

### **Part D – Economy and Philosophy**

1. Can economy and philosophy (or religion) mix! (This important issue is discussed here very briefly as if two friends are discussing.)

**Maharshi Ved Vyas** has summarised the WHOLE of “Mahabharat” including Geeta into one Sloka –

“I am telling all the people raising both hands but no one listens to me —

**Artha, Kam and Moksha** all the three can be achieved only by **Dharma.**”

In other words,

Material wealth, desire fulfilment and the Nirvana all can be achieved only by religion.

So using philosophy in economics is possible and even practical.

2. Economics is defined in a ‘**Scarcity Oriented**’ manner –

“Human wants are unlimited (or infinite) and resources are scarce. The art and science of attempting to bridge the two is called economics.”

3. Now contrast this statement with the following Sloka –

“Aum Poornam Idaha, Poornam Idam,

Poornat Poornam Udachyate.

Poornasya Poornamadaya Poornam Eva Avashisyate”.

In other words, “God, Parbrahma is infinite. Every soul (including man, tree and insect) is infinite.

Infinite takes birth from the infinite. By taking out infinite from the infinite, what remains is infinite.”

In simple words, **every soul has infinite capability.**

Further,

All materials are produced from energy – **Chaitanya**. Chaitanya is infinite. Hence availability of any and all materials is infinite.

Every soul can have whatever he wants.

Nothing ever is destroyed. Only the basic energy (Chaitanya) keeps taking different forms.

All **resources are abundant**.

Nothing is scarce.

No human want need remain unfulfilled.

4. How can one believe in abundance when we see poverty everywhere!
5. There are some sources to understand the principle of abundance.

The easier one – Read Mr. Neale Donald Walsch’s series of books on “Conversation with God”. Total five books.

OR

Read the Upanishads or any good religious book of that level.

OR

Simply understand Saint Kabir’s philosophy – Entire Universe’s Knowledge is realised by “Love”.

6. What has Love got to do with Economics ?!
7. If, even without accepting, for the sake of argument, we assume that the principles of abundance in nature; and universal love are true;

Then,

Economic laws, by definition are wrong.

They are starting on a wrong premise of scarcity.

Since we are convinced of scarcity, our mind leads us to greed. Which leads to frauds resulting into lack of confidence and recession. It also leads to exploitation and unfair distribution of world’s resources.

If everyone believed in 'dharma' (synonym of philosophy, religion, love etc.), there would be no crisis of confidence. If everyone believed in love, there would be no unfair distribution of income and wealth. There would be no poverty.

8. Utopian talk.

9. Yes. It is something like the following hypothesis:

You can never win permanently by weapons.

However, if you win someone by love; you have won him forever.

Everyone believes in this principle. But very few practice it.

The day, people practice what they believe in; this world will be a different world.

Until then, we will keep generating economic theories and moving from one theory to another. Nobody understands it and everyone claims to understand. And hardly any theory works for long.

10. This leaves many issues open.

Yes. But (almost) all issues are answered in the three sources mentioned in paragraph (5) above.

It is guaranteed that the seeker will get ALL answers.

The beauty of philosophy is that we do not have to wait till the rest of the world practices. We can start practicing ourselves. And the number of people practising universal love is growing.

11. Isn't it beautiful that in the film - "Beautiful Mind"; Professor Nash, on winning the Nobel Prize says to his wife that 'the conclusion of my entire carrier is that — the most important thing in life is Love '.

## **Indian Budget & Myths**

### **1. Stock markets**

Our stock markets are the most vocal. They always expect more and more concessions. They always claim that if the market sentiment is bad, the small investor will not invest and hence recession will continue.

Big Myth.

The stock markets have consistently disappointed people. There have been series of scams. Right from Harshad Mehta to Ketan Parekh; people have caused huge losses to the small investor.

In between, so many company promoters have looted the investing public. These were aided and abetted by their merchant bankers and auditors; and people have lost confidence in all systems.

What can the poor Finance Minister do?!

In the last ten years, so many dream budgets have come. The moment, there is a favourable sentiment, markets go up; some cheaters come out in the field; skim the milk and disappear.

When these cheaters are skimming the milk; our media is broadcasting interviews with them and eulogising them as the biggest financial wizards.

### **2. Why SEBI cannot succeed in preventing the frauds!**

Answer is clear.

Our investors are greedy. They want 50% returns per year.

There is no business where the company can earn enough money to pay a return of 50% per year. So when an investor wants to earn 50%; he is inviting cheaters.

### **3. So many people raise the question —**

“Will Budget improve the economy?”

This question invites further queries.

“Isn't budget a mere piece of paper!

“Isn't it a statement of objectives and performance in financial terms!”

“Would it not be better to say –

“The economy will improve if ALL OF US start working for building our nation.

Finance Minister alone; or even the Central Government alone cannot improve the economy. We, the people of India have to act together.

We have to take our share of responsibility.

As Dr. Abdul Kalam has said in his widely spread speech, we have to stop blaming Government, stop asking what the Government can do; and take our share of responsibilities.

(A copy of Dr. Kalam’s speech with Rashmin’s comments is given on our web-site.)

#### **4. Central Government Balance Sheet**

##### **4.1** In our note on Budget – 1993; we had shown how the Central Government presents a balance sheet which is not “True & Fair”.

