

Working Paper

**Price Trends in the
Indian Economy**

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This paper seeks to bring out some aspects of the nature of inflation in India and raise a few policy issues. We have based the analysis on the official Index Numbers of Wholesale Prices (WPI) as the time series data on prices at the commodity level is available from this series only.¹ The WPI is based on producer prices. In the case of foodgrains the commodities are priced at the first important stage of transaction, after leaving the farmer. In certain other cases the price data refers to points other than the point of production, *i.e.*, ex-warehouse and F.O.R destination. The WPIs are inclusive of excise duty but do not include sales tax. Consumer price indices (CPI) are available for three categories of Indian population, namely, (i) industrial workers, (ii) urban non-manual employees, and (iii) agricultural labour. The base year for the CPI for industrial workers and urban non-manual workers is 1960 whereas the base year for CPI for agricultural labourers is agricultural year 1960-61. The CPI numbers provide a better basis for understanding price movements for the consumers as these are based on retail prices. The CPI also takes note of transportation costs, sales tax, local taxes/levies, margin of profit of intermediate wholesale and retail dealers. The CPIs at the dis-aggregated level, however, are not as comprehensive as the WPIs which are available up to the commodity level².

The objective of this paper, however, is a limited one, namely, to gain a better understanding of the nature of inflation and the broad thrust in relative prices from the view point of a common man. Price trends reflect a complex phenomenon of demand-supply interaction, pattern and form of state intervention through determining the level of money supply, direct and indirect tax structure and the relative importance of different components of the national production basket which, in turn has been influenced by the investment priorities and policies of the yester years.

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1. The price indices were taken from the following official publications:
 - (i) INDIA, Ministry of Industry, Office of the Economic Adviser, Monthly Index Number of Wholesale Prices, various issues.
 - (ii) INDIA, Economic Survey, 1988-89.
 - (iii) INDIA, Central Statistical Organisation, Statistical Abstract, various issues.
 - (iv) INDIA, Central Statistical Organisation, Monthly Abstract of Statistics.
 2. A study of the impact of consumer price movements on different consumer groups would require an exercise at identification of consumption basket for respective population groups at the state and regional levels. There is a need for such studies on a continuing basis. The NSS data in this respect could prove helpful.

The Indian economy has experienced inflationary pressures for more than half a century. The pressures, however, became more pronounced since the early 'sixties. The Wholesale Price Index (WPI) as well as the Consumer Price Indices (CPI) have risen sharply. For the year 1989 the WPI stood at 987 at 1952-53 prices and at 158.9 at 1981-82 prices (see Table-1). The CPI for Industrial Workers stood at 736 in 1987-88, 668 for Urban Non-Manual Employees (1960=100). The sharp rise in WPI during the 'eighties is only too obvious in Graph A and B.

In an economy, ridden with wide disparities in ownership of wealth and incomes, inflation offers economic advantages to the propertied groups in direct proportion to the size of the assets held; at the same time inflation brings a variety of hardships to the salaried and wage earning classes. This results in a situation where a few have abundance of buying power and a large many experience the phenomenon of being 'priced out'. Investments tend to flow in areas more profitable; and these areas are generally the ones having higher relevance to the consumption pattern and life styles of the higher income groups. Production capacities get built for a variety of non-essentials and capacity of the economic system to produce mass consumption goods at low prices gets weakened. These processes get strengthened in case the state apparatus yields to the pressures originating from better placed economic groups and fails to contain new demands or permits flow of new investments in socially low or undesirable directions. From the view point of equity, social justice and public welfare the operation of the economic system in this manner leads to a distorted pattern of production and relative prices. This seems to have happened in India; more prominently over the 'eighties.

The WPIs at the aggregate level do suggest inflationary pressures; but for understanding the character of inflation one needs to examine the WPIs from the view point of consumer categories. One would need to observe price movements not in terms of industrial classification but in terms of end-user grouping of commodities. We make a preliminary effort in this direction. The official WPIs (Base: 1970-71=100) are published at the dis-aggregated level for 360 commodities. Out of these, consumer commodities/products account for 116. The consumer goods, covered by the WPI, have been grouped by us under four categories, namely,

- (i) Food articles,
- (ii) Durable consumer products,
- (iii) Other manufactured consumer products, and
- (iv) Textiles.

For the first three groups we have classified each item in terms of the degree of essentiality and the economic categories of the users. For the 'Food'

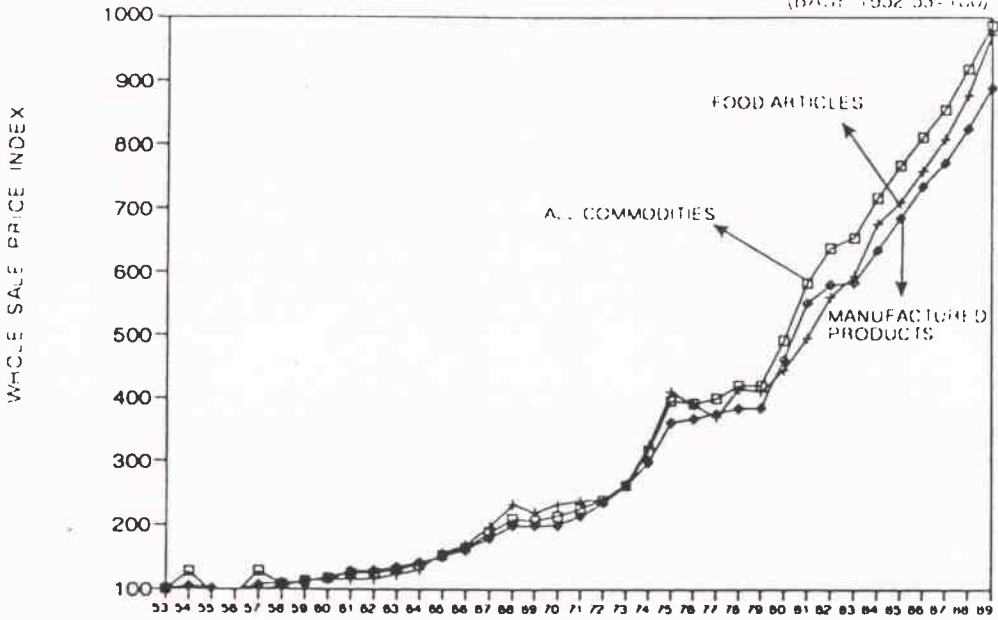
Table - 1
Index Numbers of Wholesale Prices

