

GREEDONOMICS

Sanjay Chauhan
Chartered Accountant

It is said that there is no end to Greed. The Free Dictionary defines "Greed" as *an excessive or rapacious desire, especially for wealth or possessions*".

Though, I am not an Economist but a sceptical man, I see the current economic growth driven by first spending to create demand and then instigating people to spend. This instigation, is from various mediums, such as advertising, social status, etc. This gradually becomes a habit, which will lead to the need for money. To earn money, a person will do various types of jobs and then spend the money earned on his habits. People slowly get into the trap of spending and increasing demand, which then leads to inflation.

"Our economy is based on spending billions to persuade people that happiness is buying things, and then insisting that the only way to have a viable economy is to make things for people to buy so they'll have jobs and get enough money to buy things." — **Philip Elliot Slater**

Management Gurus and Economists may explain this phenomenon as growth. For economies, money is the root for growth, more the money circulation more is the growth.

But what is the limit of growth or is there any ideal growth rate?

As a thought, if people in economies that are growing at less than 1% can live a good life, then why should we increase at 8% or even higher!! It is like we all are in a race to grow fast. But wait, is it growth or are we going towards depletion of resource at a fast pace. If the existing resources would say last for next 100 years, why do we want to deplete them in 50 years?

"Worldwide, compared to all other fossil fuels, coal is the most abundant and is widely distributed across the continents. The estimate for the world's total recoverable reserves of coal as of January 1, 2009 was 948 billion short tons. The resulting ratio of coal reserves to consumption is approximately 129 years, meaning that at current rates of consumption, current coal reserves

could last that long." – **US Energy Information Administration (www.eia.gov)**

There is a law of Diminishing Marginal Utility (DMU). The law of DMU states that other things being equal, the marginal utility derived from successive units of a given item goes on decreasing. Hence, the more we have of a thing; the less we want of it, because every successive unit gives less and less satisfaction. However, *there is an exception to this law for a particular thing i.e. money.*

For example, when a person is hungry, the first bite of food will give the most satisfaction, then the second. Thus, the hunger is satisfied by the last bite.

However, it is reverse in case of money, with every increase in earnings, the greed to have more, increases.

This concept of DMU is used in business, to increase the sale of products by fixing a lower price. Since consumers tend to buy more to equate their utility (i.e. value for money) with price, the manufacturer can expect a rise in sale and thus, increase its margin by increase in volume.

For economies, money is the root for growth, more the money circulation more is the growth.

Indian mythology carries many examples around Greed and Deed. Lord Krishna said, "*Karma kar, phal ki chinta mat kar*" meaning "perform your duty with generosity without expecting any outcome from it.

However, in reality, the way the businesses are run, is purely based on profit i.e. outcome.

Kenneth Allard, a former army colonel and an adjunct professor in the National Security Studies Program at Georgetown University, holding a PhD from the Fletcher School of Law and Diplomacy and an MPA from Harvard University, has written a book named "Business is War". He was dean of students of the National War College from 1993 to 1994.

He writes "A 21st-century business strategy for succeeding in a tough global economy. To succeed in today's turbulent business environment operating in a 'business as usual' mode will no longer work. Conflict and competition can come from anywhere. In tough

economic times, survival is a matter of waging war, and people are looking for proven strategies to solve all types of problems..”

Thus, it can be seen that the modern philosophy of business is changing. I would quote Mahatma Gandhi which sounds paradoxical to the latest business strategies, “Earth provides enough to satisfy every man's needs, but not every man's greed.”

How businesses are affected by Greed:

Take an example of Satyam Computers, who in their greed to grow over its competitors and derive higher valuations, constantly showed better results and increase in earnings per share. The fact was that, there were no real customers, the invoices raised were not realised in real and the money in fixed deposits was no more than paper.

There is an increasing tendency of businesses competing with each other in the race to have higher valuations, which in turn depends on higher earnings.

The thing to bear in mind is that "greed is good." That is, it's good for a business, but perhaps not for the society in which the business survives. Unrestrained greed in the business can lead to cruelty and malpractices. A business dominated by greed will often ignore the harm their actions can cause to others. Child labour, sweat shops, unsafe working conditions and destruction of livelihoods are all consequences of businesses whose personal greed overcame their social consciences.

Greed and Society

From a macro point of view, a society that bans individual greed may suffer. It is greed that makes people want to do things, since they will be rewarded for their efforts. It is a carrot and stick approach that can yield better results. Remove the reward and it may lead to reduction in incentive to work.

“The former Soviet Union provides an example of this: the collective farms provided no indi-

vidual incentive to strive, and thus produced an insufficient supply of food. The individually owned and run truck farms, however, with the possibility of selling the produce and keeping the proceeds, grew a far greater harvest per acre than the collective farms. The "greed" of American farmers has allowed them to grow food for the world, since the more they produce the more money they make.”

Nonetheless, however you regard it, unrestrained greed is detrimental to the society; unrestrained disapproval of greed is detrimental to the society. People attempt to find a balance between personal and social necessity.

“If it weren't for greed, intolerance, hate, passion and murder, you would have no works of art, no great buildings, no medical science, no Mozart, no Van Gough, no Muppets and no Louis Armstrong.”
— **Jasper Forde, The Big Over Easy**

To conclude, the strange fact as understood is that, once a person generates earnings, earnings originate greed. Then slowly, the earnings that gave birth to greed, gets to the back seat and greed governs the level of earnings. Thus, there is no limit to the desire to grow earnings, because, there is no end to Greed.

Here, I remember a quote from the twenty-first verse in the Sixteenth Chapter of the Bhagavad-Gita, where Lord Krishna says:

*“tri-vidham narakasyedam
dvaram nasanam atmanah
kamah krodhas tatha lobhas
tasmad etat trayam tyajet”*

"Give up kama, krodha, lobha i.e. lust, anger, and greed. If you become influenced or affected by them, then you will open your door to hell."

In this Contemporary World, it is very difficult to completely give up Greed, so this New Year, let us resolve one thing, Let us Rationalise our Greed...



**What difference does it make as to how much you have ?
What you do not have, amounts to much more.**

—Seneca