In our note on Budget – 1997; we had stated that the Central Government of India is insolvent. Hence our investments in PPF and — LIC are not safe.

Repeated symptoms of this disease keep appearing. Consider the following:

U.P. Government does not have the money to pay electricity bills. Hence the electricity supply to the whole state was disrupted.

Mumbai municipality has no money to pay bonus to its employees. It was Mrs. Indira Gandhi, who, as a Prime Minister, had made bonus, a compulsory payment.

Maharashtra Government did not have the funds to pay salaries to its own staff. Funds received on issue of debentures by a State Government Corporation were used for payment of Government staff salaries.

Following are the figures from the Budget 2002.

**4.2 Central Government's Funds Flow : (Year 2002-03)**

**Rs. crores**

(i) Central Government's total revenue including income-tax – all taxes, interest, forest sales, etc. all. 2,45,000

(ii) Debt Servicing  
Loan repayment & interest payment. 2,58,000

(iii) **Conclusion —**

All current expenses of the Government – including staff salaries, defence expenditure and Ministers' foreign trips are financed by fresh borrowings. The annual deficit as projected for the current year – 2002-03 is Rs. 1,35,500 crores; or Rs. 3.71 billions per day. This does not include the deficits by the State Governments and other statutory bodies.

**4.3 Central Government Balance Sheet.**

**Budget for the year 2002-03**

	Rs. billions		Rs. billions
Total liabilities including Government securities, Provident funds, small savings etc. Other than external debt.	14,442	Total assets including all the assets of doubtful values	8,264
External Debt at market rate of conversion		1,947	Accumulated losses
<b>Total</b>	16,389		16,389

**Conclusion :** Our one billion people owe Rs. 16,000 billions. Or per person our debt is Rs. 16,000. Out of this debt, an amount of Rs. 8,000 billions is already lost. And every day our Governments keep increasing the debt.

And yet, the fact remains that :

We are very rich in natural resources. Our country can very well support the entire population at a good standard of living. If we manage our natural resources well enough, there need not be any poverty.

#### **4.4 FX reserves**

We may notice that, the Government's total external debt is about U.S. \$46 billions. As against that, the total FX (Foreign Exchange ) reserves held by the Government are above U.S. \$ 50 billions. We were never so comfortable in our FX position.

Even internally, the Government is constantly trying to reduce the debt. Hence it is reducing the rates of interest and the incentives available on Government securities. By reducing the interest rates, Government is reducing its budgetary deficit. However, this strategy is causing serious difficulties for all those who live on interest and pensions.

#### **5. Borrowers perish**

**5.1** We hold the belief that 'borrowers perish'. We keep advising that India has fallen into a debt trap. It must exercise restraint, control expenses and reduce debts, etc., etc.

Consider U.S.A. As per latest figures, its trade deficit is more than \$ 400 billions per year.

For the last twenty years, it has trade deficits and it has been a consistent borrower country. In the eighties, huge expenditure on defence required borrowings. After the collapse of U.S.S.R. and automatic end to the "Cold War", the U.S. expenditure on defence reduced. It was possible that the U.S. borrowings would stop.

However, the trade deficits have continued.

In these twenty years, USA has seen share market booms and busts; economic growth and recession. Through all these, the value of the U.S. dollar has remained steady or has risen.

Laws, they say, apply equally to all.

How is it then, that for India, the law of Economics is different and for U.S.A., the law is different!!

- 5.2 For a detailed explanation, see our article on the “U.S. \$”. It is available on our website – “rashminsanghvi.com”. It was written many years back but the theme remains valid.

Briefly –

Economics works on sentiments. Confidence or the lack of it determines a country’s economic working.

People who matter in the world finances, have a confidence in the U.S. economy. Hence they keep investing in U.S.A. Their investments finance U.S. borrowings. Hence U. S. \$ remains steady.

If and when the confidence is shaken up; U.S. will not be able to continue the miracle of strong \$ in the face of continued borrowings. When the \$ crashes, it will be as big a crash as that of the World Trade Center. All people dependent on or connected with the dollar will get the hit.

## 6. New problems & solutions

We are now seeing new problems; or  
New dimensions of existing problems.

We have huge stocks of food.

The surplus food is rotting in the godowns.

And there are crores of people who do not have two square meals a day.

In some areas, we do come across the poor people who do not want to work. But there is a large number of people who really want do some work, earn their livelihood and get food. An effective programme of “Food For Work” is being implemented by an NGO.

India has rich, abundant natural resources.

Indians are poor.

Because we have not managed our resources well.

And the distribution of our national income and wealth is not fair.

Neither subsidies; nor pre-1991 socialistic regulatory system; nor current “liberal” system have been able to solve the problem of ‘hunger amongst plenty’.

And our natural resources remain unutilised or inefficiently utilised.

There are several people all over India, who are working sincerely to remove hunger by managing the natural resources. Most of these people never appear in the media. No one knows about them. For one such tremendously successful exercise, on “Food For Work” see our web-site under the title “ Dharampur Development Abhiyan”. It is the success story of tribals living in the mountain-top forests of Valsad district in Gujarat.

May the tribe of these unsung heroes increase and may India enjoy the riches that it already owns.

*The more corrupt the Government,  
The more numerous the laws.*

*The more incompetent the Government,  
The more harsh the laws.*

*People of a nation get the Government  
that they deserve.*

**Rashmin Sanghvi**

**Naresh Ajwani**