

106 / Demand & Supply - New Perspective

Friends, I am sure that you will start wondering about the Article but don't worry. I don't intent to give a lecture on economics. The other day when I was discussing with my friend on daily news items that appear in press media, I suddenly commented that no body is interested to look at the root cause of the problem and hence only superficial attempt is made to solve the problem. But the real problem continues as it is and recurs again over a period of time. Friend was in hurry and the topic was left in abeyance. This Article is nothing but my discovery of root cause of most of the problems.

Few years back, I was delivering a talk on 'Problem solving'. I narrated the basic steps in problem solving which are reproduced below just for reference.

Few Points to ponder in respect of Problem Solving:

1. Have a firm belief that every problem has a solution.
2. Define the problem precisely.
3. Using 'Brain' rather than 'heart' to solve problem.
4. Generally solution to the Problem lies in the Problem itself.
5. Collection of unbiased data is a prerequisite to Problem solving.
6. Analyze the data.
7. Study cause & effect relationship. Pinpoint absence of relationship if any.
8. Analyze every factor without relying on any prior knowledge / facts.
9. Try to reach grass root of the problem.
10. Look at the problem from different angles.
11. It is necessary that whenever there is a problem, you should go to "Gemba"
Gemba is a Japanese word, which means "the real place".
In other words, it means a shop floor.

One of the important steps is to make an attempt to reach to the grass root of the problem.

Every commerce student studies about demand & supply, perfect competition, monopoly etc. in his Junior college economics class. The subject is very interesting and scoring too in the examination. Probably there ends the relationship with the subject of 'demand & supply'.

If we look at the various problems, one can realize that the root cause is 'imbalance between demand & supply.' Though the said reason is obvious, it is rarely accepted for the purpose of problem solving. At best it is accepted in the forum of dignified people who have no control on execution of the solution. Well, let me elaborate this point with the help of case study.

Flyovers in metropolitan cities and any big cities has become a call of the day. This solution aims to reduce the traffic jams. What is the reason for traffic jams? Obviously increase in number of vehicles. (Let us not forget that at any point of time all private vehicles are not on the road but only a small percentage of total vehicle population is on the road.) Why vehicle population has increased? The reason is no government control on vehicle production capacity which was in existence few years back. Purchasing power of the people has also increased. Mindset has also gone a sea change. Idea of Life enjoyment has acquired new dimensions etc. There will be limitation to develop new roads and hence the only alternative will be to construct fly over. Have you read the board displayed at the site by MMRDA? "Kindly bear with us for a better tomorrow." I don't know as to when that 'tomorrow' will come. Look at the Western Express Highway and you will understand what I mean. What is the root cause? 'Imbalance between demand & supply.' Demand for roads is increased and it is being met by constructing new flyovers. Is this the only solution? Having moved from controlled economy to a free economy, going back to government control on vehicle production may not be possible. But public transport system can be improved. Some restriction can be put for taking the vehicle beyond the particular area, allowing even number and odd number vehicles on alternate days, removing the subsidy on petrol etc. Why oil companies should bear the burden of fluctuations in oil prices? How long a Government can afford to give subsidy on petrol? If you can buy a car, you should be able to foot the petrol bill at actual cost. Thank GOD that RTO tax is now collected for the entire life of the vehicle at the time of registration. Vehicles can be allotted based on certain criteria. But who will draft criteria and how can you make it compulsory once you accept free economy? Government should also collect handsome contribution towards 'Crude Oil prices fluctuations Fund' at the time of purchase of new vehicle.

Other day my Advocate friend practising in Family Court was narrating about the trends and reasons for increased number of divorce applications. Girls were complaining about husband's increased expectations about sex, Mother -in-law's expectations from the daughter in law about the doing household work, salary to be given in the house, Girl's high expectations from the husband for lavish standard of living without considering his income and so on & so forth. The list of reasons is really unending. But what is the root cause? Obviously the 'imbalance between demand & supply.' This problem can be sorted out to some extent by conduction counselling sessions prior to marriage. But can it be made compulsory?

Of late, we have been reading news about students committing suicide etc. Either the parent's demand from the pupil has increased which can not be met or sufficient will power to fight with the problem is matching with tension. Basic problem in upbringing of kids. Even parents might not have been brought up in 'right perspective' by their parents and hence the problem may have continued.

Take the case of machinery breakdown? Capacity of the various parts inspite of maintenance may get reduced (supply) as compared to the expectations (demand) from the machine for obtaining production. Car meeting an accident on a sharp turn in hills is nothing but the imbalance of driver's skill (i.e. supply) as compared to level of skill required (i.e. demand) to execute the turn.

Prices are going up. Main reason being imbalance apart from back marketing, stock piling by traders, poor monsoon etc.

Even a big budget movie gets badly hit on box office is due to not meeting the demands (i.e. expectations) of the public. Even a black marketing of movie tickets is the case of demand exceeding supply or mind's control (i.e. supply) to postpone the programme is weak as compared to urge (i.e. demand) to see the movie today itself. This may happen because personality has not been developed in the healthy way. We will be happy if our mind rules the body & intelligence rules the mind. You need to practice this since childhood.

Now imagine about the action taken to solve the above stated problems? The root cause is disproportionate population growth vis a vis natural resources. What can you do to control the population? Rich and middle class have limited their family size but what about the poor

Masses? Hence the gap between poor and rich will continue to widen steadily inspite of efforts made by the Government to provide facilities to poor. Can Government pass any regulation about family size? Not possible in any democracy. This is the root cause for unemployment, housing, law and order, civic amenities, pollution, health, education etc. Efforts are being made to increase the 'supply side' but obviously can't keep pace with 'demand'.

Friends, I am sure that you may react that this was not something great. We knew this. I also do not wish to claim that I have invented anything new. My only point is to understand the root cause and try and take corrective action, failing which the problem will recur time and again.

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