

NOTE

Inflation is a national crisis. All the elements of our economic life must, therefore, in time make a conscious and concerted effort to combat it. Complete cooperation among all interests on the basis of a clear perspective of the problem can alone make this effort a success.

In the interest of public knowledge the Economic and Political Research Department, A. I. C. C., is issuing this bulletin, which traces in brief the development of this crisis and the steps the Government of India has taken before and after formulating its policy to avert it.

New Delhi

SHANKARAO DEO

COMBATING INFLATION

INTRODUCTION;—The inflationary pressure through which India is passing to-day originated during the war. The following figures would indicate the gradual development of what may be called the first phase of this inflationary rise of prices.

NOTE ISSUE :

MARCH, 1942.
Rs. 381.73 crores.

MARCH, 1943.
Rs. 643.58 crore

BUDGET DEFICITS

1941-1942.
Rs. 206.69 crores

1942-1943.
Rs. 437.65 crores

Through Government's war expenditure, while money came pouring into the market, goods vanished as rapidly. And soon, the characteristic phase of inflation became evident; too much money began to pursue too few goods and the whole-sale price index moved up by about 100 points within a couple of years,

1941
122

1942
149

1943
215

The rise in prices filled the pockets of the manufacturers and big farmers. The flourishing black-market enriched the traders but it impoverished the lower middle class, increased the distress of factory workers and brought untold misery to the small peasants, landless cultivators and agricultural workers. Of course, in organised industries, wages rose; but it did not rise proportionately to the rise in prices. This led to the gradual deterioration of the relation between the management and labour.