

Long-Run Movement of Prices in Assam

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Introduction

In a dynamic economy everything is subject to change. Change of prices along with other economic variables is a common feature of all the growing economies including India. The economy of the state of Assam being a part of the Indian economy, is no exception to this. The present paper is an attempt to study the movement of both wholesale and retail prices and for different sections of the society over time and space in Assam. The study is based on the information of price indexes from secondary sources for a period of 20 years from 1974 to 1993 (both year included).

Index Number as Measure of Price Fluctuations

Index numbers are commonly used for measuring changes in quantity, value and prices of commodities. Price index numbers were first developed to measure the change in the cost of living in order to determine the wage changes necessary to maintain a constant standard of living. They now continue to be used extensively to estimate changes in prices over time and to measure differences in costs among different regions in a country.

There are some problems associated with the construction of price index numbers. One of the most important among them is to gather a sample of prices representative of the various price quotations for each of the commodities under study. An ideal sample in this regard represents the price changes in different cities and localities, in different types of outlets and for different commodities. It also takes into account the prices of exactly the same items with same specifications collected at different time periods. Another possible sources of error in price indexes is that they may be on list prices rather than on actual transaction prices. List prices change less frequently than the actual prices at which goods are transacted. The third important problem that cannot be completely resolved is the

problem of quality changes in the products. There is no fully satisfactory way to handle quality changes. However a better approach would be to measure the extent to which an observed change in the example, to obtain manufacturers' estimates of the increase or decrease in the cost of production entitled in the main changes in automobiles from one model year to the next. The amount added or subtracted from the cost by the changes can then be regarded as a measure of the quality change; any change in the quoted price not accounted for in this way is taken as solely a change in price.

Use of Price Indexes in the Historical Perspective

Since the paper is based on the wholesale and consumer price index numbers it was felt necessary to write a few lines on the concept of these indexes and their uses in the historical perspective. As we know, wholesale price index number is a measure of changes in the prices charged by the manufacturers and wholesalers. It reflects the changes in the general price level of a country. One of the earliest W.P.I. was produced for Great Britain in 1886, covering the period after 1846 (Encyclopaedia Britannica). The official W.P.I in the U.K., produced by the Board of Trade, goes back to 1871. In the United States, the first major effort to summarise wholesale price changes through index numbers was published in a report of the United States in 1893. The present W.P.I of the United States, maintained by the Bureau of Labour Statistics, has been computed for the period since 1890. The official general purpose index number of wholesale prices in India was first compiled by the Economic Advisor, Ministry of Commerce and Industry in 1947 with year ending August 1939 as the base year (Gupta & Gupta). Subsequently the base years were changed from time to time.

The number of commodities included in the index vary widely from country to country. In large industrial countries like U.K., U.S.A and Germany the commodities that are included usually number in the thousands; but for most countries the number varies from 100 to 200. In the United States the number of commodities included in the index has expanded from 250 when the index was started in 1902 to about 2400 in the late 20th century (Encyclopaedia Britannica). It publishes indexes for commodities classified according to stage of processing, durability of the products and according to the economic

sector for which goods are intended. In India after 1947 the revised series was started in April 1956 with 1952-53 as the base year. The new series of the W.P.I. was started with 1960-61 as the base year on the recommendations of "Wholesale Price Index Revision Committee". It covered 139 commodities, 225 markets and 774 quotations. The latest W.P.I. was constructed with 1981-82 as the base year (Gupta & Gupta).

Since the wholesale price index failed to reflect the effect of the increase or decrease of prices on the cost of living of different classes or groups of people in a society, the Consumer Price Index (C.P.I.) was constructed. The C.P.I. is a measure of living costs based on changes in retail prices. Such indexes are generally based on a survey of sample of the population in question to determine which goods and services compose the typical "market basket". These indexes are widely used to measure the changes in the cost of maintaining a given standard of living. Due to wide variations in the tastes, customs and fashions of different sections of people, their consumption pattern of various commodities also differ widely from class to class and even within the same class from region to region. Accordingly, the price movements affect these sections of people differently. Hence, to study the effect of rise or fall in the prices of various commodities consumed by a particular class of people on their cost of living, the C.P.I. was constructed separately for different classes of people and for different geographical areas.

