

A Note On The Erosion Of Consumer Sovereignty In Nepal

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INTRODUCTION

The concept of consumer sovereignty has been flourished by the classical and neoclassical economists in the field of welfare economics. This concept has been used here only in the descriptive form. It implies that all the economic processes are focused towards satisfying the wants of the final consumers. Thus, in economics a consumer has been compared to a king and his domination extends over the entire realm of economic life.

Consumer sovereignty is defined as the proper end of all economic activities. It shows the degree of informedness about the various alternatives available to the choices of individuals (Jerome 1972 : 326). In this case, a consumer being rational would adequately inform himself of how best to choose his wants in the presence of given opportunities. The Nepalese economy is considered as open and liberalised economy. So, a laissez-faire policy would lead to a maximum degree of consumer sovereignty. In this context, the government interference may also be destructive of consumer sovereignty.

Despite these, our market economy is underdeveloped and the consumers are not aware of the market situation. Thus, either government intervention or public protection is needed to safeguard the sovereignty of consumers. From the comparison of the consumer sovereignty with the freedom of choices, it can be argued that the latter refers to the means by which the ends of the former can be achieved. Moreover, in the naive form, the principle of consumer sovereignty combines freedom of choices and is popularly reflected in the motto of consumer's awareness (Jerome 1972: 328)

In the Nepalese context, consumers seem to be ill-informed about the market condition, price situation and the availability of commodities. They have no alternative idea of choosing wants if the price of desired goods increases in the market. They would not allocate their limited means on an optimal combination of goods. Due to this unconsciousness of consumers, the businessmen and entrepreneurs try to find out the profitable method of earning excessive benefits. Thus, our economy mainly shows the tendency of frequent price rise, ignorance of consumers, large profit margin to the middlemen involved in businessess and the structure of market imperfection.

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OPEN AND LIBERALISED NEPALESE ECONOMY

It is generally agreed that there will be no perfect market where the consumers ignorance is substantial and persistent. The scope of consumer sovereignty lies in making the degree of informedness and the choice of qualitative goods. Thus, consumer's awareness is the essence of open and liberalised economy. However, in the context of Nepal, due to the absence of effective policy of the government, artificial price rise, smuggling, fraud and illegal activities appear to be successful day by day. Thus, in such circumstances, the government intervention against the regulation of anti-social externalities, the rate of high taxation on unproductive goods and health hazard items and price control policy may be typically justified to safeguard the sovereignty of consumers. Furthermore, the opening of cooperative business centres may also be desirable towards making public welfare.

UNCONTROLLED PRICE RISE

In the Nepalese market, frequent price rise in essential goods has made a troublesome to those people who have least income earnings. The real income position of the consumers is continually declining due to the uncontrolled price rise and rampant corruption. Inflationary spiral provides its fuel in the form of higher income or profit to the businessmen and entrepreneurs. In this regard, the consumers are forced by higher prices to consume less without an increase in income. This process is also called forced saving (Ackley 1978: 137). The sharp rise in price level, not only degrades the standard of living but also reduces the saving capacity of consumers. Hence, the consumers are forced to spend their large part of income on the basic foods only. Moreover, the price of essential goods has climbed up the price ladder crushing the mass consumers under its massive feet. This statement will also be cleared from the Table 1 .

Table 1
Price Structure Of Some Essential Goods

Items of Essential Goods	Price in NRs.		Percent Increase
	October 1997	October 1998	
Mustard Oil per litre	65.0	125.0	92.31
Mansuli Rice (per kg.)	16.0	21.0	31.25
Potato (per kg.)	20.0	40.0	100.00
Onion (per kg.)	25.0	90.0	260.00
Pulse <i>Rahar</i> (per kg.)	48.0	60.0	25.00
Pulse <i>Masur</i> (per kg.)	32.0	40.0	25.00

Source : Market Survey by the Author, 1998.

Table 1 depicts the critical price situation of essential goods like pulses and vegetables in the market. The price of the potato and onion in October 1998 had increased by 100 percent and 260 percent respectively in comparison with the price of October 1997. In the same way, the prices of mustard oil, rice and pulses had gone to the 92.31 percent, 31.25 percent and 25 percent respectively.

The upper class consumers remain unaffected because of their income being enough to allow the higher price goods. So, the price of essential goods has seriously effected to the middle or lower class consumers in the market. This situation, therefore, justifies the law of survival of the fittest turned into the law of survival of the richest (Jaiswal 1998). Here, it would be better to quote Beecher's saying:

"In this world it is not what we take up,
but what we give up that makes us rich (1998.)"

On the basis of this statement, it is reasonable to argue that consumers would become a slave of habits, customs and fashions. The demand for basic goods virtually remains inelastic though their supplies become scarce. Realising this fact, the brokers or middlemen as well as sellers try to mix up the inedible items in sellable commodities. They seem successful to sell their contaminated goods, like rape seed mixed oil and other adulterated food items. These unfair practices aggravate the problems related to the health of consumers on the one hand and create the excess profit to the sellers from the sales of non-mixable items on the other. Thus, if the consumers are aware of their basic and habitual needs, they may become rich everywhere in the developing nations.

RAMPANT CORRUPTION

The corruption is a direct symptom and the result of wrong path being taken in course of the management of affairs of the nation. It is the outcome of a number of inconsistencies and irregularities as seen in the social, political, cultural and economic sectors. The corruption basically refers to the mutilation of authority of the institutions for the achievement of bribe or personal benefit. In view of this adverse circumstances, the constitutional organs in Nepal seem to be ineffective to check the abuse of power. Thus, corruption involving in the revenue officials, licensing, inspection and some other services related to excessive public concern is rampant in the economy (Kandel 1998).

