



CENTRE FOR CIVIL SOCIETY

Capitalism: Morality, Efficiency, & Inclusion



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Two Questions

- Is capitalism moral?
- Has India's turn towards capitalism been beneficial or harmful?



Democracy & Capitalism

- Constitutional Democracy
- Constitutional Capitalism

- Constitution
- Rule of law
- Property rights
- Enforcement of contracts



Political and Private Markets

- Market for political goods = Political Markets = Voters and politicians (political parties)
- Market for private goods = Private Markets = Consumers and producers (firms)



Democracy Vs Capitalism

- Who is the winner?
 - Maximum votes vs Maximum profits
- Who keeps promises?
 - Poll promises/campaign manifestoes
 - Warrantees, guarantees, return policy



Democracy Vs Capitalism

- Who uses more violence?
Election deaths (muscle power)
Has IBM hired to kill Apple CEO?
- Where is higher barrier to entry?
Dynastic politics, funding?
Venture capital, angel investors

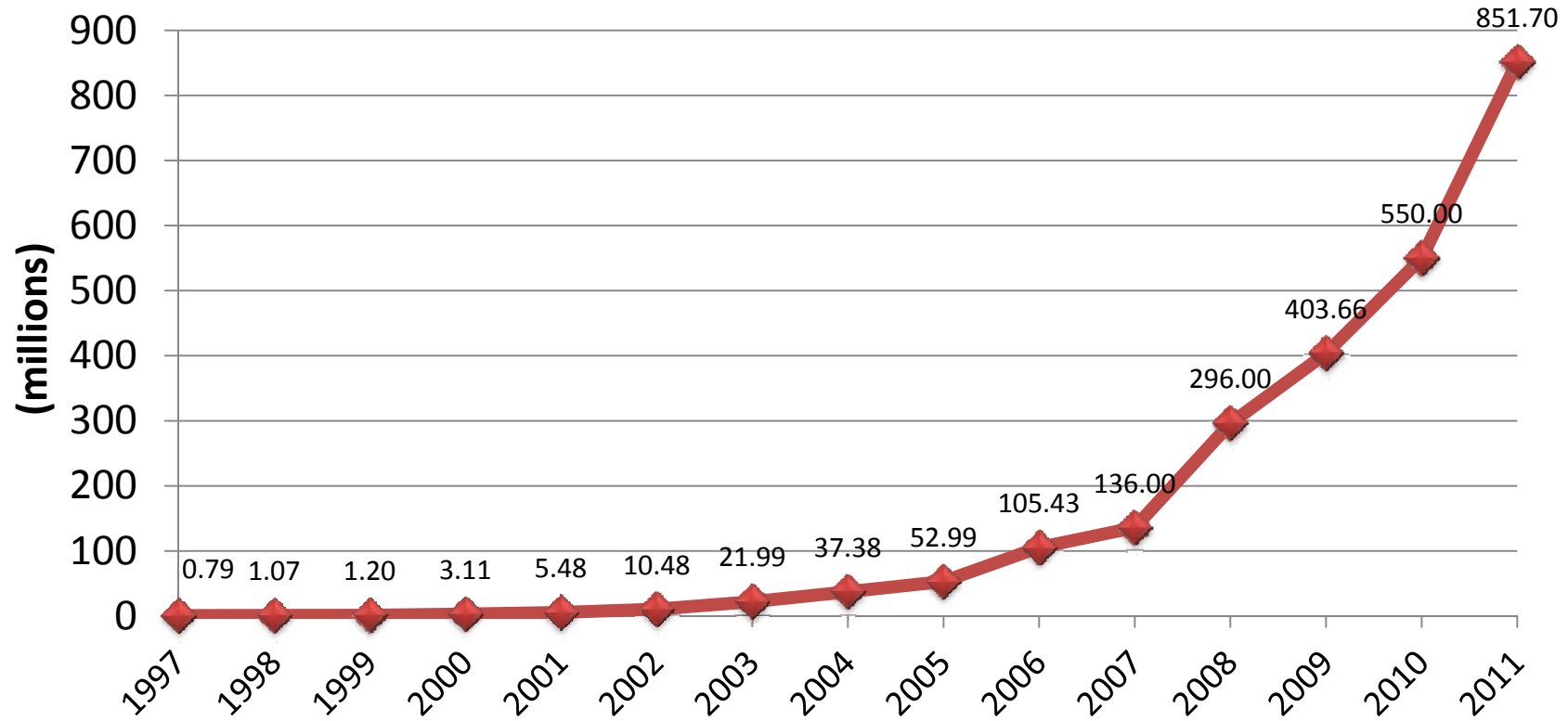


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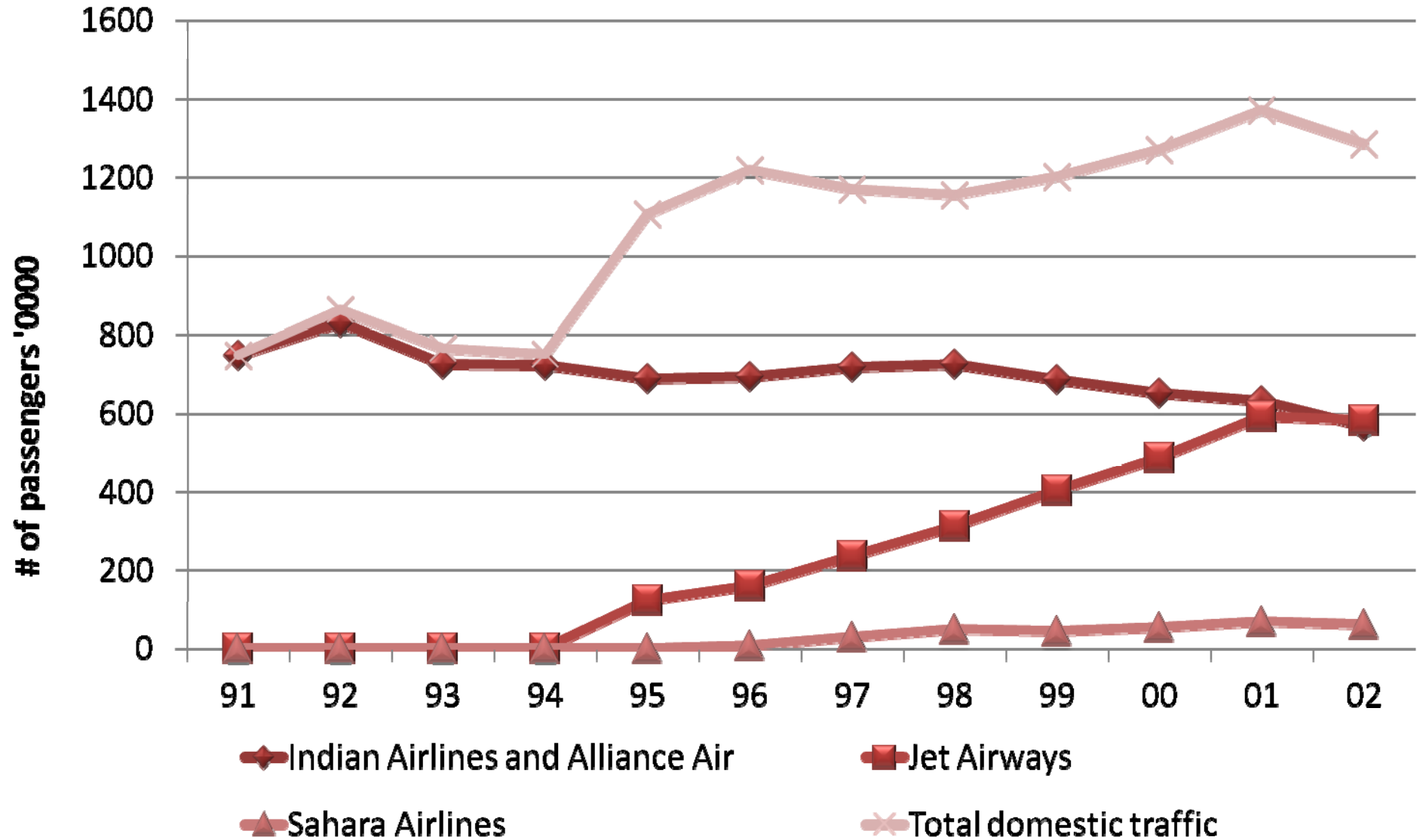


Cellular Subscribers, 1997-2011





Airline Passenger Traffic





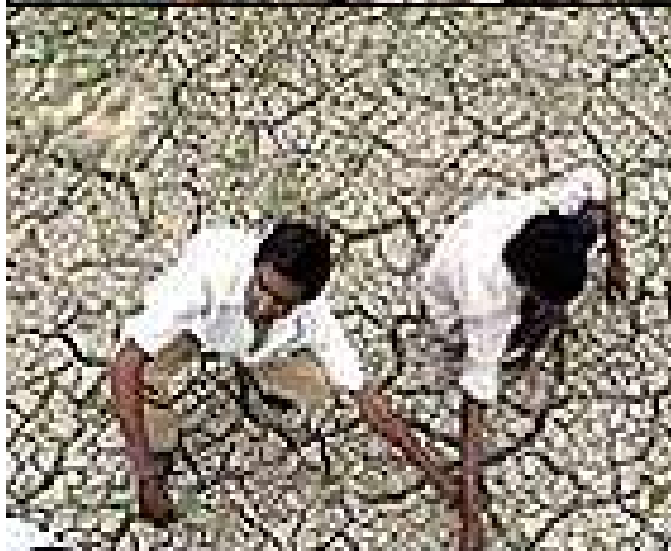
The East India Company--From India!