Wholesale Prices in Assam

To study the fluctuation of wholesale prices in Assam the required price indexes for the period from 1974 to 1993 are presented in Table 1 for their analysis. The data reveals that these indexes are showing a continuous upward movement for all types of commodities including food and non-food items, agricultural and non-agricultural goods. However, the situation was little different just after the Emergency was declared in 1975. The price indexes for those commodities fell between 1975 and 1976 and again started picking up in the subsequent years. Price indexes of food items were always higher than those of the non-food items. As a result, the food items became the main contributors to price changes. However, an indication of reverse trend of higher prices of non-food items over food items has

Table 1. Index Number of Wholesale Prices in the State of Assam (Base : 1953 = 100)

Year	Food	Non-food	Agriculture	Non-agriculture	General
1974	418	294	402	266	377
1975	429	291	410	265	283
1976	384	296	375	270	355
1977	439	350	435	298	409
1978	439	391	439	353	423
1979	460	420	451	428	447
1980	550	456	532	493	524
1981	595	485	566	526	559
1982	612	548	586	614	591
1983	683	618	661	652	660
1984	816	698	799	678	776
1985	887	856	870	892	875
1986	967	854	898	1053	927
1987	986	872	924	1045	948
1988	1052	973	994	1100	1014
1989	1154	1016	1081	1225	1108
1990	1261	1166	1215	1292	1229
1991	1399	1396	1356	1580	1405
1992	1526	1628	1472	1941	1560
1993	1612	1653	1508	2132	1625
ACGR-	15.61	8.60	5.68	10.47	6.42
ACGR-2	8.97	10.34	8.60	12.58	9.43
ACGR-3	7.36	9.51	7.21	11.58	7.99

Source : *Statistical Hand Book Assam*, Directorate of Economics and Statistics, Govt. of Assam, Guwahati.

Note : ACGR-1, ACGR-2 and ACGR-3 denote annual compound growth rates of price indexes for the periods 1974-1983, 1983-1993 and 1974-1993 respectively.

been observed from the year 1992 onwards. From 1974 to 1984 the price indexes of agricultural goods were higher than those of the non-agricultural goods. Thus tendency was reversed from 1985 onwards.

Thus it is seen that at the beginning the price of food items and agricultural commodities registered greater increase than that of the non-food items and non-agricultural commodities. At present non-food items and non-agricultural commodities are registering faster increase in price (Table 1). For the period, 1974-93 as a whole, the annual growth rate of rice indexes for non-food items have reached the figure of 9.51% as against 7.36% in case of food items. The highest growth rate of 11.58% has been observed in case of non-agricultural commodities as against the overall growth rate of 7.99% for all the commodities. As a result the terms of trade has moved in favour of industrial sector and against the agricultural sector though maximum number of people in the state depend upon agriculture for their livelihood. This fall in the relative prices of agricultural goods vis-a-vis the non-agricultural goods has deteriorated Assam's regional terms of trade over the years, as the state is industrially backward.

Besides, it is estimated that the wholesale prices are moving comparatively at a faster rate after 1983 in the period before 1983. The compound growth rate during 1983-94 reached the level of 9.43% as against the rate of 6.42% during 1974-83. This feature is very much common to all the commodity groups like food and non-food items, agricultural and non-agricultural goods.

Consumer Price Indexes for Working Classes in Assam

To study the effect of rise in the prices of commodities consumed by the working class people in Assam on their cost of living, the consumer price indexes for the said class of people are presented in Table 2. It is seen that the consumer price index like that of wholesale price index is showing a continuous upward movement. The index has increased from 368 in 1974 to 616 in 1983 and further to 1418 in 1993. Thus there has been an increase in the annual compound growth rate from 5.89% in the period 1974-83 to 8.69% in the period 1983-93. However, the extent of increase in the index has not been uniform at different towns in Assam. To have a comparative view on the changes in the cost of living of these people in different towns the corresponding indexes for the towns Guwahati,

Table 2. Consumer Price index number for working classes in different Towns in Assam (Base : 1949 = 100)

