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drawn from two recent Indian Films

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Contemporary lessons in Economic Philosophy
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Abstract

The aim of this paper is to derive some important lessons in economic philosophy from two recent Indian films. The two films, Mani Ratnam’s Guru (2007) and Madhur Bhandarkar’s Corporate (2006), are explicitly about the world of business and the people who inhabit it. The former film is not only a history lesson about the political and economic environment in India during the first 40 years after India’s independence, but is also a celebration of Adam Smith’s philosophy and, in general, capitalism and the entrepreneurial spirit. At the same time, it brings to the fore the possibly misguided economic policies adopted by India during the first few decades after independence. “Corporate”, on the other hand, complements “Guru”, in the sense that it highlights the consequences borne by powerless individuals when corporations have profit as their sole aim and are willing to achieve them by hook or by crook. Also, highlighted in “Corporate” is how disastrous events can occur when politics and big business collude to undermine the interests of the working class. Thus, “Corporate” provides a case for Keynesian economics. The role of gender and family in economics is also explored in this film, as is the role and importance of ethics in economics. Last but not least, the limitations of rationality and rational behaviour are highlighted in “Corporate”. Classical economics assumes that people are perfectly rational in their decision-making. This assumption has been challenged by newer economic theories, and is also challenged by “Corporate”.
1. INTRODUCTION

In his chapter titled “Film and Philosophy” (see Donald and Renov, 2008), Murray Smith distinguishes between philosophy as film on the one hand, and the philosophy of film on the other. In discussing the former, he concludes by echoing a dilemma of Livingston (2006): “if the moving image is verbally paraphrasable then much of the value of the idea of a filmic embodiment of philosophy seems to drain away; but if the moving image is not verbally paraphrasable, it is hard to see how it can make a contribution to the practice of philosophy, defined as it is and always has been by verbal interaction”. Perhaps this dilemma is best resolved for skeptics when they notice and appreciate that linking film content with general philosophy goes at least as far back as some of the film-related writings of Gilles Deleuze (1986, 1989) and Stanley Cavell (1979), both eminent philosophers in their own right. Further defence for the “philosophy as film” thesis may be found in the chapter very next to Smith’s: Hamish Ford’s “Difficult Relations: Film Studies and Continental European Philosophy”. Ford concludes by writing: “…this chapter has defended the traditions of continental European philosophizing about film: addressing cinema as a philosophically significant, potentially radical form; exploring the challenging implications of its bodies and worlds as rendered on screen for those in spectatorial engagement and critically assessing its role as the originary moving image form in a consumer culture.”

Although, this paper is explicitly in the “philosophy as film” tradition, the focus is sharper in the sense that it tries to link the content of two recent Bollywood films with economic philosophy. The two films, namely, Mani Ratnam’s Guru (2007) and Madhur
Bhandarkar’s *Corporate* (2006), explicitly deal with the world of business and the people who inhabit it, although they do so in different but complementary ways. The author will try to convince the reader that the subtexts underlying the two films are essentially philosophical in the *economic* sense, and in being so, the two films may be used as pedagogical tools.

Since the paper is based on two films which some readers may not have seen, it will serve well to give their brief synopses. *Guru*, in a nutshell, is about a villager who overcomes the various anti-business obstacles and regulations put in place by the Indian government during the first few decades after India’s independence, and goes on to become India’s biggest entrepreneur. It is widely agreed that the script of *Guru* is, in essence if not in details, based on the life of Dhirubhai Ambani, the biggest Indian entrepreneur to come out of the post-independence era spanning the latter half of the twentieth century. As such, *Guru* is the story of the triumph of capitalism over socialism. The profit motive, the entrepreneurial spirit, and individualism are all explicitly celebrated in this film. The businessman is the hero in *Guru*, whereas the government is the villain. The media is portrayed as a ruthlessly independent critic of anything “big”: big government or big business.