Years	Base (1952-53=100)			Base (1981-82=100)		
	All Commodities	Food Articles	Manufactured Products	All Commodities	Food Articles	Manufactured Products
1	2	3	4	5	6	7
1952-53	100.0	100.0	100.0			
1953-54	127.4	102.9	104.9			
1954-55	97.5	92.1	101.5			
1955-56	92.5	86.2	96.4			
1956-57	128.1	100.2	107.5			
1957-58	108.6	103.8	110.3			
1958-59	112.9	112.6	112.2			
1959-60	117.2	114.3	118.0			
1960-61	124.9	114.8	127.7			
1961-62	125.2	115.8	129.2			
1962-63	129.9	122.7	134.8			
1963-64	138.1	129.8	142.5			
1964-65	153.1	156.6	150.2			
1965-66	164.9	169.7	159.7			
1966-67	187.8	197.4	179.0			
1967-68	209.5	233.4	198.9			
1968-69	207.0	220.8	199.1			
1969-70	215.0	232.7	199.8			
1970-71	226.8	238.7	214.6			
1971-72	239.5	241.3	235.0			
1972-73	263.5	265.6	261.6			
1973-74	316.8	326.0	299.4			
1974-75	396.6	410.7	362.2			
1975-76	392.3	390.5	367.4			
1976-77	400.5	370.6	376.0			
1977-78	421.3	414.3	384.5			
1978-79	421.3	411.5	385.2			
1979-80	493.4	445.3	463.1			
1980-81	583.4	496.2	552.1			
1981-82	637.9	561.1	580.7	100.0	100.0	100.0
1982-83	654.6	595.7	583.9	107.0	117.0	105.0
1983-84	716.6	675.7	634.8	115.0	124.0	112.0
1984-85	767.3	709.8	685.6	122.0	130.0	121.0
1985-86	811.3	758.2	735.2	128.0	137.0	126.0
1986-87	854.4	808.4	771.2	134.0	144.0	132.0
1987-88	919.3	876.6	824.9	148.0	168.0	144.0
1988-89	987.1	973.7	889.3	157.0	174.0	157.0
1989-90				167.0	179.0	170.0

Source: Office of the Economic Adviser, Ministry of Industry.

MOVEMENT OF WHOLESALE PRICES
FOOD ARTICLES, MANUFACTURED PRODUCTS & ALL COMMODITIES

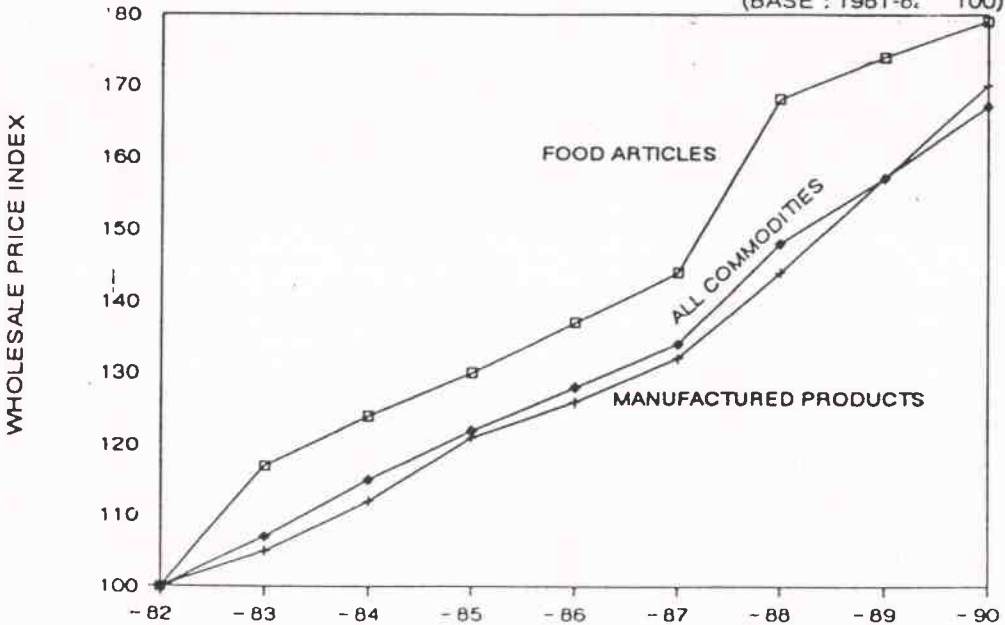
(BASE: 1952-53-100)



GRAPH A

MOVEMENT OF WHOLESALE PRICES
FOOD ARTICLES, MANUFACTURED PRODUCTS & ALL COMMODITIES

(BASE : 1981-8: 100)



GRAPH B

group we have placed alcoholic beverages, tobacco products and some other items as relatively non-essential. We have also made an assumption that refrigerators, TVs, radios, motor cycles and scooters are among the items essentially purchased by the relatively rich groups of the Indian population and a cycle and a sewing machine is mainly a purchase item on the agenda of the lower middle or the poorer strata. The same holds true of the categorisation of the 'Other manufactured' items. The list of 116 products (for which WPI data is officially published) covered in each category is given in Table-2.

The grouping of items under two heads in the food group does not mean that the 'essential' food items are not consumed by the middle and upper strata of the population; the items included under the relatively 'non-essential group', however, would not be mostly relevant for the poor. The impact of commodity price rise would vary according to relative significance of the items in the consumption basket of the rich and poor or urban and the rural populations. To illustrate the point, the value of chillies may constitute only a fraction in the rich man's daily consumption expenditure but the percentage of expenditure on chillies by the house construction workers from Rajasthan working in Delhi would be a meaningful one. The same holds true of pulses, onion, bajra, mustard oil and other food items in a poor man's consumption basket. We are aware that the WPI movements even at the consumer group level are not likely to capture the full picture since the WPI weights to commodities are (a) not assigned on a uniform basis, and (b) are not related to any consumer essentiality criteria. In case of agricultural products the weights and prices are based on marketed surpluses whereas the weights for industrial products are based on value of production. In the absence of other alternatives we have used the same weights as assigned for the WPI series of 1970-71.

