

# Weekly Notes

## Prices: Symptom or Disease ?

**W**ITH characteristic humility, shortly after his election, Prime Minister-designate Lal Bahadur Shastri requested the cooperation of his colleagues in the Cabinet as also of all Members of Parliament in his efforts to shoulder the very onerous responsibilities which will now devolve on him. Characteristically again, he refrained from any utterances on matters of policy regarding the many problems that face the country, both in the political and the economic fields. There are two exceptions to this. He declared, with unconcealed emphases, that he would strive to take the country towards socialism — a process that Pandit Nehru had initiated. In the social order he had in mind, Shastriji stated, a few would not be allowed to monopolise the national wealth leaving others in poverty. The second exception was his stress on the urgency of arresting soaring prices. He announced that he would discuss with the Ministers in charge of Finance and Food and Agriculture as also with the Planning Commission the practical measures which the Government could take to deal with this important problem.

Perhaps it would have been better not to have made any such announcement before the proposed discussions with the Ministers and the Chief Ministers of the States who will be charged ultimately with the implementation of whatever measures the Central Cabinet may decide upon. The relatively faster rise in the general index of prices in 1963-64 as compared with the previous year has led the Government already to take a number of measures, covering both control of credit, selective and overall, and controls over various commodities. Thus, forward trading in foodgrains has been banned throughout the country. Only the day before Shastriji made his announcement, Government banned futures trading in 14 items including groundnut, groundnut oil and its cake. The communique giving effect to the ban stated that the step had become necessary since measures adopted so far to check speculative excesses had failed to produce the expected results.

High and rising prices have continued to scourge not only the more

obvious physical targets of the Plan but also all such efforts as the Government has made from time to time to prevent the inequality in the distribution of incomes from worsening. But the manner in which many of the basic issues of Indian planning have been sought to be handled all these years was bound to produce the kind of results — in prices and income distribution — which we now deplore. Whether it be in the realm of industrial production or in agriculture, the Government has consistently shied away from steps which could ensure the maintenance of reasonable prices and profit margins.

Incomes have been increasing, thanks to the Plan outlays and defence expenditure. What has aggravated the prices position in 1963-64 has been the relatively faster rate of growth in the capital goods, basic and intermediary industries sectors where the accent of planned development has been focused ever since numerous gaps in the industrial structure were discovered and hurried attempts made to till these up even at the cost of throwing to the winds some of the basic tenets of the Industrial Policy Resolution. All these factors are likely to continue to operate. In the case of the prices of agricultural commodities, the Government's efforts to control their further increase at this juncture may meet with little success since it happens to be the beginning of the period when for some months to come prices normally increase.

## Decontrol of Truck Prices

**T**HE demand made by automobile manufacturers for decontrol of the prices of commercial vehicles and jeeps has some justification, though not entirely for the reasons made out by them. Since the beginning of this year, the supply position of trucks has been relatively easy, except in the case of Tata-Mercedes-Benz trucks which meet about one-half of the total demand. This development is the result of several factors. Production has increased, largely as a result of higher allocations of foreign exchange. The Defence Ministry has cut down its orders substantially when it has not cancelled them altogether. And the growth in demand has tended to slow down due to the increase

in interest rates and general sluggishness in the economy. Tata, Mahindra and even Leyland, however, have still little to complain about their market. It is mainly Premier (Dodge and Fargo) and Hindusthan (Bedford) who are feeling uncomfortable, which goes to show that strict quality control and adequate servicing facilities do pay even in the short run.

There is substance in the argument of the Association of Automobile Manufacturers that with prices controlled and costs rising steadily, they do not get a sufficient margin for expansion. But this cannot be an adequate argument for decontrol and the Association is well aware of it. Some rise in prices is inevitable after decontrol but competition would keep down the magnitude of the rise — Tata and Mahindra have already given an undertaking to keep prices stable provided there is no substantial rise in costs. Granted that this hope is fulfilled, how would decontrol enlarge the manufacturers' margin?

A stronger reason for decontrol is the emergence of competition, and a reasonable certainty that producers and dealers would respond to the challenge of competition, particularly since the industry would benefit substantially from a non-project loan which the World Bank is expected to give shortly.

## Foodgrains Control: Two Voices

**T**HE Union Minister for Food and Agriculture, Swaran Singh, was telling the prices sub-committee of the Congress Parliamentary Party less than a fortnight ago that "detailed control" of the prices of foodgrains was neither practical nor in tune with the Government's policy of progressive decontrol of essential commodities. But this Thursday, the apostle of decontrol in the Cabinet, T T Krishnamachari, informed the Lok Sabha in reply to a Member's question that state trading in foodgrains and control on retail trade had become inevitable to keep prices in check. On the need for state trading, TTK was unequivocal. "My mind is very clear. There is no alternative to it", he is reported to have told the House.

