

Abstract for “Inequality, Neighbourhoods and Variation in Prices”

Abhimanyu Dadu (Indira Gandhi Institute of Development Research)

Namrata Gulati (Indira Gandhi Institute of Development Research)

In this study we examine the impact of increasing inequality on price of food products. We perform an unobserved components structural time series analysis of price data on food grains for different districts of Uttar-Pradesh, India. Weekly time series data on prices for wheat for 5 districts in Uttar-Pradesh is obtained from the Department of Economics and Statistics of the Ministry of Agriculture, Government of India (DES-MOA, GOI) for the period 2006-2010. After detrending the data we decompose price into an idiosyncratic trend and a seasonal component using Kalman Filter. We compare individual specific trends for different districts of Uttar-Pradesh and find that there is inverted-U shape relation between inequality and level of price for food grains: if we compare a cross-section of societies, then price of food grain initially increases with increase in inequality and starts declining as inequality increases.