The results of our exercise are presented in Table-3. Because of the non-availability of WPIs for all consumer products for the earlier years the period covered is 1971-72 to 1988-89. One un-mistakable conclusion emerging from the group-wise WPI movements is that prices for the relatively non-essential food items have risen at a lower rate than the prices of the essential food items. The WPI for durable use consumer category has risen at a slower pace than all other categories. If one compares the WPI for durables used by middle and upper income groups with that of the WPI for the common man the price increases have placed, relatively speaking, the end-users of the latter category of the commodities in an unfavourable position. A similar trend, though a more sharp one, is witnessed for 'Other manufactured consumer articles'. Graphs C, D and E present the comparative price movements in each broad category. The commodities covered under the textiles group are not amenable to easy end-user classification. While we have kept the category as such one may mention that per capita availability of cotton cloth registered a decline from 13.8 mtrs in 1960-61 to 10.5 mtrs in 1987-88. The availability of man-made fabrics increased from 1.2 mtrs to 4.2 mtrs during the same period³.

3. Cf. INDIA, Economic Survey, 1988-89.

Table 2
List of Consumer Products Covered in the Study

S. No.	Item	Weight	S. No.	Item	Weight
	<u>Food Items--Essential</u>	<u>385.98</u>	44.	Tinned milk	3.88
1.	Ginger	0.39	45.	Bidi	0.27
2.	Potatoes	10.12	46.	Soft drinks & carbonated water industries	0.82
3.	Cardamom	0.68	47.	Canned juices	0.39
4.	Salt	0.37	48.	Coconut oil	3.50
5.	Coffee	1.61	49.	Cigarettes	12.75
6.	Wheat	34.17	50.	Canned fish	0.36
7.	Turmeric	1.26	51.	Catechu	0.13
8.	Ragi	1.21		<u>Textiles (Fabrics)</u>	<u>72.63</u>
9.	Bajra	5.64			
10.	Jowar	8.39	52.	Nylon terene & mixed cloth	2.11
11.	Bakery products	1.85	53.	Silk & art silk fabrics	1.91
12.	Atta	2.93	54.	Cotton cloth (khadi)	0.72
13.	Sugar	21.91	55.	Cotton textiles (mill)	38.04
14.	Maize	4.38	56.	Handloom & powerloom cloth	28.44
15.	Rice	51.31	57.	Woollen cloth & woollen khadi	1.41
16.	Mustard oil	6.68		<u>Consumer Durable Products --</u>	
17.	Milk & milk products	61.50		<u>Middle & Upper Classes</u>	<u>7.67</u>
18.	Barley	2.33	58.	Radio-receivers & TVs	2.21
19.	Khandsari	4.92	59.	Watches & clocks	1.34
20.	Groundnut oil	14.15	60.	Refrigerators	0.44
21.	Tapioca	5.22	61.	Vacuum flask	0.07
22.	Tea	11.49	62.	Steel furniture	1.54
23.	Vanaspati	7.52	63.	Air conditioners	0.95
24.	Chillies	5.02	64.	Scooters	0.51
25.	Gur	45.58	65.	Motor cycles	0.61
26.	Onion	1.94		<u>Consumer Durable Products:</u>	
27.	Urad	2.02		<u>Common Man</u>	<u>5.88</u>
28.	Fruits	36.46	66.	Electric fans	1.01
29.	Arhar	5.24	67.	Utensils	1.93
30.	Black pepper	0.39	68.	Sewing machines	1.34
31.	Fish	6.31	69.	Cycles	1.60
32.	Meat	8.46		<u>Other Manufactured Consumer</u>	
33.	Masoor	1.59		<u>Products (Middle & Upper Income):</u>	<u>2.47</u>
34.	Moong	2.55	70.	Fountain pens	0.50
35.	Gram	10.39	71.	Crockery	0.21
	<u>Food Items -- Non-Essential</u>	<u>37.26</u>	72.	Dry cells	1.22
36.	Whisky	3.61	73.	Talcum & face powder	0.27
37.	Eggs	4.20	74.	Cream & snow	0.10
38.	Malted food	0.75	75.	Hair oil	0.17
39.	Sugar confectionery cocoa & chocolate	0.53			
40.	Suji	0.18			
41.	Country liquor	2.44			
42.	Betelnuts	2.94			
43.	Beer	0.51			

S. No.	Item	Weight	S. No.	Item	Weight
	<u>Other Manufactured Consumer Products (Common Man):</u>	<u>24.76</u>	84.	Flash light torches	0.52
76.	Tooth brushes	0.28	85.	Detergent	0.39
77.	Rubber & plastic shoes	0.94	86.	Glass bottles & jars	0.65
78.	Tooth paste	0.45	87.	Glass tumblers	0.21
79.	Bangles	0.28	88.	Kerosene oil	8.35
80.	Razor blades	0.47	89.	Paper	5.59
81.	Electric lamps	0.64	90.	Locks	0.26
82.	Tooth powder	0.18	91.	Soap	3.65
83.	Hurricane lanterns	0.25	92.	Footwear & other leather products	0.90
			93.	Coke	0.75

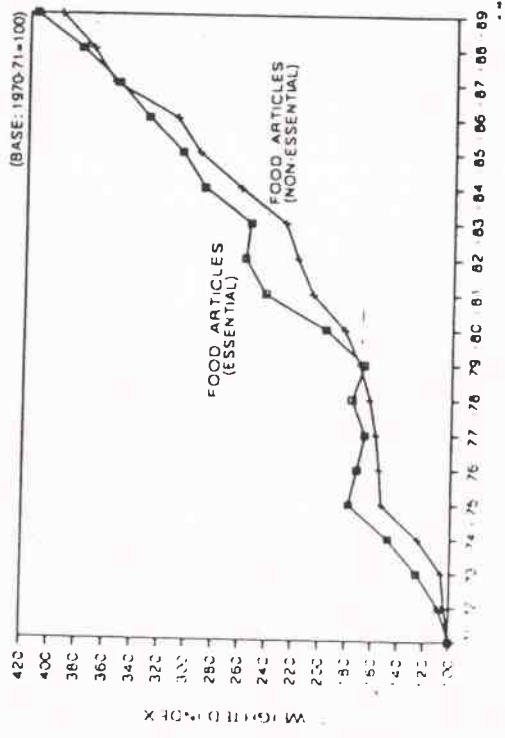
Note: Some of the items cover more than one commodity. For example Fruits includes 5 commodities, Vegetables 7, Milk & Milk Products 3, Edible Oils 8, Bakery Products 2, etc.
Source: Taken from Monthly Bulletin of Revised Index Numbers of Wholesale Prices.

