

High Prices and Their Effects

The money market is a strange circle. It seems difficult to say when it works properly. Looking back, in the thirties—some 12 years after the first World War—prices were very low and business was dull. It seemed to be a bad time for traders. Bernard Shaw once said that when profits from peacetime business are low, merchants raise a hue and cry and consciously and unconsciously begin to inflame the minds of politicians who begin to quarrel, and there is war. The real cause of war is always to be found in low profits from peacetime trade. It is a humorous way of looking at the matter, but there is much truth in the interpretation.

Anyway, a second World War came on in 1939, whatever its political causes, and business began to look up. There was large demand for commodities of all kinds. Prices began to soar, for the army had to be fed and clothed and equipped, and arms and ammunition had to be manufactured and supplied. Imports were more or less at a standstill and government by printing extra paper currency—technically called inflation—was prepared to pay any price for what it wanted. There was untold money in circulation, and the value of money fell, that of commodities rose high.

Then there was a new phenomenon—the black-market. The black-marketer hid somewhere in the darkness undetected. Everyone was at his mercy. He was a hoarder who would get possession of some commodity—foodstuff or clothing or medicine—and then when prices had gone up four times, five times or ten times, he would slowly release his stock. Like the Devil he had hid kingdom everywhere. He would keep politicians in his pay and bribe officials into silence.

Thus high prices have had an unsettling effect on the people. The vast majority can hardly maintain themselves, and this undernourishment is telling on their health. Almost everyone is anxious only to make money, more money; there is no leisure, no rest, no time for creative work. Literature, art, education and similar occupations can flourish only when the writer, the artist and the teacher can pursue their callings unhindered. High prices are telling on their efficiency as it is telling on the health of the vast majority of the people many of whom are falling victims to wasting diseases.

The only effective remedy is an increase in production, industrial and agricultural. India has to import a large quantity of foodstuff as she does not produce enough for her own needs. First self-sufficiency in food is needed. We will have to produce more to put an end to our misery. If there are more commodities, prices

are bound to come down. But if production remains static, and population is one the increase there will be more mouths to feed and less food to go round. We must produce, otherwise we perish.

The rise and fall in prices is a market phenomenon but if the rise in prices is not proportionate to the rise in per capita income inflationary tendencies raise their ugly head. If for one commodity there is price rise, there is sympathetic rise in some other commodities as well. One of the significant reasons for inflationary tendencies is deficit budgeting. In order to cover the gap between revenue and expenditure India has been resorting to putting more paper currency in circulation as foreign aid and enhanced taxation could not cover up the deficit. More the money in the market, higher the prices—the purchasing power of people being on the increase.

According to the Wanchoo Committee wrong taxation policy is also responsible for rise in prices. The government has always been enhancing the taxes that results in greater evasion. Consequently money is added to the black money coffers which play an unseen role in inflation. Black money also gives greater power to the elbow for indulging in speculation that always lends a helping hand to the incidence of inflationary prices.

The rise of price can also be attributed to the attitude of some unscrupulous elements in the trading community. They take undue advantage of the situation around and they do not mind making a fast buck. Their only interest is making profit as high as possible. Thus the neo-rich class is coming of age.

The government increasing prices on certain items as LPG, petrol, diesel, sugar, wheat, etc., also sets a bad example resulting in adverse affect on market prices. It sets a chain reaction. Also, the price of agricultural commodities as wheat, rice, sugarcane, etc., in a given year influences other prices of domestic consumption.

The government at the Centre has been making hectic efforts aimed at checking inflation. Banks were nationalized so that they do not indiscriminately advance loans to speculators and to individuals who may try to create monopolistic conditions. Savings in different forms are encouraged to respect currency in circulation.

An effort is being made to increase industrial output with a view to neutralizing inflationary tendencies. But as ill luck would have it the government has not met with much success on this front. The price rise is back breaking; the majority of people are not able to make the ends meet. Every year the budget presentation is looked forward to for reliefs. Some recommend demonetization of currency. But the government thinks otherwise. It feels such a step would create doubts in

the minds of the people about the stability of the government. Moreover, serious steps against black money, and opportunistic traders have so far not been taken.