

THIS is in response to the Supreme Court's ruling on CNG prices. In market economies prices convey information about the relative scarcity of resources as well as about the institutional forces that shape the market structure. A sizable body of research in economics has concluded that interference in the price mechanism is a drastic strategy, but one can devise ways to shape the institutional forces behind markets structure. A good strategy to break cartels, rent-seeking behaviour, and other market weaknesses is by ensuring competition. It implies that authorities remove entry barriers and encourage innovation and invite new producers to enhance competition. For example, corrupt practices in issuance of licences for CNG stations can be rectified through transparent auctions of these permits. The money earned through auctions can be used on public welfare. Similarly, with assurance of safety and level playing fields, international investors can be invited. In sum, it is in the development of enabling environment and ensuring efficient working of the regulatory authorities that our judiciary should play its role. One rationale behind trade and globalisation is the positive effects that it has on market competition both at local and international levels. It is on us to tap the opportunities offered by changing the geography of national economies. A more savvy approach by our governing institutions is needed.

Courtesy:
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