Year	Guwahati	Silchar	Tinsukia	Assam
1974	347	359	364	368
1975	349	387	415	386
1976	309	325	348	330
1977	343	375	385	367
1978	359	399	396	380
1979	389	446	446	422
1980	450	491	528	494
1981	488	537	538	516
1982	530	567	573	554
1983	584	654	639	616
1984	636	775	713	682
1985	681	838	756	726
1986	729	978	815	783
1987	788	1044	890	851
1988	839	1082	957	910
1989	943	1164	1029	996
1990	997	1214	1108	1064
1991	1085	1377	1238	1176
1992	1230	1548	1371	1315
1993	1320	1664	1482	1418
ACGR-1	5.95	6.89	6.45	5.89
ACGR-2	8.50	9.79	8.78	8.69
ACGR-3	7.29	8.41	7.67	7.36

Source : *Statistical Hand Book Assam*,

Note : ACGR-1, 2 and 3 as defined in Table 1

Silchar and Tinsukia are analysed. It reveals that from 1974 to 1982 increase in the cost of living of working classes was highest in Tinsukia followed by Silchar and Guwahati. After 1983 the situation has changed. Silchar town has become the most inflation-prone town among these three important towns in Assam. In 1974 Guwahati's cost of living index for working classes was the least and that status has been retained by Guwahati for the last 20 years from 1974 to 1993. This is peculiar in view of the fact that while Guwahati is expanding fast to attain the status of a metropolis, Tinsukia and Silchar are in relative stagnation.

The annual compound growth rate of consumer price index has been the highest i.e., 8.41% in Silchar as against 7.29% in Guwahati and 7.36% for Assam as a whole. Before 1983 the growth rate of C.P.I. for Assam was merely 5.89%. This was increased to 8.69% in the subsequent period from 1983 to 1993. This high increase in the growth rate from the period to another has been very common to all the three towns in Assam and specifically more vigorous in the case of Silchar.

Consumer Price Indexes for Rural and Urban Population in Assam

Due to non-availability of data it was not possible to compare the change in the cost of living of rural people with that of the urban people in Assam rigorously. The consumer price indexes for rural population were available only for the plain districts. As far as urban population is concerned only the information about non-manual employees in the Guwahati town were available. Treating these two groups of population as the representatives of rural and urban population in Assam an attempt was made to compare their cost of living. Since the indexes for these two groups of population were available for different base years the same indexes were spliced to a common base year of 1985=100 for the sake of meaningful comparison. It can be seen from Table 3 that virtually there has not been any significant difference in the annual compound growth rates of consumer price indexes for these groups of population for the last 20 years. The growth rates of these indexes of course have increased for both the rural and urban populations from 6.49% to 10.31% and from 6.80% to 9.15% respectively. Increase in the growth rate has been slightly higher for rural population in comparison to its urban counterpart.

Table 3. Consumer Price index number for the Rural Population (Plain District) and Urban Non-Manual Employees in Assam

	Rural Population		Urban Non-Manual Employees*	
	Spliced on the		Spliced on the	
	Base : 1944=100	Base : 1944=100	Base : 1944=100	Base : 1944=100
1974	451	46	249	47
1975	469	48	267	50
1976	454	46	260	49
1977	520	53	279	53
1978	551	56	281	53
1979	584	60	300	57
1980	665	68	337	64
1981	694	71	380	72
1982	709	73	413	78
1983	790	81	452	85
1984	904	92	496	94
1985	978	100	530	100
1986	1023	105	576	109
1987	1091	112	618	117
1988	1192	122	-	130
1989	1356	139	-	138
1990	1537	157	-	149
1991	1735	177	-	168
1992	1962	201	-	192
1993	2112	216	-	204
ACGR-1	6.43	6.49	6.85	6.80
ACGR-2	10.33	10.31	-	9.15
ACGR-3	8.47	8.48	-	8.03

Source : *Statistical Hand Book Assam*,

Note 1 : ACGR-1, 2 and 3 as defined in Table 1

Note 2 : *denotes urban non-manual employees in the Guwahati town only

Note 3 : The figures in the last column from the year 1988 to 1993 are not spliced figures but the actual figures corresponding to base 1985 = 100.

