

GOVERNMENT INTERVENTION IN ESSENTIAL COMMODITIES

Written by *Rutansha Pradhan** & *Hiranmai Rao Ayyala Somayajula***

* *4th Year BA LLB Student, Ajeenkya D. Y. Patil University, Pune, India*

** *4th Year BA LLB Student, Ajeenkya D. Y. Patil University, Pune, India*

INTRODUCTION

Essential in its literal sense relates to the basic needs of human beings for them to survive and sustain in the world. This is clearly what the Mashlow's hierarchy of needs states that every human being in order to sustain requires food, shelter and clothing as basic amenities. Given the evolution of human beings every such commodity needs to be earned by every individual. This further led to a systemized manner in which a governing authority can take over the mechanism to regulate the sale and purchase of these commodities in the economy.

The pandemic had pushed each and everyone to understand the complexities that may arise and the essentials one might require. The most essential out of these were daily use products, mainly food commodities. With the rising need of such commodities and limited supply, there was a drastic shortage of many such products.

This started with the pandemic approaching but today has a lasting impact on every household, with the drastic surge the prices commodities have reached. Wherein the matter is about goods which are Luxuries for many the shortage in supply can still be understood, but when it is about the Essential Commodities, it may have drastic consequences challenging survival and sustenance of human beings.

The scope of this article is to analyse the role of the government, economic ambit and global scenario in the context of Demand, Supply and Price matrix of Essential Commodities with the help of existing laws which govern the same in nations.

ESSENTIAL GOODS AND GOVERNMENT INTERVENTION

The prices and availability of an essential commodity play a major role in the life of the citizens, due to which regulating the production, demand, supply and cost of such products are under the control of the government. The roots are long embedded since 1939 in India and now, replaced and regulated under the Essential Commodities Act, 1955. It protects the citizens from exploitation of the traders, maintains or increases the supply of certain products, secures equal distribution and availability throughout the nation. The central government has powers under section 3 of the Essential Commodities Act that state - Power to notify the essential commodity under entry 33, list 111 of the 7th schedule of the constitution; Power to issue a control order when it is necessary and expedient for the general public, the government has to secure any specific commodity for the defence of the nation. The government passes such control orders to regulate by granting licences permits or otherwise, to bring under cultivation of any wasteland or arable land, to improve domestic availability, reasonable pricing and regulate artificial inflation due to hoarding and black marketing; example - Drug Price Control Order (DPCO - 2013), to determine entry, scrutiny or confiscation of any essential commodity and to regulate or prohibit any class of commercial and financial transactions. The Central Government may fix the selling price during emergency under section 3A and can delegate such powers to the authority (Price Monitoring Cell, Authorised Controller, Officer of the central government) or any state government or authority under section 5 of the Act. All these powers are necessary in order to keep the market stable.

Tax has been a debated topic for bringing in disparity amongst economic classes. Wherein the Tax for charging different income slabs, a different tax percentage is much a debate already in the sphere of direct taxation. Given the same with Indirect Tax, luxury tax is yet a voluntary tax paid by those sections of the society who willingly hire luxury goods and services. Such goods stand as an exception to essential commodities. Whereas these are commodities on which tax is levied based on the section of the society that consumes it being labelled as the luxurious class, there are taxes imposed on a ground of gender. Taxes are subjected to gender disparity as well.

Blue tax is the tax imposed on the commodities meant for consumption by men.ⁱ

One can recall the debate on sanitary pads being placed to be taxed under the Goods and Service tax. Now the bigger question also shows women who pay Pink tax pay more than men paying Blue Tax on similar goods. The gender based pricing can be mostly seen in goods which are

meant for hygiene or are typically essential given its nature and usage. Clothing and intimate hygiene count amongst the most essential commodities when it comes to females.

That is the case T-shirts or razors meant for women cost more than that of men.ⁱⁱ International Labour Organisation (ILO)ⁱⁱⁱ states that women earn significantly than men.^{iv} Hence their spending ability is significantly challenged by this disparity, especially when it comes to spending on basic amenities. The raw materials used in feminine products are expensive, which includes more Research and Development and hence more manufacturing and packaging cost of the products. But the taxation on these products make it a little more difficult to gauge the rationality which backs the tax levied on such products.

Products which fall under the category of Pink Tax require high inventory as they need to be distributed either to cosmetic stores or pharmacies given or placed differently in the store, cost due to low sales figures and advertising (health for men and beauty for women) are cited as reasons at the distribution level to justify the price differential.

The chart below represents few of such products and differences in the charges of these products:^v

Products	Men's Product (₹)	Female Product (₹)	Difference (₹)
Jewellery	10,650	12,225	1,575
Slipper	199	299	100
Sports Shoe	7,100	8,100	1000
Perfume	1,800	3,300	1,500
Razor	180	249	69

Hence it needs to be understood what measures can the government take in order to counter the disparity in tax regimes. The issue of Pink tax arises from the marketers' end. In 2018 the Central Government, after much criticism, had revised the 12% tax it was imposing on menstrual products. Pink tax does not cover menstrual products as it cannot see any similarity with Blue tax, yet the debate on the same wherein tax levied had to be revised says a lot that can be done with government intervention.