The situation considered in *Corporate*, however, is different and more complex. Here, the businessman, the government, and media are shown to collude to selfishly cater to their own interests at the expense of the hero and the heroine. The hero is the conscientious citizen that figuratively and literally ends up being the “fallguy” for trying to blow a whistle, and the heroine is the gullible corporate employee who unsuspectingly ends up taking full blame for a corporate scandal. Since the story of *Corporate* is not directly
based on real life events, it needs a more detailed recapitulation. The story is about two corporate giants in the food industry, the Marwah group (owned by Dharmesh Marwah) and the Sehgal group (owned by Vinay Sehgal), who operate a sort of oligopoly in the food products industry in India. The government of Maharashtra at some point decides to divest from its so-called PSUs (Public Sector Units), and auction them off to the highest private bidder. One of the PSUs happens to be a bottling plant in which both Marwah and Sehgal are highly interested. A bidding war begins, and Marwah, after bribing the CM (chief minister of Maharashtra), manages to bag the bottling plant despite the fact that Sehgal was officially the highest bidder. A Sehgal executive, Nishigandha Dasgupta (Nishi), has hired a spy who works for Marwah. The spy informs Nishi that Marwah is going to launch a mint-based soft drink very soon. Nishi manages to steal confidential information about the Marwah project by hiring a model to seduce the CEO of Marwah, Pervez, who has a weakness for women. Nishi passes off this information to her lover, Ritesh, who is also Sehgal’s brother-in-law, and who is a good human being but a perpetual business failure. Nishi badly wants Ritesh to look like a success in the eyes of Sehgal, because Ritesh had helped her get through her divorce five years earlier. Using the information supplied to him by Nishi and Ritesh, Sehgal decides to preempt Marwah by launching in advance his own mint-based soft drink named “Just Chill” in collaboration with an American food giant. Marwah, smelling fish, seeks the help of the government’s corporate surveillance unit and finds out about Pervez’s wrongdoing and fires him. In the meanwhile, traces of harmful chemicals are found in “Just Chill”, because of which the FDA won’t give it a clean chit. Sehgal bribes the FDA officials and moves on with his business plan, except that Marwah comes to know about the harmful chemicals and manages to create a big uproar about it in the public as well as the media. He also buys a lot of the Sehgal stock when its prices fall because of bad publicity. A law
suit is filed against the Sehgal group, and Nishi, unwittingly takes the full blame for the “Just Chill” fiasco, and is sent to jail. At the behest of politicians, Marwah and Sehgal reach a compromise that is beneficial to the survival of both. Ritesh threatens to expose Sehgal if Nishi is not released. He is found dead the next day. This is where the movie ends.

The issue highlighted in Guru is the relation between economic and political freedom. The issues highlighted by Corporate are the roles of ethics, rationality, and gender and family in the corporate and political world. These issues will be discussed in detail in the rest of the paper.

2. THE RELATION BETWEEN ECONOMIC AND POLITICAL FREEDOMS

The central theme underlying Guru is that political freedom is not sufficient to ensure the well-being of a large country such as India, and that economic freedom is the sine qua non of human progress. It argues that, at least during the first four decades after independence from Great Britain, the collective prosperity of the Indian people was hampered because of lack of economic freedom, even though political freedom existed, at least on paper. It is therefore illustrative to examine the main thesis of Guru in detail by peering into India’s post-independence history.

Nehru, a Cambridge-educated intellectual who was to become independent India’s first prime minister, unfortunately rooted for a “top-down” rather than a “bottom-up” approach towards economic development. His economic decision-making was heavily influenced by another Cambridge-educated man, Prasanta Chandra Mahalanobis, a scientist by
training, who believed that Soviet-style central planning of India’s economy was the best way for India to progress. Both Nehru and Mahalanobis were influenced by the Fabian socialism which was the fashion among the British intelligentsia during their Cambridge days. Rather than fostering the creation of an indigenous, export-oriented consumer-goods industry, as Japan did, India decided to create, through tax-payers’ money, large heavy industries such as the steel industry, an approach adopted by the Soviet Union. For example, the television was well-established by the mid 1950s as a consumer item in American households. By comparison, even as late as in 1970, a TV was not to be found in most Indian households. The consumer product in question in Guru was high-quality textile fabric. The idea behind promoting a domestic consumer-products industry was, as Das (2002) explains, that “Labor would produce the goods it would eventually consume with the wages it earned in producing the goods. They were called “wage goods” because the wage earner would create the demand for the goods he produced. The idea was similar, in a sense, to that of Henry Ford who paid his workers generously so that they could afford to buy his cheap, mass-produced cars.” Speaking of cars, it is noteworthy that Henry Ford’s mass production of affordable cars was well-established by the end of 1920s. Whereas the first company to mass-produce and sell more than a million cars in India, namely, Maruti Udyog, was established only in 1981. There were essentially only two choices of cars available in India before that: versions of the Italian Fiat, produced by Premier Automobiles Limited, and the Ambassador, produced by Hindustan Motors, and based on the Morris Oxford model from Great Britain.

