ON THE RELATIONSHIP BETWEEN FRUSTRATION AND INFLATION-A CONCEPTUAL MODEL

-DR.NIRMAL SETHIA

INTRODUCTION

Problem of inflation is a multi-dimensional one.Keeping in view this fact several Authors have tried to explain the process which lie behind the phenomenon of Inflation by not only considering the economic variables but various other Non-economic variables i.e.,wars,immigration,the class structure,national character,etc. Frustration is a non-economic but importabt psychological variable.There is a Study available in the economics literature concerning with the relationship The model presented in this paper concentrate on the relationship betwewen FRUSTRATION OF MANUFACTURING LABOURERS AND THE WHOLE-SALE PRICE OF MANUFACTURING GOODS.

SECTION 1

ASSUMPTIONS

---

1)Aggregate demand for manufactured goods remain constant
2)Aggregate demand for basic needs(house and food)is the function of the population of manufacturing labourers,ceteris paribus.
3)Supply of basic needs is the function of the availability of natural resources, ceteris paribus.
4)There are no alternatives available to natual resources.
5)Supply of manufacturing goods is the function of the frustration of manufacturing labourers,ceteris paribus.
6) Population of manufacturing labourers is continously on the rising side.
7) Aailability of natural resources in nature is constant.
8) Market clearing whole-sale price include in it the component of fixed cost.
9) Wage is not the component of fixed cost
10)Initially economy is in equilibrium state.

MODEL

Starting with the equilibrium economic state(Assumption no.10). With time There is a positive change in the population of manufacturing labourers(Assumption No.6).Due to increase in the population there is corresponding increase in the Demand for basic needs(Assumption no.2).Supply of basic needs depend on the Availability of natural resources(Assumption no.3)which are fixed in nature(Assumption no.7). Due to fixed availability of natural resources supply of basic needs is not met in appropriate Quantities.Shortfall in the availability of basic needs create FRUSTRATION amongst Labourers as basic needs are sort of incentive of fundamental importance and it,s Non -availability in required quantities add up to discomfort to labourers.Discomfort In the normal physical existence will naturally create frustration.Prevailment of Frustration lead to fall in the productivity which is reflected in the physical output Produced.Frustration via affecting the qualirty of performance in adverse way lead to More wastage consequently fall in physical ouput and supply of the same.Now due To fall in the supply of manufacturing goods it,s price(whole-sale price)increases Whereas the aggregate demand for these goods remain at it,s original level(Assmption no.1). These is a situation of less supply and higher demand resulting into increase in the whole-sale Prices.Component of fixed cost is the pivotal cause behind higher prices.(Assumption no.8). Market clearing whole-sale price is now higher in comparision to it,s original level.This Rise in whole-sale price is independent of any change in the wage cost(Assumption no.9). With time population force of manufacturing labourers go on increases but the Availability of natural resources does not increases(Assumption no.7) and this situation Maintain the increasing gap between aggrtegate demand and supply of manufacturing Goods via frustration and low productivity.This contious process of increasing Gap between aggregate demand and supply maintain the rising trend in the Index of whole-sale price.This prolonged trend of rise is the familiar situation Of INFLATION.

ECONOMETRIC EQUATION TO PREDICT THE IMPACT OF FRUSTRATION ON THE WHOLE-SALE PRICE INDEX:-

Following is the equation :-

$$X1=B1+B2X2+B3X3+U$$

X1=WHOE-SALE PRICE INDEX
B1=PARAMTER
B2=PARAMTER
X2=NUMBER OF INDUSTRIAL COMPLAINTS(PROXY FOR FRUSTRATION)
X3=NUMBER OF FACTORY ACCIDENTS(PROXY FOR FRUSTRATION)

PARAMETERS ARE TO BE ESTIMATED USING LEAST SQUARE TECHNIQUE WITHIN MULTIPLE LINEAR REGRESSION MODEL FRAMEWORK.