

A case for progressivist markets

By Deepanshu Mohan, April 28, 2019

In the political landscape, whether it is the far-left or far-right, there is always a friction observed in groups trying to push for market reforms with an agenda to accrue more benefits for market-agents (i.e. players involved in the market) than allow the market forces to work on their own.

In case of India's aviation market, the recent Jet Airways crisis helps in explaining the extent to which the government— at a time when the airlines seemed at the verge of default- was constantly trying to push for support from banks and other external lenders to save the airline.

From one perspective, the fact that banks (like State Bank of India) and other institutions were reluctant to put more money in a debt-ridden airline reflects that most of these institutions were willing to prioritise the signaling effects of market (Indian aviation market in this case) than assist one of its leading agents.

Jet Airways was one of the only private airlines that survived from the initial source of private players that entered the aviation market space after 1990s. It's inability to compete with the exponential rise of low-cost new market players (like Indigo, GoAir, SpiceJet) over the last decade, eventually made it to lose out to the dynamics of progressive market forces (that brought travel prices down for consumers). In eight of its last ten years, the airlines incurred losses.

The real question is: What kind of markets or market-structures can help enhance better economic outcomes for all?

Progressivist Markets

Markets are simply tools that are designed to help governments re-direct and allocate resources in the desired, most efficient manner, which, ultimately help people maximise their well-being. As a tool, markets can be used to either exploit or enhance people's well-being over time. How any government designs and conducts its markets – under existing rule of

law and other institutional arrangements- pretty much shape their use and outcomes over time.

My idea of cultivating Progressivist Markets is to see these as markets that are cultivated in a space where rules of the game are designed to benefit market forces more than its agents. If an individual producer/seller or consumer/buyer is allowed to shape or determine the market's design consistently or at regular intervals, then, monopolistic tendencies would restrict the progressive role markets can otherwise play, say by encouraging competition and ensuring greater price gravitation to benefit potential buyers and sellers.

In other words, progressivist markets are ones that are self-reforming and self-equilibrating – in alignment with exactly what philosophical radicals of 18th century like Adam Smith imagined markets to do. By prioritising market forces over its own agents, governments or any state-institutions can help design and promote such markets to help citizens benefit more-allowing the operational tool of markets to work better.

In the Indian context, another case where progressivist markets may find greater value and incorporation is in its ailing agricultural market. Over the last few decades, the Indian agri-market system has suffered from heavy government regulation, exercised through: greater price controls (say via MSP); limited infrastructural support (in giving farmers better direct access to markets); poor irrigational networks (for increasing agri-productivity); limited social protection (crop insurance), and lack of reforms in land acquisition and ownership.

As a result, the market system has failed to benefit its own agents (farmers)– in whose justification each control or regulative measure are otherwise introduced- and the consumers as well (suffering from volatile spells of food inflation).

Do most farmers value support in the form of an informational design structure where they have a better knowledge of what to produce? How to produce? For Whom to produce? and at What Price to Produce?

A progressivist market design- across states agri-market systems- may provide such informational support (harnessing the use of technology) while addressing some of the other structural challenges that restrict farmers to get a fair market price for their crops, and ensure direct access to market spaces for them. With a market designed to progressively promote the interests of farmers and buyers through incentives, creates a

win-win scenario, where payoffs of each market agent can maximise with limited interventions.

How can markets be progressive?

An analogy may help here. As a machine, a car to function efficiently must see minimal interference with its engine and other assembly parts, that way, the driver and passengers are more likely to enjoy a safer ride. Customisation can ideally be done at the design stage itself to allow the machine to meet the dynamic needs of the buyer (or the driver). If we keep customising the engine or other machine parts all the time to suit the driver or passenger's requirements, it is likely to harm the car's operational and technical efficiency.

Similarly, progressivist markets- as customised tools- require most attention in the design stage, when they are introduced to a given sector of the economy with any revisions done through reforms only over periods of time. Constant political or economic interference in their functioning may counter-productively affect their own function and cause (agents) people more harm than benefit in the future.

Back in the 18th century, for radical philosophers like Adam Smith, David Ricardo along with those who came thereafter (Leon Walrus, Alfred Marshall, Joseph Schumpeter etc.), the central theme of their work and interjections was the struggle against a society dominated by the aristocracy –working in tandem with the government. Aristocratic privilege constrained the expansion of market forces, giving undue advantage to some market agents (observed as feudalistic monopolists). It is through their work that we see how economic privilege and political privilege were and are two sides of the same coin.

Consequently, accrued benefits from any liberal economic (or political) system may best be realised in an effort to radically transit to design, promote, nurture progressivist markets- especially in sectors of poorer economies where monopolistic tendencies are large and market forces are weak (or constrained by state).

Progressivist markets and reforms undertaken towards designing them- especially in developing (or relatively poorer nations)- can help democratise distribution of both, economic and political power, ushering a higher rate of economic growth while reducing inequality.

In India, this can start by undertaking the necessary set of reforms in the agri-market system and allowing competitive market forces in other

market segments (say, in sectors like aviation, automobiles) to dynamically work, giving preference to market forces for better allocative and efficient economic outcomes.

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