

MECHANICS OF CONSUMER PRICE INDEX NUMBERS ON CORRECTIVE ACTION

R. N. MUKHERJEE

1. *Introduction*

1.1 The Technical Advisory Committee on Statistics of Prices and Cost of Living, constituted by Government of India, recommended a corrective action in compiling consumer price index numbers of a centre (covered under statutory/informal rationing area) to account for shortfall in admissibility of cereals over the base year consumption level. During base year 1958-59 when family budget enquiries were held for evaluating the weighting pattern of consumption of working class population, it was seen that in most of the centres there was neither statutory nor informal rationing of cereals. However, after some years the system of distribution of cereals through statutory rationing or fair price shops was introduced in centres covered under consumer price index scheme for working class. It was noticed that the quantities of cereals distributed through statutory or informal rationing was not always equal to the average quantity consumed by the working class families in the base year. Nevertheless in keeping with the concept of fixed basket of consumption revealed in the base year, as also due to the non-availability of statutory rationed cereals from any other authorised source earlier the said Committee had approved of ignoring the shortfall of rationed supply *vis-a-vis* actual requirements based on family budget enquiry of 1958-59 in respect of statutory rationed commodities. Thus the weight of a particular statutorily rationed commodity at the overall pattern remained unchanged. A weighted average of fair prices and open market prices in respect of commodities under informal rationing was being taken in the ratio of admissibility through fair price shops and balance of requirement from open market.

1.2 Of late it is seen that there is significant shortfall in the scale of admissibility of rationed commodities in statutory rationing area and in the informal rationing system some of the rationed commodities are not available to consumers in open market over the counter. In the context of such change in economy one would obviously infer, there exists a possible shift in the consumption pattern that necessitates conducting large scale family budget survey for