It is illuminating to know why there was a lack of a vibrant domestic consumer-products industry in India prior to the 1980s. The basic reason is that there was lack of economic freedom in India during the first four decades after its independence. There were
essentially two reasons for this. The main one was the infamous “License Raj”, a term coined by the venerable C. R. Rajagopalachari to describe the vast, impenetrable bureaucratic system setup during Nehru’s tenure to prevent the entrepreneurial spirit and competition from flowering in India. According to Das (2002), the licensing system “required an entrepreneur to get a license to set up a new unit, to expand it, or to change the product mix”. It is noteworthy that the License Raj was lamented by even John Kenneth Galbraith, the ambassador to India during John F. Kennedy’s tenure as the President of the U.S.A., even though Galbraith was perceived as a left-wing economist in his home country. The other reason why the consumer-products industry did not flourish in India until much later is that the established business houses of India, such as the Tatas and the Birlas, tacitly approved of Nehru’s socialism. As Das (2002) notes, the then leading Indian industrialists including J. R. D. Tata and G. D. Birla devised what came to be known as the notorious “Bombay Plan”, in which they were willing to accept “important limitations on the freedom of private enterprise”, and agreed that “rights attached to private property would naturally be circumscribed”. In Guru, at one point a leading Parsee Indian industrialist offers the protagonist, Gurukant Desai, a bribe in order to close his business.

Thus, the economic and political arrangement India had during the first forty years after its independence was that of democratic socialism. The Nobel Laureate economist Milton Friedman, in his classic Capitalism and Freedom (2002), notes that the idea of democratic socialism is advocated by those “who condemn out of hand the restrictions on individual freedom imposed by “totalitarian socialism” in Russia, and are persuaded that it is possible for a country to adopt the essential features of Russian economic arrangements and yet to ensure individual freedom through political arrangements” (he
was referring to the Russia that belonged to the Soviet Union, not the modern-day Russia). Friedman goes on to argue that the idea of “democratic socialism” is a “delusion”, since socialism cannot ensure democracy in the sense that it circumscribes individual freedom. Historical evidence suggests that true democracies have flourished only in societies where the economic arrangements resemble something close to a free market. Economic freedom may thus be seen as a prerequisite for political freedom (though not necessarily vice versa, as is exemplified by modern China).

Critics of Friedman may argue that capitalism existed in India during the first four decades after its independence. However, to the extent it did, it can only be described as, what Baumol et al. (2007) describe as “oligarchic capitalism”, an economic arrangement whereby “government policies are designed predominantly or exclusively to promote the interests of a very narrow (usually very wealthy) portion of the population…”. Baumol et al. go on to describe the pitfalls of oligarchic capitalism, including inequality, sluggish growth and corruption, all three of which came to characterize post-independence India.

In closing, it should be noted that it is astonishing that Nehru did not pay any heed to the following words of Gandhi (Duncan, 1951): “I look upon an increase in the power of the state with the greatest fear because, although while apparently doing good by minimizing exploitation, it does the greatest harm to mankind by destroying individuality which lies at the root of all progress. The state represents violence in a concentrated and organized form. The individual has a soul, but as the state is a soulless machine, it can never be weaned from violence to which it owes its very existence. It is my firm conviction that if the state suppressed capitalism by violence, it will be caught up in the coils of violence itself and fail to develop non-violence at any time. What I would personally prefer, would
be, not a centralization of power in the hands of the state but an extension of the sense of trusteeship; as in my opinion, the violence of private ownership is less injurious than the violence of the state.”