Table 3
Index Numbers of Wholesale Prices of Groups of Commodities of Household Consumption

1	Food Items		Durable Consumer Products		Other Manufactured Consumer Products		Textiles	All Consumers Items
	Non-Essential	Essential	Middle & Upper Income Classes	Common man	Middle & Upper Income Classes	Common man		
2	3	4	5	6	7	8	9	
1971-72	103.4	108.3	101.5	101.9	104.4	107.7	106.8	107.5
1972-73	106.7	125.8	102.7	102.7	109.8	113.5	110.0	121.1
1973-74	125.0	148.2	108.4	115.1	118.4	123.3	133.4	142.4
1974-75	153.6	178.4	139.0	144.0	145.6	166.5	150.5	171.3
1975-76	155.7	172.2	144.6	154.8	152.2	184.1	138.6	166.4
1976-77	158.7	166.7	141.2	159.8	153.9	186.8	148.0	164.0
1977-78	163.2	176.5	143.3	161.4	153.6	188.3	171.1	174.7
1978-79	170.9	167.5	148.0	172.3	155.7	196.6	174.1	169.7
1979-80	182.9	196.8	164.2	196.1	169.7	225.1	193.9	196.2
1980-81	207.3	242.6	179.9	210.3	177.3	246.2	207.3	234.0
1981-82	219.0	258.1	190.9	233.1	189.3	245.3	218.8	247.9
1982-83	228.2	254.4	198.7	238.0	217.5	284.8	224.3	248.7
1983-84	262.5	289.8	199.1	243.5	222.3	303.6	236.5	279.2
1984-85	294.0	306.8	201.9	252.5	227.3	326.7	247.4	296.3
1985-86	310.7	332.1	216.1	269.8	232.8	352.4	254.0	318.2
1986-87	357.7	354.7	228.4	280.2	237.2	373.4	255.7	339.2
1987-88	373.0	381.3	235.6	303.3	244.0	395.3	278.3	363.9
1988-89	396.6	414.8	264.2	366.0	251.6	407.9	285.6	392.3

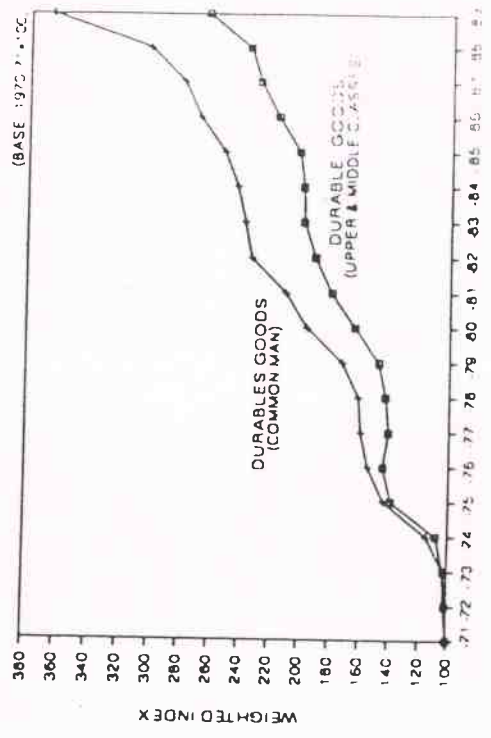
Note: See Table 2 for the list of items covered.
Source: Derived from the data presented in the Monthly Bulletin of Revised Index Numbers of Wholesale Prices.

WHOLESALE PRICE INDICES OF SELECTED FOOD ITEMS
1970-71 TO 1988-89



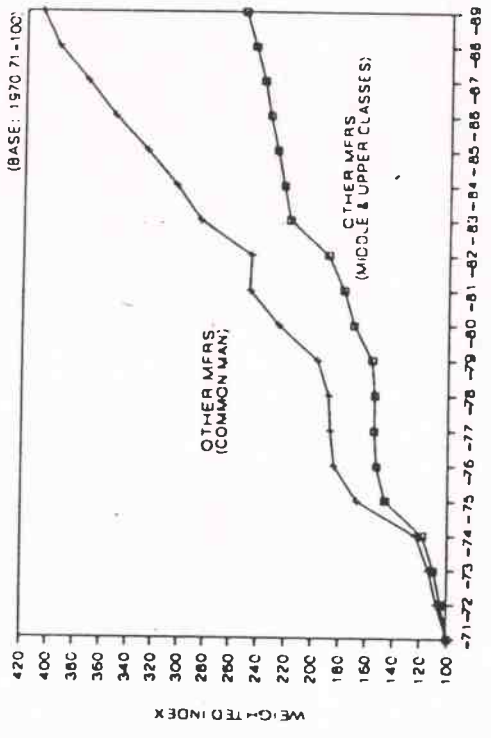
GRAPH - C

WHOLESALE PRICE INDICES OF SELECTED DURABLE GOODS
1970-71 TO 1988-89



GRAPH - D

WHOLESALE PRICE INDICES OF SELECTED OTHER MFRS
1970-71 TO 1988-89



GRAPH - E

There could be a difference of opinion on the inclusion or shifting of one item to another category; but the general trends in the WPI for consumer categories seems to be a definitive one. They reflect a pattern. While the WPI movements of the end-user classification of 116 consumer products does give a macro view of the direction of the relative price changes the same trends gets sharply reflected if one observes the price movements of comparable items at a more dis-aggregated level.

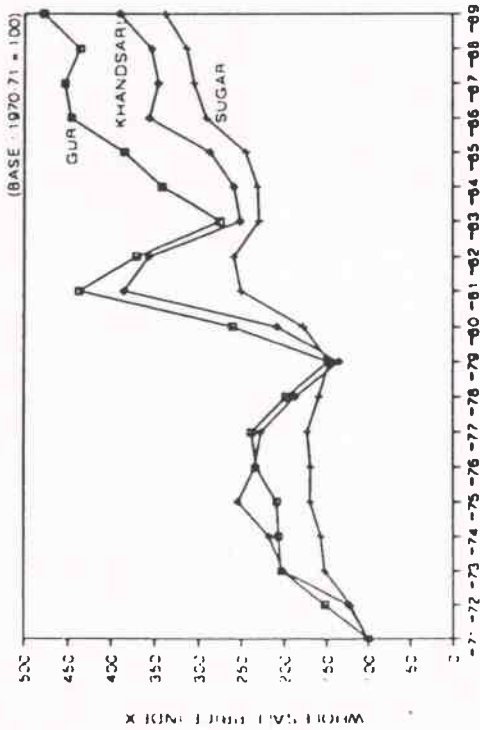
The WPIs' movements for a few select consumer products are presented in Graph F(1-8). (See Table-4 for the corresponding index numbers). The choice of products and the pairing (grouping) is to bring out the phenomenon of differing rates of price rise in nearly similar products. The WPIs do not reflect price differences; but only the changes in relative price movements over time. Movement of WPIs reflect a temporal pattern to help provide leads to determine periods and identify the likely causes for the price trends.

