**Article Title:" India's market phobia: Instead of seeking to block the operation of markets, we must harness them"**

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When the Karnataka and Delhi state governments recently "banned" surge pricing by taxi aggregators like Ola and Uber, they were entirely in sync with India's long cherished tradition of populist measures against market forces. That it didn't solve the problem of inadequate public transport – in fact, compounded it by inhibiting the supply of more taxis at peak hours, albeit at higher prices – was almost beside the point.

Ironically, at other times, such instincts have worked in the opposite direction, such as in 2014 when the civil aviation ministry attempted to stipulate a minimum airfare for every route in order to "ensure that no airline in future goes into losses". That was in the backdrop of efficient new airlines out-competing and undercutting inefficient ones.

It would be foolish to dismiss Indian politicians' kneejerk anti-market instincts without comprehending the underlying rationale, for they are anything but superficial. Scepticism about trade and commerce goes back at least to that epitome of private enterprise, the East India Company, which became a symbol of monopoly, extortionate practices and the capitulation of Indian public interest.

It can even be traced back much further in our ethos, to the 4th century BC, when Kautilya's statecraft advocated large doses of statist dominance in the economy of the Mauryan empire. In more recent times, cronyism has sullied the reputation of markets.

Cronyism in India is not just limited to national mega-scams, but is part of the everyday experience of the average citizen. Even in remote villages, every Indian is familiar with the favoured contractor or tout grabbing the lion's share of the benefits of ostensibly market transactions, to the public's detriment. It is these distortions that are erroneously but widely perceived as free markets.

Populism was always inevitable in the world's largest, most diverse democracy. What also contributed was the instant universal adult franchise that we acquired with our Constitution. Most other democracies had got there after decades, sometimes centuries, from originally allowing only land-owning males to vote, to gradually enfranchising more and more sections of the citizenry.

By contrast, India went from populism counting for very little in the colonial era, to suddenly mattering hugely to political leaders needing to win over large numbers of voters.

Nevertheless, India is a nation feted for its people’s entrepreneurial skills. Our entrepreneurs are counted not just among the global corporate elite, but also the millions of small businesses around the country. They bridge the many gaps between demand and supply, often with innovative “jugaad” solutions.

The reality is that no nation in modern times has successfully bucked market forces to achieve affluence for its people. Even nominally communist China, which till 1980 had a similar per capita profile as India, now has an economy five times bigger than India’s by embracing markets much more enthusiastically.

That is not to say free markets are the be all and end all of policymaking. Political philosopher and Harvard University professor Michael Sandel writes compellingly about this in his bestseller ‘What Money Can’t Buy: The Moral Limits of Markets’. He questions the pervasiveness of markets in all areas of life.

But Sandel does not question the efficacy of markets. His arguments are moral, ranging from the mundane (is it acceptable to have fast-track queues for business class passengers?) to reiterating ethical redlines, such as the ban on sale of human organs.

While developed countries have the luxury of debating the outer limits of markets, developing ones must grapple with the inevitability of needing to harness them for their day-to-day economic needs. Like King Canute of legend, India’s politicians need to recognise that the market forces of supply and demand can no more be wished away by diktat than the waves pounding our shores.

Arthur Brooks, a leading conservative thinker, bestselling author and president of the American Enterprise Institute, has written, “Market forces tend to win out even when we don’t want them to, good intentions are no guarantee of good results, and we can’t change behaviour just by passing a law against something we don’t like.”

Therein lies the kernel of what Indian decision makers need to grasp. Not to wish that market forces didn’t exist or to check them, but to tailor policy to harness them for the common good, and to correct for market failures and rectify inequity.

Markets allocate scarce resources efficiently, if not equitably, by reconciling supply and demand through the price mechanism. Tampering with prices destroys that efficiency. The way to rectify inequities is not by interfering in markets and blocking prices, but by targeted subsidies for the underprivileged.

Thus, for instance, rent assistance for the poor is a much better idea than rent control. But that requires funds to be allocated, whereas some politicians still believe they can get away by promising a free lunch. However, besides taxation, funds can also be availed by cross subsidising, for example levying a fee on airlines flying lucrative sectors and offering that as a subsidy to fly uneconomical routes.

Tinkering with prices is an easy source of magnanimity for politicians. But it mostly only succeeds in driving transactions underground, while having a decidedly deleterious effect on investment and economic growth. And it is exactly this kind of market interference that creates conditions for corruption to flourish.