Foreign acquisitions by Indian companies



The Paradox

Farmers commit suicide;
the poor have little hope.





Paradox Explained

“The evidence showed clearly that India’s economic growth was *urban-led* with the gaps in living standards between cities and the countryside widening in recent years.”

Jeffrey Sachs, 2005, *The End of Poverty*
(emphasis added)



Government's Solution

Rural areas are left behind, so
National Rural Employment
Guarantee Act (NREGA)



Rephrasing the Paradox

“The evidence showed clearly that India’s economic growth was *urban-led* (*liberalised-sectors led*) with the gaps in living standards between cities and the countryside (**LPQ areas**) widening in recent years.”

--CCS



Rephrasing the Paradox

People who earn their living in the sectors that have been liberalised are doing well. Those who earn in the sectors that have not been liberalised are not doing so well.

--CCS



The Urban Informal Sector



“No person shall keep or ply for hire a cycle rickshaw in Delhi unless he himself is the owner... no person will be granted more than one such licence.”

**Delhi Municipal Corporation
Cycle-Rickshaw Bye-Laws,
1960, Section 3**



Delhi Municipal Corporation

Cycle Rickshaw Bye-laws 1960, Section 17A

“Any cycle rickshaw found plying for hire without a licence or found driven by a person not having proper licence as provided under bye-law 3(1) and (2) shall be liable to be seized by the Commissioner or a person duly authorised by him in his behalf.

“The cycle rickshaw, so seized shall be disposed off by public auction after dismantling, deformation of such process including smashing it into a scrap after a reasonable time as may be decided by the Commissioner from time to time.”





Delhi Municipal Corporation Act

Section 420, Rule 5, Refrigerated Water Trolleys



“It has been decided by the Commissioner that **distance of 50 metres between 2 water trolleys** in congested areas of City, Sadr Pahar Ganj, Civil Line and K.B. Zones and 100 metres in less congested areas of Shahdra, New Delhi, South, West and Rural Zones be observed. However, this shall not hold good near cinemas, markets and other places of recreation etc.



License Raj in Agriculture and Forests

Rural and tribal areas operate under a cumbersome license raj that makes it difficult to ever create wealth and grow out of poverty.