3. THE ROLE OF ETHICS IN BUSINESS

To understand the role of ethics in business, it is first necessary to define what is meant by an “ethical businessperson”. An ethical businessperson is one who, given an opportunity to make a profit by dishonest means with a guarantee (perceived or otherwise) of not getting caught, consciously chooses not to do so. By this definition, Vinay Sehgal in Corporate is definitely unethical, since he is merely concerned with profit, not the means used to obtain it. The viewer of Corporate, however, may be tempted to forgive Nishi’s wrongdoings, because “she did it for Ritesh”. But on closer inspection, even Nishi should be deemed unethical, since Ritesh’s gain was ultimately her gain. She had other, ethical choices in reciprocating Ritesh’s love for her, but she chose the unethical one. In the final analysis, both Sehgal and Nishi are unethical, but Nishi pays the price, whereas Sehgal gets away since he is much more powerful.

All the talk about ethics boils down to the Gandhian idea that an end is justified if and only if the right means are used to achieve it. This is a simple but powerful idea on which Gandhi’s entire life was based. Furthermore, this idea is applicable to all areas of human affairs including business. Indeed, among Gandhi’s seven deadly sins is “Commerce (Business) without Morality (Ethics)”. It is noteworthy that while the business world may have ignored Gandhi’s message, so have intellectuals, including the Nobel Laureate

In the philosophies of Adam Smith and Milton Friedman, the ideal economic arrangement for a nation is a free market, and the role of the government is to be an umpire whereas businesses are players in an economic game. This idea is attractive as long as the umpire doesn’t conspire with any of the players to influence a certain outcome. But what if the umpire is in (unethical) collusion with one or more players at the expense of the defenseless? This is the situation considered in Corporate, wherein it is shown that government officials routinely collude with both Marwah and Sehgal (at the expense of unsuspecting soft-drink consumers), depending on who offers them a more lucrative kickback. While this scenario in Corporate is fictional, it has parallels in reality, as is argued by Noam Chomsky in his book Profit over People: Neoliberalism and Global Order (1999).

Neoliberalism is a term used to define the so-called “Washington consensus”, whose official operating principles are (according to Chomsky): “liberalize trade and finance, let markets set price (“get prices right”), end inflation (“macroeconomic stability”), privatize.” Then Chomsky goes on to describe what he calls “the really existing free market doctrine”, which is that “market discipline is good for you, but not for me, except for temporary advantage”. As an example of this “really existing doctrine”, Chomsky cites an example related to India: “India is an instructive case; it produced as much iron as all of Europe in the late eighteenth century, and British engineers were studying more advanced Indian steel manufacturing techniques in 1820 to try to close “the technological gap.” Bombay was producing locomotives at competitive levels when the railway boom
began. But really existing free market doctrine destroyed these sectors of Indian industry just as it had destroyed textiles, shipbuilding, and other industries that were advanced by the standards of the day.” Chomsky goes on that “To illustrate “really existing free market theory” with a different measure, an extensive study of transnational corporations (TNCs) by Winfried Ruigrock and Rob van Tulder found that “virtually all of the world’s largest core firms have experienced a decisive influence from government policies and/or trade barriers on their strategy and competitive position,” and “at least twenty companies in the 1993 Fortune 100 would not have survived at all as independent companies, if they had not been saved by their respective governments,” by socializing losses or by simple state takeover when they were in trouble.” Chomsky goes on to cite the example of Lockheed, which was saved from collapse by huge government loan guarantees.

Thus the “really existing free market doctrine” is a clear unethical breach of the classical liberal doctrine championed by both Adam Smith and Milton Friedman. It is interesting to note that this “really existing free market doctrine” operates till this day. For example, very recently, the U.S. government announced a $85 billion emergency loan to the giant insurer American International Group (AIG). In return, the U. S. government will receive a 79.9 per cent equity stake in AIG. This story has been covered very well in recent media and is not reiterated here.