The first pairing is for **gur** and **sugar**. It is our assumption that gur can be considered as a lower income strata specific commodity and sugar users mostly belong to relatively higher income groups. A similar assumption can be made with regard to metal utensils and crockery; glass bottles and vacuum flasks; and country liquor whisky; tooth powder and tooth paste.

The prices of gur and sugar have risen in a distinctly different pattern. Relatively, gur has become dearer and sugar, cheaper. How does one explain the differing trends? Does this reflect the conditions and regulations on the sugarcane growers? Is it related to the system of procurement, distribution, the limited coverage and varying quantities of sugar provided through the non-uniformity in the rationing system in urban/rural parts of different states? What is the relative role of the sugar mill and sugarcane growers' lobbies?

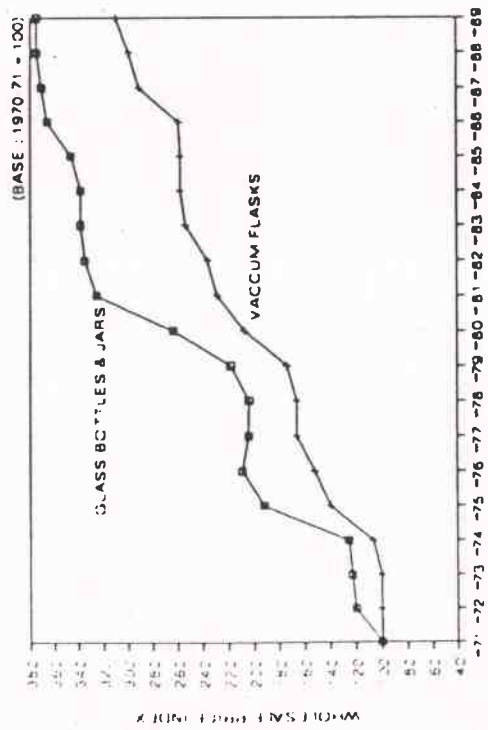
When the price of **handloom cloth** and **cotton textiles** rises faster than the prices of **silk** and **man made fabrics**, the long term implications should be clear; as also the choice of appropriate corrective policy measures. The pattern of relative burden of excise and subsidies in the textile industry needs rediscovering. One also should inquire if the trends in the textile sector are explainable by the relative price differentials and rupee and foreign exchange costs of the capital, raw material and labour inputs? The working conditions, marketing channels, source of yarn and the relative institutional support available need to be examined since this is one sector that offers not only large opportunities for creation and sustenance of employment but also for earning net foreign exchange.