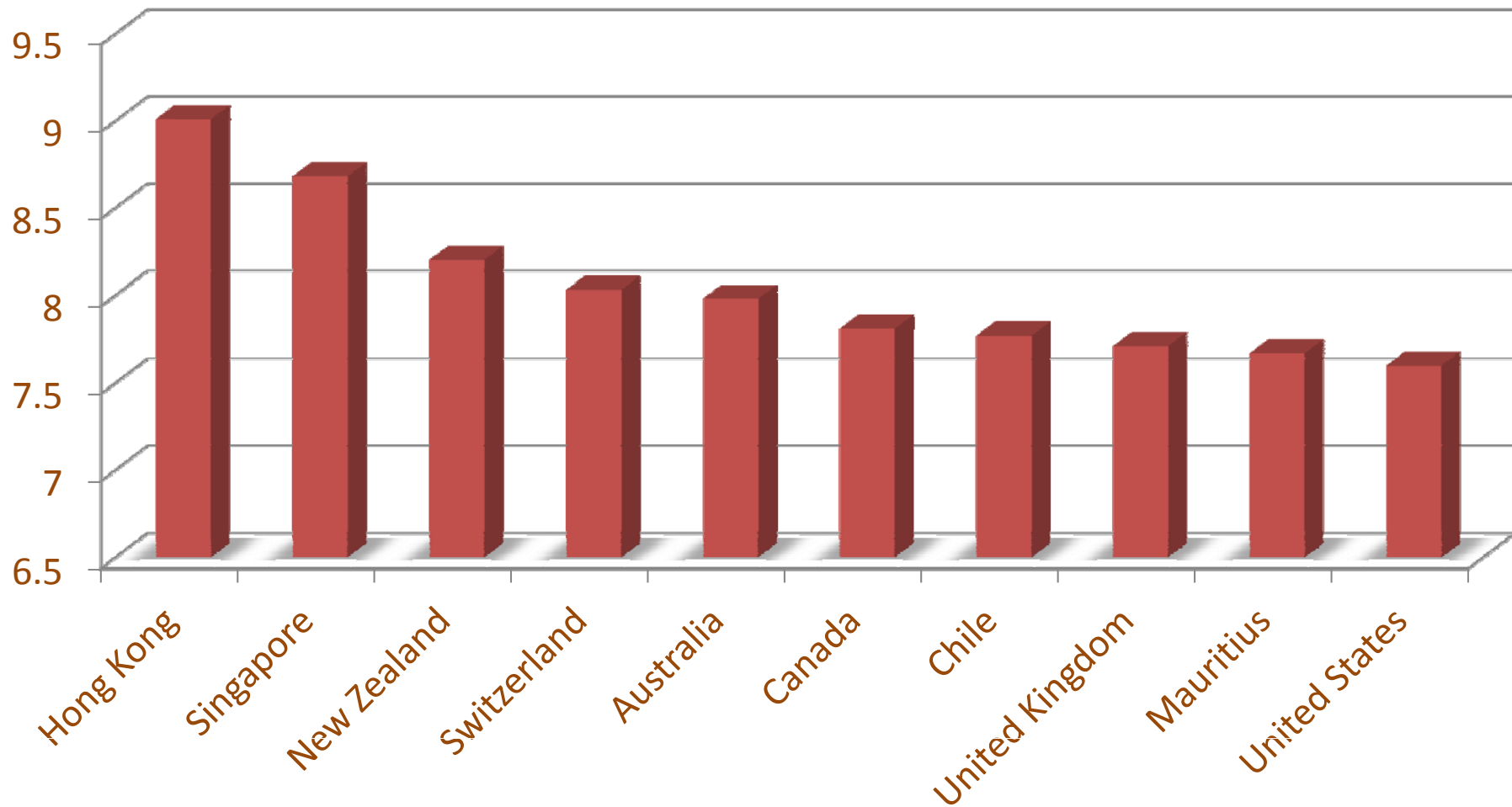
- Farmers: APMCs, Essential Commodities Act
- Tribals: Forest Act and Bamboo