Lemon is majorly produced in Indian states of Andhra Pradesh, Maharashtra, Gujarat. Given the surge in temperature, the yield of lemons was greatly affected. Additionally the surge in petrol prices along with CNG and diesel have affected prices of commodities which are imported drastically. In spite of less supply of lemons, as per Law of Supply^{vi} That has led to a spike in the prices of lemons where a Kilogram weighs at Rs. 350, but the demand is on the contrary pretty high. Chillis cost around Rs.120 per Kilogram and there is a similar surge in prices of tomatoes, onion and potatoes. What exactly has drawn us to this period is the surge in fuel, as a result of the ongoing war between Russia and Ukraine.^{vii} Given the surge and limited supply of Crude oil, refining costs, marketing and distribution with taxes to be borne on it cost the end consumer a hefty amount. It needs to be understood as to what a government can do in such matters where the discussion is related to essential commodities like fuel.

Excise duty^{viii} is one tool the Indian Government has been using to work on such issues pertaining to essential commodities which are based on imports. Petrol prices were cut down by the Central Government of India by Rs 9.5/litre, and by Rs 7 on diesel as the excise duty charged on the same was slashed.^{ix}

The Pearl of Indian Ocean, Sri Lanka had rationed fuel., wherein putting the cap could not assure supply for fuel. Sri Lanka Ceylon Corporation had announced to ration fuel, yet the fuel stations had run out of fuel. Running short of essential commodities like cooking gas had been one threatening issue. Medicines as well have shown a drastic shortage which most are imported, wherein life saving drugs have run out. Though the International Monetary Fund (IMF) assured help, the cost of their expenses may not meet their demand. Given the scenario essential commodities like Rice at LKR 500/kg, Milk at LKR 800/kg and Sugar at LKR 300/kg with no LPG cylinders being available. When the Sri Lankan Governance chose Welfare Development over Nation Building, it came at the cost of survival of citizens in the current day, owing to a lot of political scenarios. In comparison India has faced similar issues wherein

shortages of commodities and surge in their prices as they are imported has impacted the pricing of the same. Every individual's purchase power may stand impacted as the surge in price affects the budgets, but essential commodities cannot be traded with.

CONCLUSION

The scope of this article was to understand essential commodities through the means of economical tools like supply, demand, and price matrix. We further tried analysing the government's role in regularising the commodities for regular use and more importantly the international scenario that has an overriding effect on our economy. Given these situations it can be seen, though countries like Sri Lanka which liberalised quite early in time due to exploitation by territorial and international dominance failed to secure enough for nation building and welfare development as debt took over all. Hence the structure wherein subsidies and relaxations in these times like the slashing of excise duty and Lpg subsidies define the structures of two quite similar nations wherein debt with irregularity in balance of payments can cost a great deal.

ENDNOTES

ⁱ Women's products are 7% more expensive than men's similar products. Women pay more than men for comparable personal care products 56% of the time.

ⁱⁱ In a study conducted by the New York City Department of Consumer Affairs, nearly 800 items in 35 product categories were analysed and they found that the items for female consumers cost more than products for men across 30 of those categories.

ⁱⁱⁱ The ILO estimates that reducing the gap in participation rates between men and women by 25 per cent by the year 2025, could raise global GDP by 3.9 per cent, or US\$5.8 trillion. An important issue in gender pay gap reporting is understanding exactly what it represents and the implications of reporting a gender pay gap.

^{iv} These findings are presented in the flagship publication of the ILO, the Global Wage Report 2018-19, which was released on November 26. "In most countries, women and men differ significantly in respect of working time – specifically, that part-time work is more prevalent among women than among men,"

^v<https://www.thehindubusinessline.com/catalyst/ladies-beware-of-the-the-hidden-pink-tax/article25393027.ece>

^{vi} The economic law of supply states that as the price of a good or service increases, the quantity of goods or services increases and vice versa.

^{vii} The UN Food and Agriculture Organisation said its Food Price Index, which tracks monthly changes in international prices for a basket of commodities, averaged 159.3 points last month, up 12.6 per cent from February.

^{viii} An excise or excise tax (sometimes called an excise duty) is a type of tax charged on goods produced within the country (as opposed to customs duties, charged on goods from outside the country). It is a tax on the production or sale of a good.

^{ix} Additionally, Sitharaman said the Centre will give a subsidy of Rs 200 per gas cylinder (up to 12 cylinders) to over 9 crore beneficiaries of the Pradhan Mantri Ujjwala Yojana.