**MOVEMENT OF WHOLESALE PRICES
GUR, SUGAR & KHANDSARI**



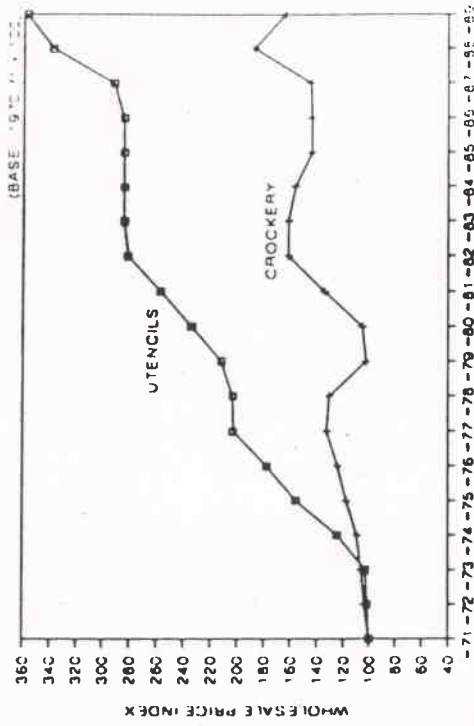
GRAPH : F1

**MOVEMENT OF WHOLESALE PRICES
GLASS BOTTLES & JARS, VACCUM FLASKS**



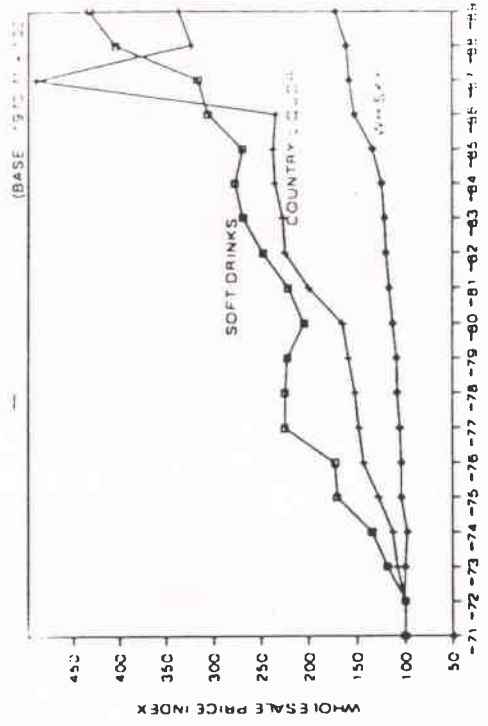
GRAPH : F3

**MOVEMENT OF WHOLESALE PRICES
UTENSILS & CROCKERY**



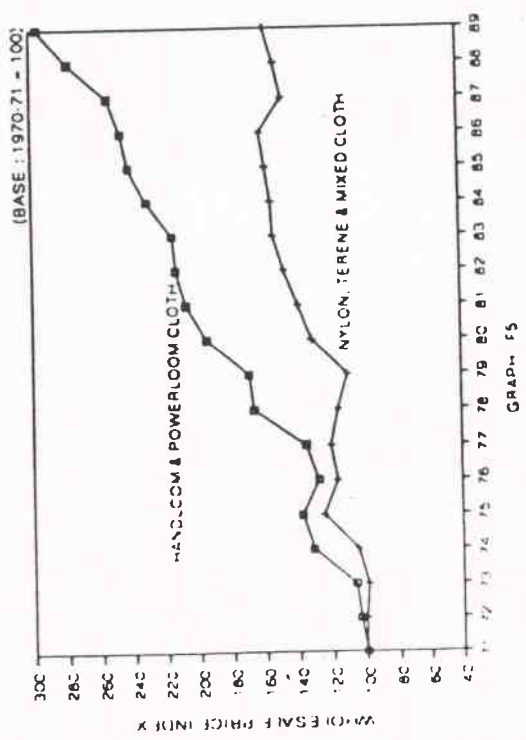
GRAPH : F2

**MOVEMENT OF WHOLESALE PRICES
SOFT DRINKS, COUNTRY LIQUOR & WHISKY**

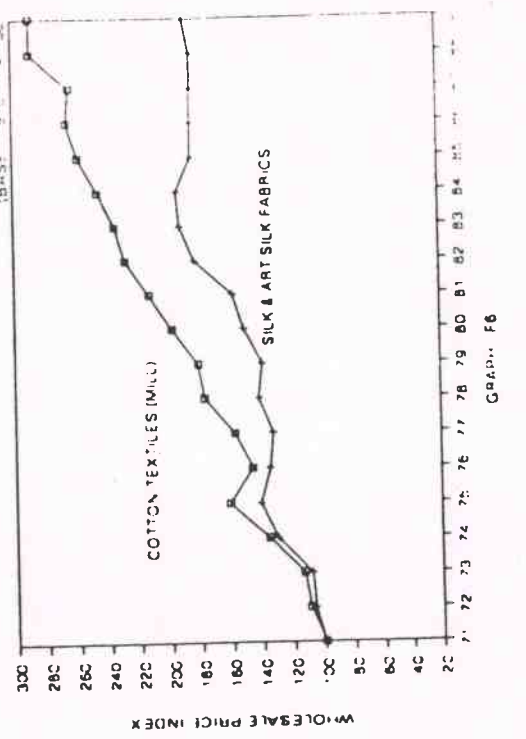


GRAPH : F4

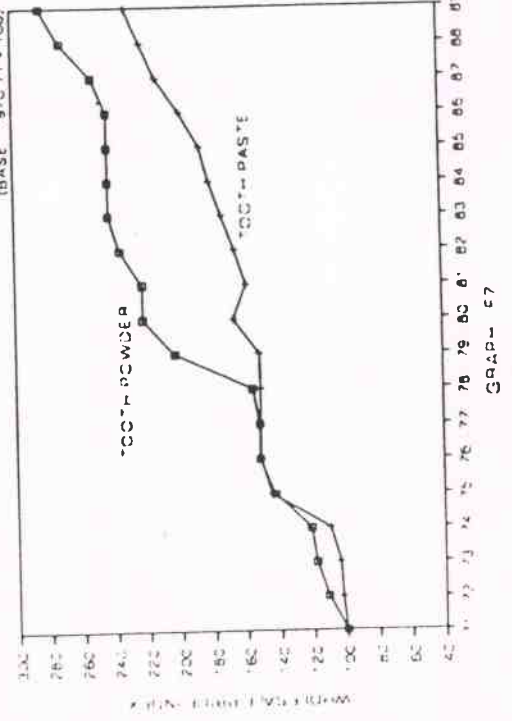
MOVEMENT OF WHOLESALE PRICES
HANDLOOM & POWERLOOM CLOTH, NYLON, TERENE & MIXED CLOTH



MOVEMENT OF WHOLESALE PRICES
COTTON TEXTILES (MILL), SILK & ART SILK FABRICS



MOVEMENT OF WHOLESALE PRICES
COFF POWDER & COFF PASTE



MOVEMENT OF WHOLESALE PRICES
SCOOTERS & CYCLES

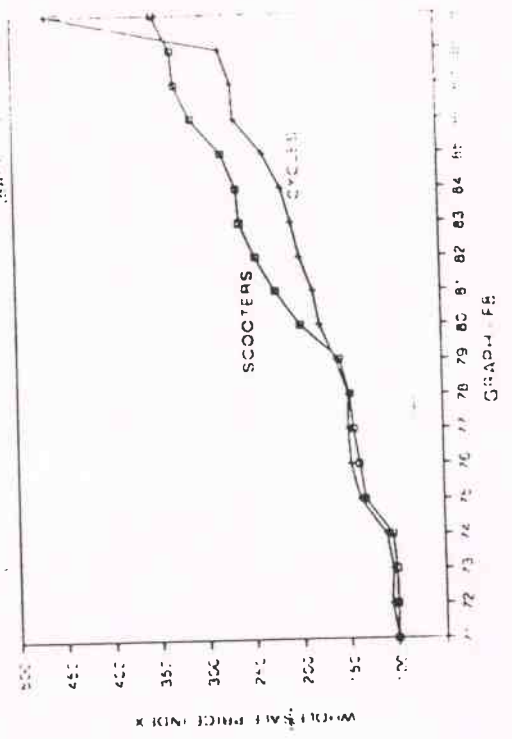


Table 4
Index Numbers of Selected Consumer Products

(Base: 1970-71=100)