The shadow of corruption is so widespread in the existing system that it has covered up all sectors. The people have begun to lose the confidence in the government. It is negatively associated with the objectives of rapid growth in the economy. Moreover, the corruption in the public sector has become the most serious obstacle to the development in Nepal. It is, therefore, essential to formulate such policies which can reduce the malpractices running from the public sector to the private sector. Thus, in

this perspective, effective implementation of structural and procedural reforms with a set of anti-corruption policies may outflow whatever types of corruption practices are prevailing in the economy. Otherwise, the problem of corruption may be more serious if the anti-corruption agencies start breeding corruption as a regular phenomenon.

GOVERNMENT EFFORTS

The government can play an effective role in order to protect the consumer sovereignty by maintaining peace, law and order. The prudent fiscal measure may be more suitable to collect the revenue and allocate the public expenditure for the welfare of consumers. Since Fiscal Year 1997, the value added tax (VAT) has come in force to minimise the growing fiscal deficit in the economy (Vaidya 1998). VAT is one of the means that widens the tax base covering almost goods imported from abroad. It may be applied to all transactions involved in marketing channels.

To promote the objective of an equitable distribution of income, tax system must be fair and broad based. In such circumstances, VAT system may be simpler and reliable method to facilitate the collection of indirect taxes from the business entrepreneurs. It also helps to minimise the tax evasion made by the higher income groups in the market.

To implement the price control policy in our country, the consumer's awareness is very essential. In this regard, efforts should be made to educate the overall consumers so that they would be ready to safeguard their sovereignty (Gordon and Lee 1972: 12). At the same time, honesty and efficiency in government administration are necessary and crucial to maintain the stability in the economy.

NEED OF GOOD GOVERNANCE

Today, most developing countries are facing the serious challenges to create a sound system of good governance which can contribute to promote and sustain economic efforts for human development. A good governance refers to the exercise of political, economic and administrative authorities to manage the affairs of a nation (Kandel 1998). The basic objective of all endeavours is to provide the maximum benefit to the people along with the optimum utilisation of available resources and thereby improving their standard of living. The good governance of a country basically depends on people's participation, accountability and transparency. The corruption, tax evasion and smuggling in this context are the bad symptoms of the protection of consumer sovereignty. Thus, to control these indications, the government policies as integral parts of good governance should be applied effectively. Furthermore, the restriction of these wrong activities is indispensable and pre-requisite for establishing the confidence of the people on public security and consumer sovereignty.

CONCLUSION

From the above mentioned problems, it may be concluded that the presence of inflation and evils of corruption have grown up in the present day economy. The consumers remain silent whether the price rise takes its speed or gallops ahead. They do not complain anywhere even if the sellers follow the policy of price discrimination to the customers. Despite these, the creation of economic turmoil, to some extent, is the outcome of the corruption. It has penetrated to almost spheres of economic and social life. This is the reason why the majority of consumers are facing a crisis in their sovereignty. Thus, to overcome these problems, the consumption pattern must be reviewed by the rational consumers to support the standard of living and to protect their sovereignty. The most fundamental long term approach is the introduction of educational system which makes all conscious of their economic conditions. This weapon may be capable enough to fight against the entire malpractices inherently existed in the Nepalese economy.

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BOOK REVIEW

Sharma, N. Kumar, (1998) *Economic Analysis: Micro and Macro*, Pairavi Prakashan 'M' House, Kathmandu, pp 417 including Selected Reference and Index, Price: Rs. 175/- NRs.

The book entitled *Economic Analysis: Micro and Macro* is particularly designed according to the syllabus for the students of economics of three year bachelor degree of Tribhuvan University. This is concised, revised with comprehensive coverage of the course. The book deals with economic theories to the relevency of modern time. Though the book is written for the courses of bachelor degree, it is helpful for general readers of the economics.

The contents of micro and macro economics in the book have been dealt with very lucidly centering on the price and value theory which is the major characteristic of the book. Realising the importance of the subject matter the author has tried to explain in a very simple and easily readable languages with a clear description of the diagrams.

This book is divided into eleven chapters with a summary of each unit. The first chapter deals with introduction consisting definition, methodology of micro and macro, interdependence and uses of microeconomics. The second chapter is concentrated on demand analysis with demand elasticity. The third chapter deals with utility analysis, cardinal and ordinal both. Fourth chapter has focussed on cost, revenue and supply side. Likewise theory of production, product pricing, factor planning, national income, macroeconomics, saving and investment are the major outline of this chapter. The division and sub-division of all chapters, units and sub-units are precisely carried out according to the syllabus. Sufficient figures, tables and examples have been cited in the text. The remarkable attraction of the text is specific as well as aggregate presentation of figures. Derivation of demand curve from income consumption curve, consumers surplus, difference between normal and market prices, derivation of profit curves are some of the noteworthy presentations of the text. Moreover, the author has clearly divided the revenue of different forms of markets and introduced selling costs for imperfect market conditions.

This book contains exercises which are presented in an applied manner. The author has not used any complicated mathematical tools for

the analysis of economic theories, which make students and the general readers to understand subject matter easily. Very simple way of presentation through division, ratio, multiplication and percentage are followed with analysis.

This book sincerely serves the requirements of the students as well as general readers interested in micro, macro economics. The book is limited within the courses of bachelor degree hence to cope with the need of all types of readers more wide coverage of the subject matters is essential. The minor and rare proof mistakes should be rectified in the forthcoming editions. This book would be valuable not only to the relevant students but equally to the common readers too.

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Currently on Deputation
to the University Grant Commission, HMG/N

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