4. RATIONALITY IN BUSINESS DECISION-MAKING

In Corporate, Nishi indulges in a very unethical activity—all for her lover Ritesh. This brings up the question: Can Nishi’s actions be considered rational? Or was she guided by her emotions for Ritesh? Another example where Nishi clearly behaves irrationally is when Sehgal’s lawyer offers to read to her some legal papers putting all the blame for the
“Just Chill” fiasco solely on her, and she refuses, citing that she had full faith in her company. Similarly, Pervez, otherwise a very professional CEO, indulges in a sexual encounter with a model at his company’s expense. Indeed, many would term Pervez’s mistake as an example of clearly irrational behaviour. Together, Nishi’s and Pervez’s actions call into question the extent of the role rationality plays in business decision-making, whereas (at least classical) economics assumes that players in an economic game are perfectly rational players.

Before discussing the above issues related to rationality, it is necessary to define what rationality is, or at least the common perception of what rationality is. A rational person, put simply, is one whose decisions are almost always, if not always, guided by logic. Yet what is not often noticed and talked about, is the fact that logic is derived from \( a \text{ priori principles} \). In the realm of mathematics, these principles are often called axioms. For example, from Euclid’s five axioms result through rational (i.e., logical) arguments the propositions of Euclidean geometry. But if one doesn’t accept the fifth postulate (i.e., the “Parallel Postulate”), one can deduce other geometries such as the hyperbolic or the elliptic kind. But it is not only in mathematics that rational arguments follow from principles. Indeed, any realm of human affairs which uses reason presupposes a set of principles.

Each human being has a set of principles guiding him/her. This set is usually incomplete for most human beings, whereas for the exceptional ones, such as Mahatma Gandhi, the set is nearly complete. In statistical terms, the relation between a person’s actions and his principles may be described what is called in statistics a regression equation:

\[
Y = X_1\beta_1 + \ldots + X_q\beta_q + \epsilon
\]
where $Y$ represents the action (outcome) which is variable, and $X_i, i = 1,...,q$ are indicator variables representing the $q$ principles in the person’s principle set, and such that $X_i$ is 1 or 0 depending on whether principle $i$ was turned on or off while in deciding the action represented by $Y$. The term $\varepsilon$ is a random variable representing the error factor in the decision-maker’s judgement. For a person such as Mahatma Gandhi, who always operates using a well-defined set of internal principles, the error term is negligible in the sense that the variance in $Y$ is almost completely explained by the set of principles $X_i, i = 1,...,q$. By contrast, a five-year old child who is still learning about life, the error term may play a huge role in the sense that the variance in the actions of the child is largely explained by $\varepsilon$, which, in a sense, represents the “unknown”. Thus, the variance in $Y$ is partly explained by rationality, represented by the principles $X_i, i = 1,...,q$. The rest of the variance in $Y$, then, is explained by the irrational part represented by $\varepsilon$.

Classical economics essentially amounts to assuming that $\varepsilon$ is equal to zero. However, a more modern branch of economics, known as “behavioural economics”, has made the case that for most normal human beings, $\varepsilon$ is a random variable not equal to the constant zero. This concept, in other words, explained by the term “bounded rationality”, a notion introduced by the Nobel Laureate economist Herbert Simon to explain the fact that most participants in an economic game are only partly rational.

The primacy of principles over reason, in the sense that reason and rationality flow from a priori principles, is well-recognized by management guru Stephen Covey, who exhorts his readers to be “principle-driven”, with the implicit assumption that the principles doing the driving are the right ones. This brings us to the question as to which principles are right and which are wrong. A careful reading of human history shows that right principles are the ones that, after centuries of negation or hibernation, eventually emerge and stay in
place thereafter. For example, for centuries the role of a woman was thought around the world as nothing more than being a good mother and a cook. The principle driving this was “A woman is a subordinate of and intellectually inferior to man”. If one accepts this principle, then it may seem perfectly reasonable to relegate a woman to the kitchen. Over time, because of efforts of a few female leaders and some sympathetic men, it has now become acceptable in the developed world for a woman to be considered an equal of man, and no longer is she relegated to motherhood and the kitchen. Now the driving principle, at least in the developed world, is “A woman is an equal of man”. If one accepts this principle, then it is perfectly rational to have a competent woman as a CEO of a corporation or as a political leader.

