



PUBLIC ECONOMICS- RESOURCE DISTRIBUTION STRATEGY

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ABSTRACT

The paper deals with a resource distribution strategy with the aid of government based economics that would ensure better and equitable outcomes for all persons. It speaks of an environmentally conscious economy and one where all persons are treated equal by satisfying basic human needs. It is a solution that will work well in LEDCs (Less Economically Developed Countries).

Aim To use the role of government as an institution to find a solution to commodity based economics in a world driven by resource conservation and poor socio-economic distribution of goods and services.

KEYWORDS :

Introduction

On 12th January 2018, Reuters India reported that the country's retail inflation reached a 17- month high, thus pressurising consumers and will force the Reserve Bank of India to raise policy rates in the next few months⁽¹⁾. This would lead to a great effect on prices of commodities making it tougher to afford. This would lead to an increase in prices of all goods and services. There is no place for compromise.

This would lead to a greater supply and lower demand for some products. Another issue we face currently is global warming which has been there for almost as long as industrialisation has started. Over decades of time, mankind has consumed all sorts of resources and has failed to give back leading to the rise of Mother Nature's wrath and the conditions of the environment for our sustenance limiting our output as we need to change the way we use our resources (economics) - the temperature has increased by close to 0.8° C (1.5° F) from 1880 over 137 years and is estimated to continue that way.⁽²⁾ This has further lead to ice sheets melting thus increasing the levels of sea water. It is thus quite possible to conclude that the environment and the economy go hand in hand and are quite inversely proportional. Therefore, in order to make reparations to our habitat, compromise on our economic activities is necessary.

Thus a solution needs to be found between economic development and global warming in such a way both do not hamper each other but are rather complementary to one another. This seems to be tough but can be done if we compromise our economies to be ecologically right.

Solution

A four point policy termed public economics can be implemented to solve the problems. It is as follows:

1. Scrutinise needs of population and locate areas of supply of raw materials and production

Government uses survey methodology and population data based on calorie consumption level to determine amount of needs required in a particular region. It then finds the various places of production in a country and then determines amount of raw materials to procure.

2. Using contract manufacturing model, government manufactures 110% of estimated needs via tenders with selective reservations

110% of the estimated needs is then contracted manufactured by issue of tenders based on best rates and quality provided in samples. Qualitative assessments must be conducted by the government on receipt of supply in order to check if the same

standards have been maintained. Selective reservations with regard to cooperative societies, Self Help Groups (SHGs), small firmsetc, need to be set up at the discretion of governments. The 10% surplus is as an emergency reserve.

3. Government distributes the same through public distribution system selling it at a profit of 20%

Government buys back the goods at rate agreed upon and then distributes the same across the nation through government-owned retail outlets. The profit earned would go into stabilisation of economy by paying workers under government employment, distribution costs and social security. Tax structure can be eliminated since revenue earned through sale of commodity is greater.

4. Trade excess which must come under global embargo to be below 9.09% of national production.

In order to ensure distribution is done to all citizens, there should be a limit on the exports of these goods. This would be calculated as $(10/110) \times 100 = 9.09\%$ (i.e. 10% of national production). An embargo may be set up by the World Trade Organisation (WTO) in order to ensure that excessive trade is not done.

Strengths

The following benefits can be received by following this policy:

1. Exploitation of resources eliminated

There is limited resource use since the amount of production is fixed and practice of overuse cannot be mitigated.

2. Overproduction mitigated

Only stipulated amount of production is carried out thus mitigating the problem of overproduction.

3. Supply and Demand ratio is maintained

Production is done only to the amount to meet needs. Thus supply-demand ratio is maintained.

4. Social Security Provided to All

A perk of government jobs is that social security like health, education, shelter, allowances etc, is taken care of. Since a large number of persons will be employed by government under this system, social security can be distributed.

5. Reduces exploitation amongst small and large firms

Since reservations are created, small and large firms have equal chances of being selected for the position of contracting.

6. Needs of all citizens is satisfied

The system ensures that all people get their needs at affordable rates.

7. Generates Income

Income Generator to a workforce is created in public sector (Eg: distribution, administration and management, audit, supervision, retail sales etc.) and private sector (under contractors) thus paving way to the development of a nation.

8. Ensure equitable outcomes

Since all people are able to afford these goods and jobs for varying skillsets lead to their social security, equitable outcomes are achieved.

Opportunities

1. PPPs- Private Public Partnerships would ensure funds from public sector and the efficiency of the private sector match each other. However care must be taken that 51% of stake or greater over the understanding is under the government to ensure no misuse.

2. SPM- Sustainability Practice Manoeuvre- SPM has historically referred to Suspended Particle Matter. However this SPM-Sustainability Practice Manoeuvre is to bring the former down. This would be done with the aid of more eco-friendly technology.

Weaknesses

1. Corruption and Misuse: There exists the risk of corruption since the government is in charge of the entire process and there is no internal mechanism to have a check on the basis of what the tender is awarded except for audit. Also misuse of resources is possible by contactors. However this can be controlled by regular audits and supervision.

2. Idealistic This may seem idealistic especially in a capitalistic economy and may face influential obstruction from several significant persons.

3. Reserves The government may choose not to maintain reserves and export entire 9.09% surplus. However this would cause problems with regard to planning for the future since security cannot be assured.

4. Quality The contractors may not be able to give the same quality as shown in samples in all commodities and would be difficult to check.

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