

## [Putting the small shopkeeper out of business](#) [1]

Written by [Tim Worstall](#) [2] | Friday 21 September 2012

One of the more important things that is happening in the world economy at present is that India is finally getting to grips with rent seeking in that economy. They have decided that foreign supermarkets may enter the market in a big way for the first time. This is, predictably, causing consternation among the small shopkeepers who rightly suspect that they will be put [out of business](#) [3]:

A strike has been called by the opposition Bharatiya Janata Party, as well as communist parties, which will see schools, public transport and many independent businesses shut down for the day. Thousands of kirana, owners of small independent supermarkets, also plan to close their shops to protest against the government's decision to allow foreign stores to enter the market. Many large international chains already have shops in the country, but are only allowed to sell to smaller shopkeepers, not directly to consumers. The ruling Congress party's controversial plan would allow them to compete for market share with existing retailers in an attempt to attract further foreign investment and boost the economy.

It may or may not boost the economy: but it will certainly boost the efficiency of the economy. For two reasons.

The first is that, as we've noted before, some 50% of all food grown in countries like India is wasted. It rots somewhere between harvest and the plate or is contaminated by pests, that sort of thing. Having an efficient logistics chain will thus reduce the amount of food being wasted. Something rather important in a country like India that has so much malnutrition. And yes, at least one recent report on how to feed the world has indeed said that exactly what places like India need is that very efficient logistics chain. That chain which the supermarkets provide.

The second though is a little more complex. Those small independents, plus many of the stallholders below them in the retail hierarchy, are going to get put out of business by the more efficient supermarkets. This is of course a problem for them and their jobs. But from the viewpoint of the economy and the consumer such jobs are a cost, not a benefit. If it is possible to distribute food with 5 million instead of 10 million people then that is an advance: as a whole the economy would then get the food distributed plus whatever the production is of those 5 million displaced labourers.

Such transitions are not easy on those displaced and I am not cackling with glee at their likely suffering. Yet why are they protesting? Because they know that the previous ban on the competition provided them with rents in that Indian economy. The sweeping away of the prohibitions is going to destroy their ability to demand those rents from the consumers. Do not forget, by the way, that if the consumers actually prefer the small supermarkets then the large ones will go bust as they will get no custom. So what is really being asked of the Indian people as a whole is, well, what do you prefer? Lower prices and efficiency or that lovely social feeling of the locally owned and much smaller retail outlet?

This may only be happening in one country. But India's population is indeed large, well over one billion people. That one seventh of the entire species will soon be gaining access to cleaner and fresher and

cheaper food is indeed an important world event, no?

The change is one toward more liberty as well: all to the good. Now, if only we could get our own rulers to put quite so much political effort into abolishing rent seeking.....

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