S. PRODUCTS 1978-	1970-	1972-	1973-	1974-	1975-	1976-	1977-	1978-	
No.	71	73	74	75	76	77	78	78	79
1	2	3	4	5	6	7	8	9	10
1. MANUFACTURED PRODUCTS	100.00	109.5	121.9	139.5	168.8	171.2	175.2	179.2	179.5
2. *CPI FOR NON-MANUAL URB. EMP.	174.0	180.0	192.0	221.0	270.0	277.0	277.0	296.0	306.0
3. *CPI FOR INDUSTRIAL WORKERS	186.0	192.0	207.0	250.0	317.0	313.0	301.0	324.0	331.0
4. FOOD ARTICLES	100.0	110.7	137.9	176.9	215.7	181.6	145.7	215.2	247.1
5. PULSES	100.0	110.7	137.9	176.9	215.7	181.6	145.7	215.2	247.1
6. FOOD GRAINS	100.0	103.4	119.5	141.9	195.8	174.1	152.7	170.4	172.6
7. EDIBLE OILS	100.0	88.1	99.4	147.9	172.4	134.9	142.8	175.9	158.6
8. MAIZE	100.0	100.8	125.0	174.2	242.9	173.5	145.4	177.9	173.4
9. JOWAR	100.0	109.9	126.0	151.2	203.2	175.6	163.6	157.4	154.8
10. RICE	100.0	103.0	116.0	140.2	183.2	178.8	156.9	162.0	160.8
11. WHEAT	100.0	99.5	106.5	108.2	183.1	159.6	152.0	156.5	153.8
12. COFFEE	100.0	75.5	79.9	85.8	108.2	117.0	133.1	128.6	121.8
13. CHILLIES	100.0	75.9	67.1	86.2	135.4	217.5	114.5	128.5	136.1
14. TEA	100.0	113.6	108.1	110.5	161.9	175.0	214.1	252.2	212.0
15. TURMERIC	100.0	55.9	81.6	139.7	123.0	100.8	133.8	233.4	258.2
16. GUR	100.0	152.4	203.4	206.4	208.4	233.1	237.8	197.8	148.2
17. SUGAR	100.0	121.7	152.7	157.1	169.7	168.9	173.1	159.4	146.6
18. KHANDSARI	100.0	124.7	201.2	217.3	253.8	234.0	227.3	187.2	135.1
19. UTENSILS	100.0	101.3	102.9	124.3	155.4	177.3	202.5	202.7	211.4
20. CROCKERY	100.0	103.7	106.1	109.3	117.4	124.2	132.2	130.4	102.4
21. HANDLOOM & POWERLOOM CLOTH	100.0	103.6	106.3	131.4	138.0	128.0	135.6	166.7	169.6
22. NYLON, TERENE & MIXED CLOTH	100.0	99.9	98.9	104.7	125.1	116.9	120.6	116.3	110.4
23. TOOTH POWDER	100.0	111.1	118.2	121.2	142.7	151.5	151.5	155.7	202.9
24. TOOTH PASTE	100.0	102.6	103.9	109.7	144.7	150.6	150.6	150.6	151.3
25. SOFT DRINKS & CARB.WATER IND	100.0	99.6	118.5	134.4	170.4	172.5	224.9	224.9	222.5
26. WHISKY	100.0	100.0	100.0	97.9	103.8	103.8	105.4	108.2	108.8
27. COUNTRY LIQUOR	100.0	100.2	108.3	112.8	127.7	142.8	147.9	152.2	159.0
28. SILK & ART SILK FABRICS	100.0	106.2	107.9	130.3	141.1	134.9	132.6	141.6	139.3
29. COTTON TEXTILES (MILL)	100.0	109.7	113.4	135.7	161.1	146.0	157.5	177.5	181.4
30. VACUUM FLASKS	100.0	100.6	100.6	106.7	139.8	151.7	166.2	166.3	173.8
31. GLASS BOTTLES & JARS	100.0	120.1	122.9	125.3	192.0	209.0	204.3	203.7	218.1
32. CYCLES	100.0	106.1	104.6	110.4	137.6	147.1	149.4	148.8	161.5
33. SCOOTERS	100.0	100.0	100.5	104.1	131.6	137.7	143.5	146.8	157.5
34. COMPUTING MACHINES	100.0	102.4	107.1	107.1	107.1	72.0	32.4	26.7	24.6
35. MACHINE TOOLS	100.0	106.4	121.9	133.7	151.7	202.8	216.2	220.6	227.7
36. ONIONS	100.0	112.7	136.5	180.0	161.3	241.4	147.3	239.4	179.7
37. POTATOES	100.0	72.2	84.0	107.2	109.1	87.1	115.8	146.7	119.6

(Contd...)

(Base: 1970-71=100)

S. No.	PRODUCTS	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
1		2	3	4	5	6	7	8	9	10	11
1.	MANUFACTURED PRODUCTS	215.8	257.3	270.6	272.1	295.8	319.5	342.6	359.4	384.4	414.4
2.	*CPI FOR NON-MANUAL URB. EMP.	330.0	369.0	413.0	446.0	492.0	532.0	568.0	613.0	668.0	-
3.	*CPI FOR INDUSTRIAL WORKERS	360.0	401.0	451.0	486.0	547.0	582.0	620.0	674.0	736.0	-
4.	FOOD ARTICLES	186.6	207.9	235.1	249.6	283.1	297.4	317.7	338.7	367.3	408.0
5.	PULSES	244.2	323.2	338.7	302.2	346.5	430.6	463.4	408.2	494.4	669.7
6.	FOOD GRAINS	185.4	216.7	237.4	248.8	273.8	276.2	295.8	398.6	331.9	389.9
7.	EDIBLE OILS	193.4	228.3	260.9	263.2	303.6	321.3	288.4	379.1	473.0	423.1
8.	MAIZE	185.4	206.4	230.4	251.6	263.4	220.8	285.6	296.0	321.7	348.2
9.	JOWAR	167.6	194.2	241.5	221.7	241.1	241.5	240.1	260.7	273.6	311.4
10.	RICE	183.8	205.6	226.1	257.0	292.0	273.3	284.4	302.1	325.9	363.7
11.	WHEAT	160.7	176.2	191.6	214.2	218.0	209.6	225.9	238.6	258.8	282.0
12.	COFFEE	128.0	129.0	139.0	142.1	173.0	216.8	221.9	228.1	249.8	263.2
13.	CHILLIES	126.4	116.2	211.0	168.5	122.1	278.5	262.9	138.3	206.2	446.0
14.	TEA	233.0	226.6	242.9	287.6	441.0	494.3	412.9	423.6	420.5	438.7
15.	TURMERIC	144.3	105.4	107.3	167.6	326.5	494.6	438.6	287.5	322.8	301.0
16.	GUR	259.8	436.9	370.5	274.7	341.1	384.0	446.1	453.6	435.6	478.3
17.	SUGAR	177.3	250.4	258.5	228.7	230.6	243.8	290.1	304.4	313.3	337.8
18.	KHANDSARI	207.8	384.8	356.2	250.6	258.2	286.2	355.6	345.2	353.1	389.4
19.	UTENSILS	233.6	256.2	280.7	283.8	283.8	283.8	283.8	291.5	337.7	357.6
20.	CROCKERY	105.6	133.9	160.9	160.9	156.0	143.5	143.5	144.4	186.4	163.7
21.	HANDLOOM & POWERLOOM CLOTH	195.1	207.5	213.6	215.4	230.7	242.1	246.9	254.4	277.7	295.4
22.	NYLON, TERENE & MIXED CLOTH	131.6	139.7	147.9	154.4	155.4	158.4	161.6	148.1	152.5	158.3
23.	TOOTH POWDER	222.2	222.2	235.7	242.4	242.4	242.4	242.4	251.4	270.3	282.3
24.	TOOTH PASTE	166.6	158.4	165.4	173.4	180.5	185.7	197.5	211.8	220.9	230.2
25.	SOFT DRINKS & CARB.WATER IND	205.3	221.7	248.2	269.0	277.5	269.5	305.6	316.4	404.5	433.1
26.	WHISKY	112.7	116.6	119.7	121.6	124.3	133.7	152.4	157.6	161.0	172.4
27.	COUNTRY LIQUOR	164.8	200.0	225.0	227.8	235.9	237.7	234.8	491.9	323.4	336.9
28.	SILK & ART SILK FABRICS	150.8	158.0	183.2	192.6	194.5	184.8	184.8	184.8	184.8	189.3
29.	COTTON TEXTILES (MILL)	198.2	213.0	228.2	235.4	246.4	258.5	265.5	263.7	288.4	288.4
30.	VACUUM FLASKS	207.6	228.6	236.2	253.7	258.0	258.0	259.0	290.7	299.3	309.6
31.	GLASS BOTTLES & JARS	263.4	325.3	335.0	338.4	338.4	346.5	366.0	370.8	374.8	374.8
32.	CYCLES	177.9	184.4	198.4	206.6	216.5	234.2	264.6	267.1	279.8	463.2
33.	SCOOTERS	198.7	224.2	244.7	260.9	264.0	279.3	310.5	327.4	330.7	348.8
34.	COMPUTING MACHINES	25.3	25.3	25.3	25.2	25.2	25.2	25.0	25.0	25.0	25.0
35.	MACHINE TOOLS	263.0	295.1	313.3	342.2	394.0	394.0	454.8	484.3	511.0	511.0
36.	ONIONS	358.6	169.7	339.1	331.9	407.4	322.6	316.3	421.2	667.4	526.1
37.	POTATOES	100.7	182.5	137.8	150.9	216.1	163.4	183.1	360.1	259.0	221.7

