

INDIA'S THALINOMIC SUCCESS

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The release of India's Economic Survey for the year was well timed. Since it came just before lunch, few could resist going straight to Chapter 11. This is not about bankruptcy, but "Thalinomics", described as "the economics of a plate of food in India". The idea is to create a special basket—a thali—of food items in some proportion to trace how expensive the basic Indian diet has become for the common man over the years. For this, it takes price data for imaginary vegetarian and non-vegetarian meals from 2006-07 to October 2019.

So, what does the Survey find? Indians, whose wallets were being pinched year after year on food since 2006-07, were in for relief after 2015-16. By the document's claim, the veg thali got 29% more affordable after that, while the non-veg platter saw an 18% deflation. Also, thanks to an overall moderation in food prices, the average household eating at least two veg meals a day spent 10,887 less per year. The non-veg home saved an average 11,787.

In sum, India has had an impressive thalinomic performance over the past half decades. The Survey credits various reform initiatives of the Narendra Modi government, but the lion's chunk of it should go to the adoption of inflation as an explicit target—with a 6% lid on it—by India's central bank. While farmers complained of poor rewards for their crops, price stability has more or less held. Or did, until late last year, when inflation rose past 7%. The 6% cap is now in for its first real test. All this while, oil prices have been subdued. Also, monsoon showers have generally been plentiful. Demonetization in late 2016 had a disinflationary effect too. Now that food prices are looking up again, the central bank will face its first real thalinomic challenge.

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