In his article “Tagore and His India”, written for the Nobel Foundation, Nobel-prize winner Amartya Sen (2001) writes that “It is in the sovereignty of reasoning—fearless reasoning in freedom—that we can find Rabindranath Tagore's lasting voice.” In light of what is written in the preceding paragraphs, one may rephrase Sen as follows: It is in the sovereignty of good principles, fearlessly exercised, that we can find the voice of lasting reason.

5. THE ROLE OF GENDER AND FAMILY IN BUSINESS

The roles of the heroines in Guru and Corporate are in stark contrast. Sujata, the wife of Gurukant Desai (i.e., Guru), is portrayed as a conservative, family-oriented, and docile woman who is supportive of Guru, no matter what decisions he makes. In fact, Sujata’s role is that of a lady who is almost completely subservient to her husband. Her husband’s career is her own. Sujata seems to have almost no mind of her own. The character of
Nishi, on the other hand, is that of an independent, intelligent, and ruthlessly career-oriented woman. Of course, in terms of temporal time-frames, Nishi and Sujata belong to different generations. *Corporate* tells a story set in the twenty-first century, whereas Sujata belongs to the generation that came of age in the fifties.

But there is more to the difference in portrayals of Nishi and Sujata than what meets the eye. Guru’s family, as described in *Guru*, is essentially an example of the so-called neoclassical model of the family described by Marianne A. Ferber in Moe (2003). This is essentially a “Father knows best” kind of a family, whereas in *Corporate*, the relationship between Nishi and Ritesh describes an alternative form of a family which doesn’t fit the neoclassical model at all. Nishi is the more competent “bread winner”, and in this case “father doesn’t always know the best”. Moreover, their relationship doesn’t have an “official” stamp of marriage at all. Indeed, Nishi becomes a mother “out of wedlock”. And yet there seems to be a strong bond of love between Nishi and Ritesh. It is interesting that Ferber goes on to point out that the most serious problem with the neoclassical model of the family is the crucial assumption that people are rational without a clear definition of rationality. It is therefore that this author tried to provide in the preceding section a definition of what it means to be rational—i.e., it means to be logical in decision-making, where the logic is derived from a set of driving principles. Indeed, the two kinds of families and the roles of Nishi and Sujata portrayed in the two films are different because they follow from different underlying principles. It is also interesting to note that the neoliberalism described by Chomsky is essentially an offshoot of neoclassical economics. Ferber goes on to provide other problems with the neoclassical model of the family, including a feminist critique. The interested reader is referred to her excellent article.
6. CONCLUSION

That *Guru* is a paean to the ideas of Adam Smith and Milton Friedman should be obvious to anyone who watches the film and knows the basics of economic philosophy. It is the connection between Keynesian economics and *Corporate* that is less obvious. According to the late economist Joan Robinson (2006), “…Keynes brought back the moral problem that *laisser-faire*(sic) theory had abolished”. This raises two questions: 1) What is the moral problem?, and 2) Who abolished it?. The answer to the first question is, to quote Noam Chomsky, putting “profits over people”. The answer to the second question is businesspersons and businesses who think ethics are irrelevant to the conducting of business as long as profits are generated. Keynes thus thought that governments can and need to act as not only umpires in an economic game, but also as a party that intervenes on behalf of the disadvantaged and the marginalized. A classic example of Keynesian economics is the New Deal program proposed and pursued by the administration of President Franklin Delano Roosevelt to lift the woes of the Great Depression. But how does this all fit in within the framework of Mahatma Gandhi who was not only a self-proclaimed anarchist (e.g., see Woodstock, 1992), but also arguably among the most ethical human beings in modern times, and who always sided with the most disadvantaged and the most marginalized?. The answer lies in observing that Gandhi was a firm believer in individual self rule (i.e., *swaraj*), first and foremost. If *every* human being in this world, or at least all the adult ones, were totally self-disciplined and self-regulated, the need for a government wouldn’t arise at all, and then indeed the ideas of Adam Smith and Milton Friedman on free trade could flourish. But at present that only remains an ideal, albeit an ideal that humanity should strive towards with a little Keynesian help along the way.
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