Economic Freedom of the World, 2011

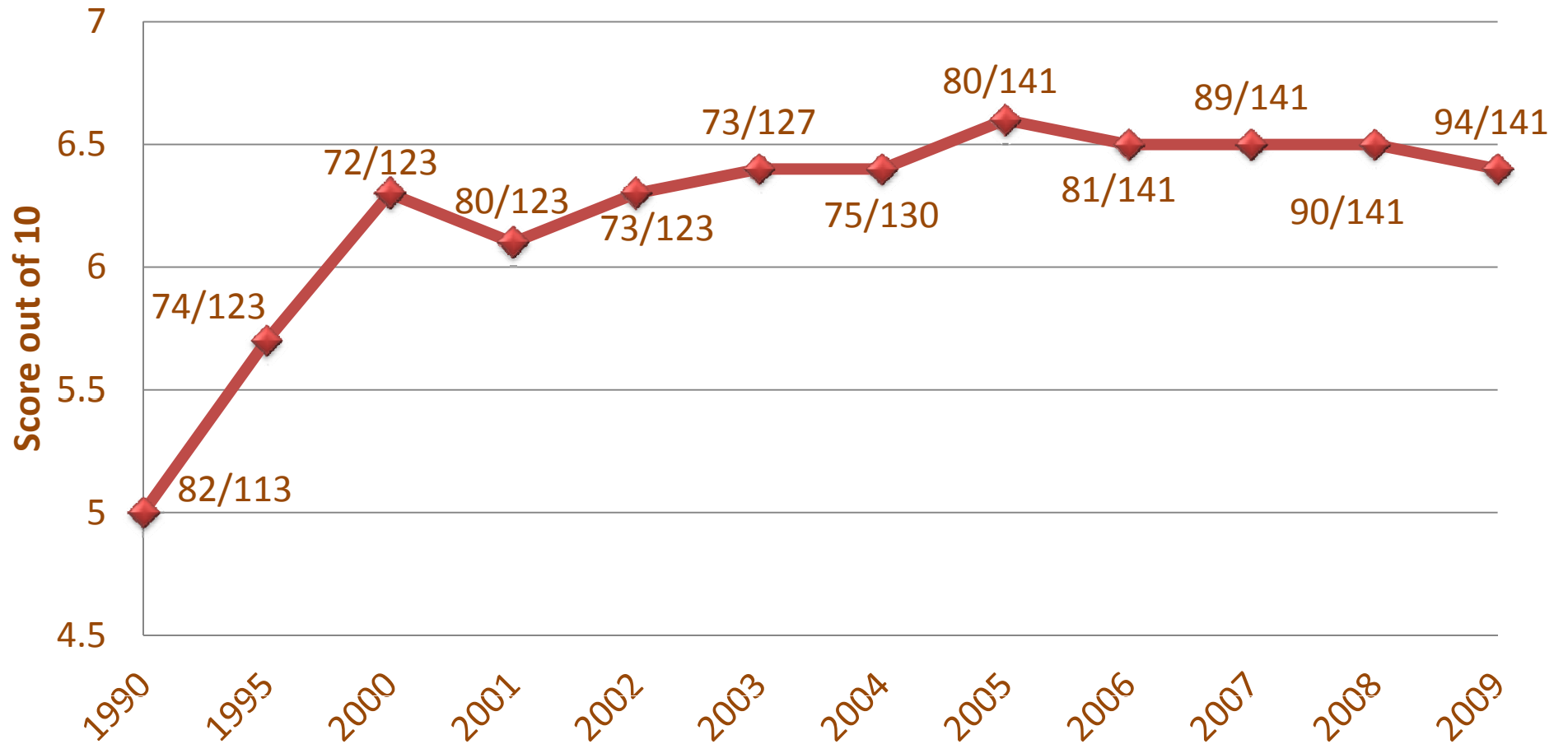
The Top Ten





India, 1990-2009

Economic Freedom



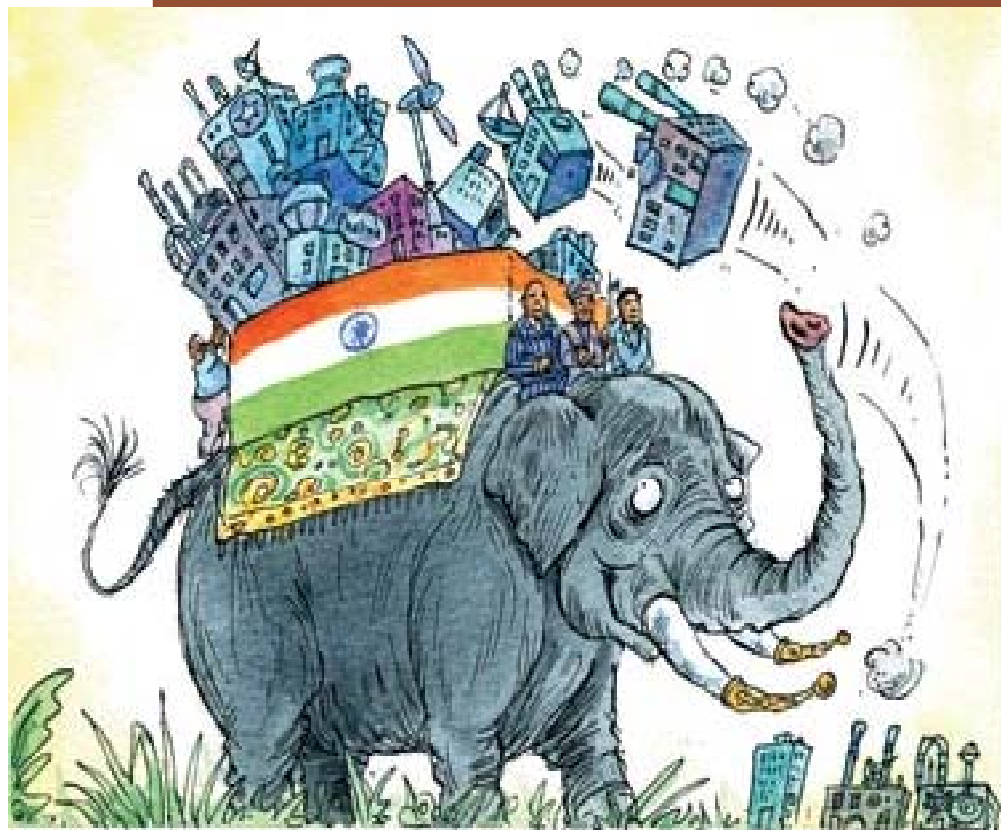


Three Questions

- Is capitalism moral?
- Has India's turn towards capitalism been beneficial or harmful?
- Does liberalisation/ capitalism increase or decrease morality?



Challenges of Inclusive Growth in India: Unequal Distribution of Economic Freedom



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