

Rajan invokes dosa economics to say pensioners are better off

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Reserve Bank Governor Raghuram Rajan

Reserve Bank Governor Raghuram Rajan on Friday invoked 'dosa economics' to explain that pensioners are better off in the regime of falling inflation.

Delivering the C D Deshmukh memorial lecture in the capital, he said that a pensioner would be able to buy more number of dosas from lower interest income provided the inflation remained under control.

"...while I sympathise with pensioners, they certainly are better off today than in the past," Rajan said. Elaborating his point, the RBI chief said, a pensioner would be able to buy less number of dosas if the interest rate as well as the inflation remains high.

However, pensioner's ability to buy dosas would increase with fall in inflation as it would also protect the purchasing power of the principal amount invested in bank deposits or other debt instrument.

Pensioners oppose lowering of interest rates as it directly hit their income. Rajan has been trying to keep the retail inflation under check despite pressure from the Finance Ministry and the industry to cut interest rate to boost growth. He will be coming out with the next bi-monthly monetary policy on February 2.