Note: The CPI with original base of 1960=100 is converted to the base 1970-71=100, the corresponding original values for 1970-71 being 174 for non-manual urban employees and 186 for industrial workers.

Source: Economic Survey, 1988-89 for Consumer Price Index Numbers and Monthly Bulletin of Revised Index Number of Wholesale Prices for the others.

Table - 5
Prices and Price Relatives of Selected Specifications
of a few Consumer Products

S. No.	Commodity/ Specification	Units	1.4.1978		2.4.1983		2.4.1988	
			Price	Price Relative	Price	Price Relative	Price	Price Relative
1		2	3	4	5	6	7	8
1.	Cigarettes							
	Wills Filter	1000	183.17	156.4	263.81	225.3	449.46	383.8
	Scissors	1000	89.50	172.3	124.95	240.6	208.45	401.3
	Charminar	1000	69.28	236.2	974.5	332.2	205.60	700.7
2.	Poplin							
	Hiher Medium(4 var.)		189.9		209.2		322.2	
	Lower Medium(2 var.)		199.2		302.8		473.3	
3.	Shirting							
	Higher Medium			150.3		216.5		286.9
	Lower Medium			205.9		266.0		N.A.
4.	Leather Shoes							
	Derby D-423	Pair	34.87	169.6	62.95	306.2	94.00	457.2
	Derby E-465	Pair	26.02	205.0	40.50	319.2	56.00	441.3
5.	Rubber Shoes							
	All Rajoo Shoes	Pair	15.15	127.3	19.50	153.4	N.A.	N.A.
	New Vulcan	Pair	9.15	161.6	11.60	205.8	N.A.	N.A.
6.	Refrigerator							
	286 Litre Capacity (Ex-Delhi)	Each	4067	155.4	4894	187.1	6015	229.9
	165 Litre (FOR Dest.)	Each	3218	171.2	2915	152.2	4034	206.0
7.	Electric Fan							
	Crompton 48" Ceiling	Each	332	112.8	416.70	141.4	461.22	156.6
	Crompton 16" Table	Each	343	145.8	502.78	214.1	553.48	235.7
8.	Utensils							
	Kettle (Alumin.)	Kg.	32.50	164.1	43.65	258.1	64.00	324.9
	Degchi	Kg.	25.50	206.0	39.15	351.4	N.A.	N.A.
9.	Hurricane Lantern							
	Type C No. 275	Dozen	217.24	180.1	242.00	213.3	310.00	273.2
	Sun Brand Type 252	"	145.07	200.4	233.20	322.2	305.00	421.4
10.	Dry Cell							
	Estrella Type 182	100	156.98	157.6	240.07	263.8	232.77	255.8
	Estrella Type 112	100	127.56	212.6	198.78	335.3	198.68	335.3
11.	Maida	90Kg.	155.00	164.0	222.00	234.9	299.14	316.6
	Resultant Atta	90Kg.	132.00	178.9	200.00	271.0	249.17	337.6
12.	Fats							
	Ghee (Desi)			164.8		231.0		387.8
	Edible Oils			161.5		265.8		433.4

Source: Monthly Bulletin of Revised Index Numbers of Wholesale Prices.

In the case of **wines** and **soft drinks** the trends reflected are disturbing to say the least. A large element of the prices of alcoholic drinks is explainable by the excise duties. If so, why should the prices of '**country liquor**' rise faster than that of whisky (the India made foreign liquor)? These questions beg an answer from the policy makers in general and the Finance Ministers, in particular. The higher rate of price rise in the case of soft drinks poses another set of questions. Is the price rise due to growing centralisation of production and the emergence of a few dominant groups who take advantage of their position to escalate prices? Is it due to excise differences? Going by the retail prices the price of **soft drinks** is nearly the same as that of **beer**. In setting these price trends, what role has the state played? How many new breweries and distilleries have come up in violation of the laws? Did the Governments condone licensing violations and regularised the capacities illegally created? Can we make this information available for discussion? Has the state apparatus developed a vested interest in promotion and patronising of alcoholic drinks? How have the liquor manufacturers got associated with the political system of the country? These may be embarrassing and difficult questions to answer; but these lie at the root of many a distortion in the nationally accepted policies.

The direction of relative price movements can also be examined with regard to comparative price changes for products with some technical specifications and brand names. For instance, the commodity 'fans' appears quite specific but includes table fans, pedestal and, industrial fans, exhaust fans and ceiling fans of various sizes. Cotton cloth (mill), although treated as one commodity includes a large number of varieties like dhotis, sarees, voiles, poplin, twills, drills, denims, etc. and each of it may be either grey, dyed, printed, bleached, mercerised and belong to different categories (coarse, medium, fine, super fine) depending upon the count of yarn used for the fabric. The rate of price change in cheaper alternatives is reflected in Table-5.

Summing up

The general price level in India has risen sharply, more so during the recent past. The rate of price rise has not been uniform for all commodities. For the essential consumer goods, the price rise has been higher than that of the relatively non-essentials. The overall thrust in the relative prices is visible both at the commodity group level as well as the specific product level. The observed trends should be a matter of concern for the policy makers and others in a society like India that seeks to move towards establishment of a welfare state and a just socio-economic order, not to speak of a '**Socialist Secular Democratic Republic**'.