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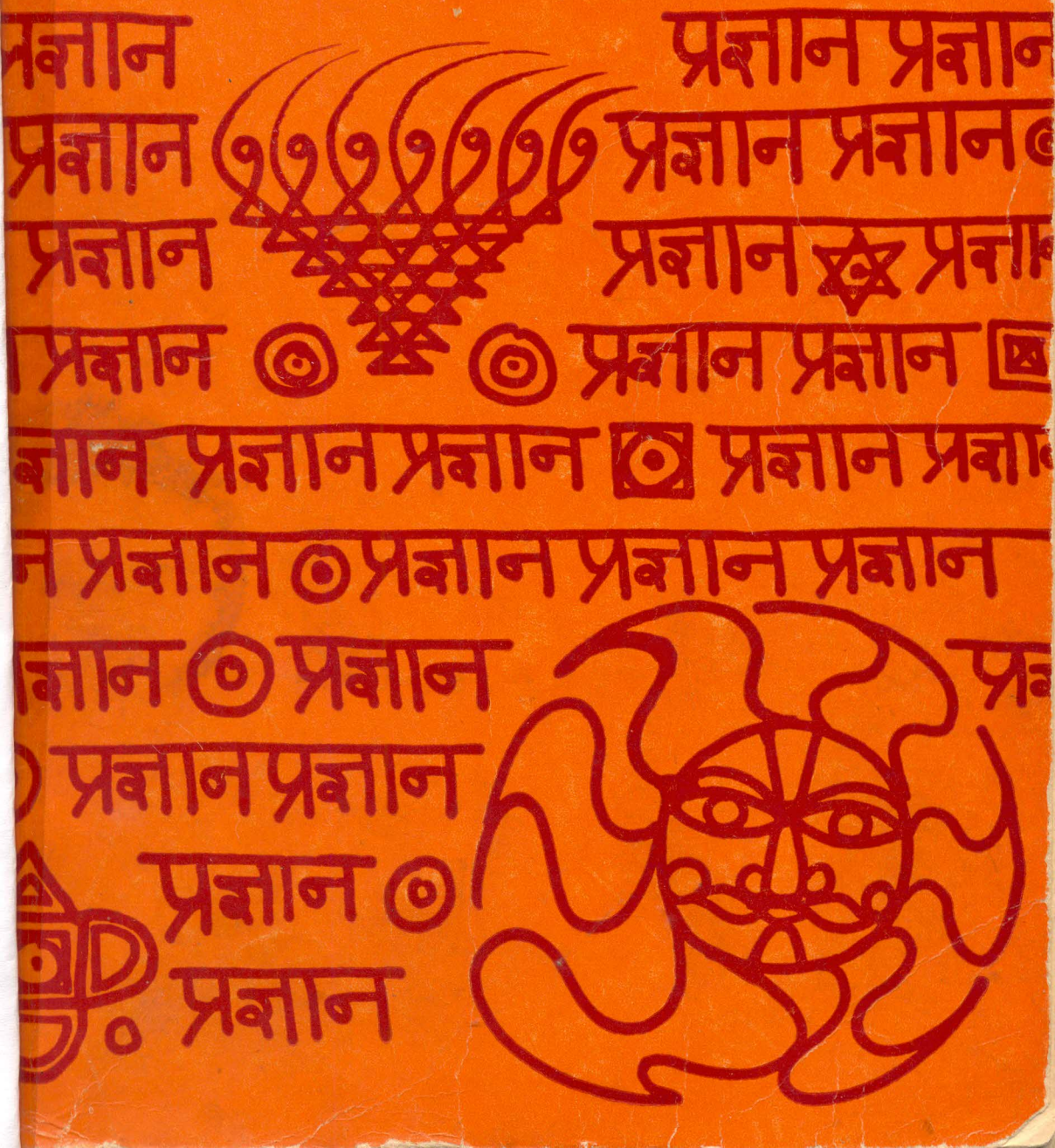

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Contents

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Book Reviews

Inflation in India

S L N Simha (ed)
Bombay, Vora & Co Publishers Pvt Ltd, 378 pp, Rs 48.00

Reviewed by Guruprasad Murthy

Inflation[1] in India is a volume, edited by Shri S L N Simha, comprising of the papers presented for a seminar held, in Madras in December 1973, under the auspices of the Institute for Financial Management and Research. The seminar in which a cross-section of the intelligentsia (academicians, civil servants, finance experts, research scholars and representatives of financial institutions) participated, consisted of four sessions — 'budgetary policy and inflation'; 'monetary policy and inflation'; 'inflation, planning and economic development'; and 'incomes policy, price control and company finance'. The sessions were preceded by the lucid and down to earth practical introductory address of Shri H V R Iengar and the educative inaugural address of Prof C N Vakil, and so the compilation commences in that order.

The introductory address is undoubtedly, the redeeming feature of the seminar. Shri H V R Iengar has very ably commented on the environment of our times in terms of the attitudes of the members of our community and the very vital, near fatal though in our case, role of the same in any economic malaise in general and Indian inflation in particular.

As Shri Iengar would put it "I do not propose to enter into any discussion of what may be called the technicalities of the problem of inflation. I start with the assumption, which is universally accepted in India, that the present inflation is due to an enormous increase in money supply coinciding with an inadequate increase if not drop in production in both the agricultural and the industrial sectors. The solution lies partly in a reduction in money supply and simultaneously in an increase in production" (pp 1-2). Most of the experts have addressed themselves to the technicalities of inflation without resolving adequately the technical conflict involved in identifying the causes of inflation and have come to a conclusion more or less similar to what Shri Iengar has said. In fact

[1] The word inflation means a period of general increase in the prices of goods and factors of production." (Samuelson). Other definitions are available on (p 13, p 69, p 110, p 129-30).

Shri Iengar, unlike the experts, is unequivocal. He accepts that there is limited scope for drastic cuts in Government expenditures, indeed a pragmatic point, because the discretionary expenditures and expenses are few. As a result of the pre-occupation with financial equilibrium, policy decisions operated *de facto* to the detriment of the national economy. Therefore, Shri Iengar suggests the need for emphasis on physical planning, so that financial outlays are productive enough to justify the use of finance.

Prof Vakil in his inaugural address, traces the historic profile of inflation and economic thinking in this behalf, which prevailed in the country. He speaks about the incompatibility of the Keynesian creed in the context of developing economies like India. The lag between investment and output (particularly wage goods) in addition to managerial incompetence, administrative delays and lack of emphasis on physical planning, Prof Vakil asserts, are the root causes of the economic malaise. He argues further that the process of inflation has brought undesirable shifts in the income distribution pattern. The reviewer feels that it is not untrue to say that government expenditure cannot be exclusively blamed for the inflation. Private sector operations are equally if not more inflationary.

The review of 'inflation in India' has to be made in the background of development planning in a democratic set up, with the commanding heights of the economy in the public sector, in a State wedded to a socialistic pattern of society. Thus, the review has been made in the light of the central objectives of development policy in a country like India, which are, as envisaged by the reviewer, as follows:

(a) How fast should the different sectors and the overall economy grow?

(b) What should be the sources of finance to achieve the desired overall and sectoral growth rates?

(c) What should be the asset portfolio given (b) and (c) i.e. the expenditure pattern in the different sectors and the overall economy?

The seminar in its sessions on planning and economic development has two interesting papers by Dr P D Ojha (pp 191-206) and Prof Devasia