enterprise

The enterprise and

- (1) the shareholder or investor
- profit or dividend
- (2) the employee - fair wage, human relations
- (3) Community or State - taxes
- (4) the consumer - sales

Obligations

Good

- (1) Quality : fair measure
purity, no adulteration
utility
aesthetic satisfaction
- (2) Service : Courtesy, promptness
"The customer is always right"
- (3) Fair prices

How to be ensured?

How is profiteering, etc. to be prevented?

Where Monopoly - no guarantee

Consumer held to ransom because no competition

Monopoly is bad, whether private or State

There should be law against monopolies
of both kinds

How does competition work?

Triangle of management within each enterprise

Pull from each angle, provided investor, employee
and consumer enjoy freedom of choice.

In competitive market, consumer is king

Highest form of economic democracy

Daily ballot of market place

c.f. Parliamentary democracy - once in 5 years

Consumer preference determines pattern of production
e.g. overcoats and umbrellas

True inequalities in capacity to buy exist but these
essential to progress

Hayek (The Constitution of Liberty):

"At first, a new good is commonly 'the caprice of the chosen few before it becomes a public need and forms part of the necessities of life. For the luxuries of today are the necessities of tomorrow.' Furthermore, the new things will often become available to the greater part of the people only because for some time they have been the luxuries of the few" (page 43)

"If today in the U.S. or Western Europe the relatively poor can have a car or refrigerator, an airplane trip or a radio, at the cost of a reasonable part of their income, this was made possible because in the ~~past~~ past others with larger incomes were able to spend on what was then a luxury. The path of advance is ~~greatly~~ greatly eased by the fact that it has been trodden before. It is because scouts have found the goal that the road can be built for the less lucky or less energetic. What today may seem extravagance or even waste, because it is enjoyed by the few and even undreamed of by the masses, is payment for the experimentation with a style of living that will eventually be available to many...Even the poorest today owe their relative material well-being to the results of past inequality." (p.44)

Hayek gives analogy of rich and poor countries:

"Although the fact that the people of the West are today so far ahead of the others in wealth is in part the consequence of a greater accumulation of capital, it is mainly the result of their more effective utilisation of knowledge. There can be little doubt that the prospect of the poorer, 'underdeveloped' countries reaching the present level of the West is very much better than it would have been, had the West not pulled so far ahead. Furthermore, it is better than it would have been, had some world authority, in the course of the rise of modern civilization, seen to it that no part pulled too far ahead of the rest and made sure at each step that the material benefits were distributed evenly throughout the world. If today some nations can in a few decades acquire a level of material comfort that took the West hundreds of thousands of years to achieve, is it not evident that their path has been made easier by the fact that the West was not forced to share its material achievements with the rest - that it was held back but was able to move far in advance of the others?"
(p.46/47)

Is there any alternative?

The communist way :

Gostplan decides what shall be produced and sold
at what price

Take it or leave it

Claim of omniscience

"We know what is good for you"

Command economy

Result : Monopoly State Capitalism

Read Djilas' 'The New Class'

No equality either

Judge by results

Proof of pudding in the eating

c.f. West Germany and USSR

Russia: 'Pravda' October 18, 1959:

*Laguardia p. 4..
L's Bull Pen*

A criticism "Old fashioned sewing machines and refrigerators, clumsy and heavy bedsteads and badly designed bicycles." e.g. metal bedstead made by Krasnoyarsk factory weighed more than 150 pounds

Week earlier Siberian housewives complained to Khrushchev they were being starved of consumer goods.

Khrushchev in America: "The life of a capitalist slave is not bad after all".

Better still, take East and West Germany

Germany: West Germany showcase:

1/3 families own homes; 17 out of 100 own cars; 20% washing machines; 25% refrigerators, 50% vacuum cleaners; 3 million T.V. sets by the end of 1959

Industrial stocks up 84%; G.N.P. up 5.2%
1958 49.8 million bottles of champagne
27.5 million pounds of caviar.

Even Galbraith:

"In poor and ill-governed societies, private goods meant comfort and life itself. Food, clothing and shelter, all technically subject to private purchase and sale, had an urgency greater than any public service with the possible exception of the provision of law and order. The burden of proof was on any step that diverted resources from the satisfaction of these simple biological requirements to the almost invariably spendthrift services of the State". (p.242) 'Affluent Society'

Graham Hutton : Dog in the barnyard

Herbert Morrison: "Public corporations manifest " a striking lack of sympathy with the consumer. Indeed, the consumer -who is everybody- is too often forgotten by politicians." (Forward, August 23, 1957)

Galbraith: Post Office socialism

Where does HSL come in?

Private Limited Company on pattern of Volkswagen

Has to compete with Tisco and Isco

Good for everyone - keeps everyone on their toes

Good even for officers

Competition in jobs

but c.f. perverse reaction of C.P. etc.

Bhupesh Gupta's resolution - Rajya Sabha

Wanted floor, not ceiling

~~Extension~~ - "Let men and the money loose" - Erhard

Service of consumer - finest product at cheapest price
so that people may have what they need