Table 4. Price Index Number for Industrial workers and Agricultural Labourers in Assam (Base : 1960 = 100)

Year	Industrial workers at			Agricultural Labourers			
	Digboi	Marioni	Doom-dooma	Labac	Rangpara	General	Food group
1974	294	276	286	286	280	310	348
1975	320	272	278	276	266	338	383
1976	307	243	246	146	241	282	307
1977	331	272	282	266	286	311	341
1978	338	286	284	278	293	319	349
1979	357	312	305	314	319	354	393
1980	404	338	339	348	354	396	443
1981	437	358	356	348	367	411	456
1982	446	383	382	389	392	455	508
1983	510	445	440	430	438	511	575
1984	581	501	473	460	500	542	609
1985	606	519	493	487	501	556	616
1986	650	525	515	491	518	586	646
1987	703	565	550	536	591	633	705
1988	768	599	601	577	638	694	775
1989	841	647	619	634	662	760	851
1990	923	693	665	661	702	805	895
1991	1046	785	745	751	819	925	1029
1992	1171	877	825	844	902	1077	1212
1993	1278	935	890	906	964	1142	1289
ACGR-	6.31	5.45	4.90	4.64	5.10	5.71	5.74
ACGR-2	9.62	7.71	7.30	7.34	8.21	8.37	8.41
ACGR-3	8.04	6.63	6.16	6.26	6.72	7.10	7.13

Source : *Statistical Hand Book Assam*,

Note 1 : ACGR-1, 2 and 3 as defined in Table 1

Note 3 : The figures for Marioni, Doomdooma, Labac and Rangpara for the years from 1989 to 1993 are the spiced figures (converted from the base year 1982=100 to the base year 1960 = 100).

Before 1983 the growth rate was slightly higher for urban population which has now been reversed after 1983.

Consumer Price Indexes for Industrial Workers and Agricultural Labourers in Assam

To compare the changes in the cost of living of industrial workers at different places in Assam with that of agricultural labourers in the same state the corresponding price indexes are shown in Table 4. It is evident from the table that increase in the prices of food items consumed by the agricultural labourers has always been higher than that of the prices of commodities (food and non food) in general. As a result the agricultural labourers are forced to spend a bigger portion of their income on food items only. In a similar way the consumer price indexes have been higher for the agricultural labourers than that of the industrial workers residing at Digboi, Marioni, Doomdooma, Labac and Rangpara in the state of Assam. Among these five industrial complexes, Digboi is observed to be the most inflation-prone place where price indexes have continuously been higher compared to other industrial complexes in Assam.

As far as fluctuation of prices is concerned it was much lower before 1983. It is estimated that both for agricultural labourers and industrial workers at different industrial complexes the annual compound growth rates of price indexes have increased considerably after 1983. In case of Digboi the growth rate has increased from 6.31% in the period 1974-83 to 9.62% in the period 1983-93 and for agricultural labourers the corresponding rate has increased from 5.71% to 8.37% between the same periods. Besides, the growth rates of cost of living indexes for the agricultural labourers in both the periods have been higher than that of the industrial workers at Marioni, Doomdooma, Labac and Rangpara. However, they have been lower compared to the highest growth rates for the industrial complex at Digboi.

Conclusion

The study reveals that the wholesale and retail prices in Assam are increasing persistently over a period of 20 years from 1974 to 1993. This persistent rise in prices of different commodities is becoming more acute year after year and putting more and more burden

on the people of Assam in general. The poor people in particular who spend a bigger portion of their earnings on food items are being affected more due to higher rise in the prices of those items compared to the rise in the prices of other non-food items. The relative fall in the prices of agricultural goods vis-avis the non-agricultural goods has adversely affected the economy of Assam by leading to deterioration in her regional terms of trade. The cost of living of agricultural and industrial workers and that of rural and urban population have increased tremendously over the years. Agricultural labourers are being more affected than the industrial workers at many places in Assam. Over and above of all these, Silchar has become the most inflation-prone town in Assam in great contrast to Guwahati where erosion of standard of living appears to be the least among all towns of Assam.

References

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