Swaran Singh's earlier disclaimer of any intention to impose "detailed con-

trol" on foodgrains was significant in that it came at the end of a period of feverish lobbying by traders against the stringent foodgrains control order suggested to the State Governments by the Centre. The order sought to control the traders' margin and required traders to make security deposits with the State Governments and submit to them periodically detailed accounts of their trading activities. The foodgrains trade was so incensed at these requirements that one of its representative bodies, the Federation of All-India Foodgrain Dealers, even advised its constituents to go on strike by discontinuing further purchases of foodgrains. Subsequently the traders did come round and adopt a more conciliatory attitude, but this was because the Centre had been persuaded to direct the State Governments to whittle down certain crucial provisions of the control order.

Coming on the heels of the Government's climb down, Swaran Singh's statement to the Congress Parliamentary Party was interpreted to mean that he was throwing in the towel on the issue of foodgrains prices. This abdication of responsibility by the Food Ministry was impossible to justify. An official press release issued at the end of the same Congress Parliamentary Party meeting admitted that prices of foodgrains were being maintained at artificially high levels by the traders. It was specifically pointed out that:

"The level of production this year, particularly in rice, has been considerably higher than last year, but still the prevailing level of prices is on the high side and the higher production is not reflected in the level of prices. There may be some shortfall in the production of certain cereals but it was generally felt that the existing high level of prices is not justified by the overall production of cereals ... It was pointed out that the producers of several primary commodities are not getting remunerative prices, and the margins of the various intermediary agencies being on the high side (*sic!*), the consumers have to pay unreasonably high prices."

It is a consideration of these very facts that has now convinced TTK of the inevitability of state trading. According to him, since the present system of distribution was such that small increases in supply failed to have any impact on prices, only when there

were substantial surpluses could prices be expected to come down. But as it was unlikely that there would be any substantial surpluses in the near future, it was necessary to change the system of distribution and control retail trade.

This is not the first occasion when the need for state trading in foodgrains has been so acutely felt, nor when its introduction strongly mooted. Following the Nagpur session of the Congress in 1959, it will be recalled, Pandit Nehru himself had repeatedly assured the country that it was the Government's intention to take over the grains trade. The proposal was then pushed as far as the National Development Council but, after that, nothing was heard of it. Are the circumstances today more propitious for a more fruitful outcome? True, Lal Bahadur Shastri has affirmed that the problem of rising prices will be among the primary concerns of his Government. But, as TTK has pointed out, state trading can be implemented only through the agency of the State Governments whose cooperation is, therefore, necessary for its success. And what about the Food Minister? On the last occasion, let it not be forgotten, it was the personal predictions of a Food Minister that sabotaged the move for State trading.

#### Homer or Humour?

BY now, most people in Britain must be sick to the proverbial rear molars with the long drawn out agony of electioneering that has already besieged the relevant politicians for some twelve months. Neither side in the main contest has in the process of general jostling, nudging and twitching, loomed any clearer out of the fog skilfully generated by their respective phalanxes of public relations men. It is now the mark of a major statesman in Britain to say nothing that can have the slightest significance for anyone anywhere, and politics retreats gracefully into clouds and clouds of supremely sleep-inducing pieties. To get a politician to be so outrageous as to mumble anything at all that even marginally exceeds this amiable smoke-screen must then be counted a major triumph worthy of spreading all over the British press in large letters. Still no-one really knows what the challenger is selling (arms to South Africa) nor what the defender's counter-offer is. All very sleep-making.

But then, it seems, the British election is not now any longer about poli-

tics — it is the means of occupying idle statisticians in the new parlour-game of psephology. Through the sustained sparring of County Council, Borough Council and now Parliamentary by-elections, the slide rule and a bit of Sherlock Holmes bluff has, been much in evidence. *The Daily Telegraph* Gallup Poll has plotted the Labour lead from 4 per cent in May 1961, through 10 per cent last May, 11½ per cent this April, 17 per cent at the beginning of May and 16½ per cent at the end. On the other hand, *The Daily Mail* Opinion Poll offers a different selection and now more widely quoted series: the average net swing to Labour in the April county elections was between 7 and 8 per cent, in the Borough elections 6 to 7 per cent, and in May generally, 6½ per cent. Labour needs, to get a Commons majority, a net swing to itself of 2.8 per cent (given the unequal distribution of seats), so the figure is still very comfortable even if it has declined a little. What must have raised Tory hopes and made them feel back in the race was the most recent round of by-elections — they held Devizes on a net swing to Labour of 2.75 per cent, although the overall average swing for the series was 6.25 per cent (and in one case, Winchester, 8.6 per cent). Distribution-wise, the borough council elections show Labour as strongest in the North, East Midlands and Wales, weakest in the West Midlands (motor-car land), and with mixed support in Lancashire, the South and East.

What emerges from all this is that possibly the immense and hitherto apparently impregnable Labour lead is beginning to be eroded, although it has not disappeared like a whiff of morning mist before the sun of Tory resilience as happened in 1959. The erosion is, of course, most curiously paralleled (even if a delayed correlation) with the booming economy which might, in this post-miracle age, actually string Britain up to a five per cent growth rate. January and February saw a fifty per cent increase in car sales over a year earlier, and April has produced another bumper crop — on present performance, as much as a million and a quarter cars may leave the industry this year. But, as Home knows, the never-so-good can spill over into the never-never land. The labour market is already very tight, and unemployment: rates in London and the Midlands are down to one per cent and less (the national figure is,