

LOK SABHA

*Friday April 6, 1984/  
Chaitra 17, 1906 (Saka)*

*The Lok Sabha met at Five minutes  
past Eleven of the Clock.*

[MR. SPEAKER *in the Chair*]

OBITUARY REFERENCE

MR. SPEAKER : I have to inform the House about the sad demise of Shri Hari Ram Nathany, who was a Member of the First Lok Sabha during 1952-57 representing Bhilwara Constituency of Rajasthan.

A businessman by profession, Shri Nathany took keen interest in social work and was associated with several social welfare organisations. He had a special interest in poetry, photography and gardening.

Shri Hari Ram Nathany passed away on 24 March, 1984, at Bhilwara (Rajasthan) at the age of 60 years.

We deeply mourn the loss of this friend and I am sure the House will join me in conveying our condolences to the bereaved family.

The House may stand in silence for a short while as a mark of respect to the deceased.

*(The Members then stood in silence for a short while)*

ORAL ANSWERS TO QUESTIONS

Study Conducted by RBI Under the Title "Money and Prices"

\*597. SHRI K.T. KOSALRAM : Will the Minister of FINANCE be pleased to state :

(a) the measures suggested by the study conducted by Reserve Bank of India under the title "Money and Prices"—an empirical study of Indian experience—1970-1982 ; and

(b) the action proposed to be taken thereon ?

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE) : (a) and (b) A statement is laid on the Table of the House.

Statement

Presumably, the Hon'ble Member is referring to an article entitled "Money and Prices—An Empirical Study of the Indian Experience--1970-1982" published in the Reserve Bank of India Occasional Papers Volume 4, No. 1 (June 1983). The views expressed by the contributors to the series are not necessarily those of the Reserve Bank of India. The author of the article in question has, inter-alia, suggested that measures to control inflationary tendencies should focus not only on curbing monetary expansion but also on limiting the rise in key sectoral prices such as prices of foodgrains through measures like higher releases through the public distribution system.

Government has taken a number of steps to contain price rise, acting both

on the demand side and the supply side. The measures include *inter-alia* strengthening of the public distribution system, larger releases of foodgrains, sugar and edible oils, augmentation of domestic supply by imports of essential items and mopping up of excess liquidity in the banking system. The findings and suggestions of relevant studies are taken into account while formulating policies from time to time.

**SHRI K.T. KOSALRAM :** Sir, I have gone through the reply to my question. I am happy to know that the Government has taken a number of steps to contain price rise. Unfortunately, these steps have not yielded the necessary results.

The total increase in the price index between March 26, 1983 and March 10, 1984 was 9.6 per cent as compared to 6.5 per cent during 1982-83.

The consumer price index for industrial workers rose by 12.2 per cent against 8.3 per cent in the corresponding period of 1982-83. The index for urban white collar employees went up by 9.1 per cent in 1983-84 as against 7.6 per cent in 1982-83. The very fact that the Government have accepted about the five instalments due of D.A. for Government employees confirms this. We cannot take the people for a ride by repeating that the wholesale price index has shown decline during the past six weeks.

The price rise has direct relation to the increase in money supply. The total increase in money supply on March 2, 1984 was Rs. 11,702 crores, higher than Rs. 9,114 crores recorded in 1982-83. I want to know what steps have been taken to contain the money supply so that there is some impact on prices ?

**SHRI PRANAB MUKHERJEE :** It is true that expansion of money supply up to 31st March, 1984 is 16.9 per cent compared to 15.7 per cent just on that day a year before and as the Hon.

Members are aware, it is one of the reasons which contribute to inflationary pressures. The steps taken to restrain the money supply are already known to the Hon. Members. For instance, I can inform them that in the year under consideration we increased the CRR from 7 per cent to 9 per cent through stages and even in November we took the decision of impounding 10 per cent of the incremental deposit. That also had some effect. As the strategy of tackling the problem of inflation, we are laying emphasis both on the supply side and the demand side. Details have been discussed on the Floor of this House on a number of occasions but just I would like to keep the Hon. Members informed, as on that occasion also I informed the House, that our efforts should be to try to contain the wholesale prices and to keep the annual rate of inflation at a single digit level. Up to 24th March, the annual rate of inflation is 9.3 per cent and we have been able to keep it at a single digit level.

**SHRI K.T. KOSALRAM :** When are you going to release the DA instalments due to the Government employees.

**SHRI PRANAB MUKHERJEE :** Does he want to contain inflation or increase it ?

**SHRI SATYASADHAN CHAKRABORTY :** There is a relationship between production and prices. If the production goes up, if there is more supply and the money supply also does not increase, then there should be a tendency for the prices to fall. This year there has been a record production of foodgrains and the Finance Minister has said that it will reach 142 million tonnes. But there is no appreciable change in the price structure. Has the Government applied its mind to see why there has not been any appreciable effect on the price structure and why there has not been any fall in prices, though there has been a marked increase in production in the agricultural front ?

**SHRI PRANAB MUKHERJEE :** I do not know whether the difference is appreciable, according to the Hon. Member, but there has been some difference. For instance, between March 1983 and 17th March 1984, the variation in the prices of cereals as a whole is minus 4.7, rice 1.0 and wheat 11.1. As mentioned on an earlier occasion, this year we have noticed a very peculiar phenomenon on the price front. Last year, you would have noticed, there was a sharp increase from April onwards upto May. Then, in the other season, September, the rise was not so sharp; rather, compared to the previous year, there was a very modest movement. Similarly, another peculiar feature happened. Normally, we have a seasonal decline from September. But, this year the price level was almost flat and hardly there was any seasonal decline. As a result, you will notice that on the 20th August the index was 319.3. Throughout the year it practically remained the same and I think it has reached 322.8 sometime in March. That means, during the entire period from August to March, almost for 7 months, there has been stability, but no declining trend.

**SHRI K. MAYATHEVAR :** According to the facts, figures and data provided by the Government to this House and the country, inflation is contained permanently. Gradually production is also stepped up. According to learned economists, Prof. Chakraborty and you, Sir, when production goes up, the prices come down. That is simple economic theory which we have studied in schools and colleges. But here what we notice is that production goes up, prices go up and inflation also goes up, which is an unusual phenomenon for the citizens of the country.

**MR. SPEAKER :** Potato is selling at 35 paise per kilo.

**SHRI K. MAYATHEVAR :** Coconut oil is selling at Rs. 42. In order to safeguard the interests of the middle classes, working classes and poor masses of this country, what steps have

been taken by the Government to contain inflation? Every time you are saying that you have contained inflation and reduced the prices. But when we go to the market, we find that the prices are going up. What steps have you taken to contain inflation? What is its present level, if at all you have been able to reduce the prices?

**SHRI PRANAB MUKHERJEE :** Sir, I have never said that I have been able to reduce the Price. What I have said is that I have been able to contain the rate of inflation. I have never claimed that actually the Prices have started coming down. But in the type of agricultural products, which the Hon. Member is mentioning sometimes it happens that for lack of marketing facilities or transport bottlenecks this does happen. But if you just look at the whole system from 1979-80, you will find that there has been almost 30% increase in the support price of cereals and in the commercial crops it has been more than 50 per cent. And it has to get reflected somehow or other. This is the point we have just gone away from the main part of the question and that was the main thesis on which Dr. Rao wrote on the Reserve Bank Papers.

**PROF. MADHU DANDAVATE :** Sir, I will put one question to the Hon. Minister in the light of some assurance he had given in this House. It is quite connected with this question. With the laudable objective of containing inflation and preventing increase in the money supply, the Government took two very important and major steps. Four times the Cash-Reserve Ratio was increased and the latest increase was by half a per cent again. And as he himself pointed out in an earlier reply, the incremental deposits were impounded; and perhaps in the course of next five years about 400 crores to 500 crores of rupees are likely to be impounded.

On the background of this I had asked a question sometime back that as a result of this there is bound to be some

credit curb. And when the credit curb comes down, it is the peasantry which will suffer very much, and also the small scale sector suffers as far as the credit side to it is concerned. Therefore, I had asked a question sometime back that despite the increase in the Case-Reserve Ratio and also impounding of incremental deposits, will you give instruction to the Reserve Bank and through the Reserve Bank to various banks that the credit facilities despite this step should not suffer as far as the small-scale sector is concerned. And you had assured that this will be done. Probably the experience is otherwise. As a cumulative result of this step, though is good on inflation, their credit is coming down, So, will you assure that this? Will not affect the credit for the small-scale sector and the peasantry?

**SHRI PRANAB MUKHERJEE :**  
The objective of the credit Policy is not to discourage the productive requirements. That is why we have effected the credit-reserve ratio gradually and not by one stroke of pen by seven to nine per cent. Over the period of months we have done it at the rate of half a percent keeping an eye that the genuine credit requirements for production are not disturbed. As I assured the Hon. Members on earlier occasions also the instructions are already there that the genuine credit requirements not only of the small scale sector, but of all other/priority sectors will be provided from the banking system. It was not obviously to contain the rate of inflation only. Of course it was one of the major objectives. At the same time, if you make a comparison of the expansion of bank deposits in the corresponding period, you will find that the expansion has taken place for the first time. Naturally if the banks are left with—I would not say undesirable—excess liquidity, it may pose a problem to us. That is why we have to control it; But that does not

mean that credit requirements for genuine productive purpose should be disturbed.

खनिज एवं धातु व्यापार निगम द्वारा  
आयातित धातुओं के मूल्य बढ़ाया  
जाना

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\*598. श्री सत्येन्द्र नारायण सिंह :

श्री मोती भाई आर० चौधरी :

क्या वाणिज्य मन्त्री यह बताने की कृपा करेंगे कि :

(क) क्या यह सच है कि खनिज एवं धातु व्यापार निगम ने हाल ही में आयातित धातुओं के मूल्यों में वृद्धि की घोषणा की है ;

(ख) यदि हां, तो किन-किन धातुओं के मूल्य बढ़ाए गए हैं तथा प्रत्येक मामले में किस सीमा तक वृद्धि की गयी है ; और

(ग) इस मूल्य वृद्धि के क्या कारण हैं ?

THE MINISTER OF COMMERCE  
AND OF THE DEPARTMENT OF  
SUPPLY (SHRI VISHWANATH  
PRATAP SINGH) : (a) Yes, Sir.

(b) A statement is laid on the Table of the House.

(c) The increase has been due to general price trends in the world market and the increases in custom duty and other statutory levies.