

'Figures for Fun'

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Inflation is raging at galloping rate but the government authorities declare that there is no inflation. It is a strange world of economic jugglery. Every household with fixed budget consumes less goods and services now than previously. More than fifty crore Indians are at present very poor. More Indians now live in destitution than the whole population of India on the day of Independence 62 years ago. Yet these people at the bottom of the social pyramid supply labour and carry the entire structure of society, polity and economy on their shoulders. The bulk of these households do not have incomes, fixed or variable, at regular intervals or in season or out of season. These households cannot think of the day after tomorrow because tomorrow they may die and today breaks with acute hunger.

They are everywhere in India. This poorest income group people are not treated as humans. At NOIDA, a posh suburb of New Delhi, children of migrant labour from West Bengal living in slums there were found disappearing. Police did not help find the cause of disappearance. One woman, following some clues, found bones, skulls and other remains of human beings in a decomposed state heaped in a drain adjoining a house whose owner used to employ the children. She made huge hue and cry. News reporters beamed the episode sensationally on TV channels. The owner of the house, a very rich and influential man, was arrested and cases under sections of abduction, rape, cannibalism and murder were filed against him. Some days later the husband of the poor woman was found murdered. The woman, finding herself in danger, returned to her village in Murshidabad district where she was also drowned, that is, murdered. The cases continue in a court and it has been reported that in one case the accused rich man was granted bail. It is presumed that the accused will soon walk free for want of evidence. The woman was denied protection. Why? Because this poorest income group people, where she belongs to, are disposable.

The entitlements conventionally enjoined on the poorest are being curtailed. The vast masses of people living in forests, hills, river banks, wetlands in primitive state scattered throughout India are ousted at will without compensation and rehabilitation. In India the salt of the earth are pushed to the wall such that no room is left for living. Killing the poor is the Indian ruling class's way of eradicating poverty.

In this background, inflation or no inflation, the standard of life of this major section below the poverty line hovers around starvation level. Amlasole and Kalahandi found place in reports of deaths due to starvation. But many more starvation cases take place daily that are not reported. In this income bracket the marginal propensity to consume (mpc) is exactly 100 percent since they can neither save nor borrow. Lowest income makes this base of the socio-economic pyramid insensitive to variations in the price level in the commodity market. Socially, this lowest income sector is also the most exploited sector. Even a marginal increase in income of this sector is fleeced from them and appropriated by the upper sector such that all poverty alleviation programmes executed

during the Plan period evaporated before reaching this lowest income sector. As a result the money spent for poverty alleviation programmes targeted to this group actually made the rich richer and the poorest still poorer.

The next higher income group BPL, enjoy some paltry amounts of income. Low income holds them somehow at subsistence level. This low income group, the second from the bottom, has mpc greater than 100 percent since they are already steeped in debt and sometimes repay to borrow again. Even though income, however small, reaches this target, it disappears, because the burden of debt is heavy. The increment in income meant for this BPL2 group actually flows towards the rich. Since the mpc is very high in this group and the necessary goods and services only fill their consumption basket, their marginal increase in income net of deductions is spent on the necessaries creating huge demand pull pushing price level upward. The extent of the demand pull varies as the net income that this BPL2 group can retain within.

The lowest group marginally above poverty level, consisting of small farmers, petty workers in the unorganized sector in shops and establishments, casual workers in the organized sector, odd jobbers, the contract labour, part time teachers and workers hired and fired at will etc. are a slippery group perennially in danger of falling into BPL. Only if income from this set of vocations is supplementary in nature can the households in this group sustain long enough in the hope of an endurable end. The mpc of this group is between 80 and 100 percent.

Households in this way can be grouped on the basis of mpc. The other side of the idea of mpc is mps, the marginal propensity to save which is equal to $1 - \text{mpc}$. That means that if one household's mpc is 80% or 0.8, its mps will be $(1 - 0.8 =) 0.2$, that is, if this household's income is Rs 100.00, then it spends Rs 80.00 and saves Rs 20.00. The more income a household earns, the more will be its mps or savings. Assuming normal distribution of income of households and given the savings rate at 30%+ or 0.3+ and the infinitesimally small number of households in the highest income bracket, it is mathematically figured out that each of the richest families in India have mps at 100%+ or 1.0+. What does it mean? Mathematically, it means that this class does not spend money but saves more than it earns! Is that true? No one reads Newspapers and sees on Television that this class spends lavishly. Is then the inference made on data base and statistical calculation wrong? No. How then can these two opposites meet? Simply by the fact that whatever this miniscule class spends on conspicuous consumption for 5+Star comfort is defrayed by the corporate body or bodies that these households own and/or manage and/or direct. It was estimated long back that the maximum that this income group invests as own capital into the firm that they own or direct is 16%, the rest is borrowed capital, that is, people's money. Under the circumstances, if the company they direct makes loss, they lose nothing but the people lose everything and if the company makes profit the people gain nothing but this class gains everything. Similarly, Indian parliamentary political class, a parasite on the vast masses of India, also spends conspicuously. That is, whatever this political class spends on conspicuous consumption in India and/or abroad is defrayed from the public fund. That is, while the political class consumes, the elan of the people of India are sucked. That only explains how India's corporate

and parliamentary political class could amass, accumulate and concentrate income and wealth at meteoric speed.

All that has been stated above indicates that the level of aggregate demand for consumer goods, for especially wage goods, is high enough to pull inflation rate galloping upward even at normal times. Add to this the injection of vast quantity of money multiplied by its velocity of circulation plus creation of credit multiplied by credit multiplier plus the flood of foreign currency-exchanged Indian money in circulation along with its multiplier effect. Taking into account this vast volume of money in circulation along with multiplier effects mentioned above, the price level must continue to rise higher and higher, the inflation rate is bound to accelerate. Ever increasing, quantities of money chasing fixed quantity of food and other wage goods pushes people in the midst of inflation which the ruling class is at pains to cover up and explain away. The Consumer Price Index (CPI) is relegated to the background. Instead, the Wholesale Price Index (WPI), which levels down high price of rice, wheat, onion, potato, pulses, coarse cloth, kerosene etc which are poor man's consumption goods against falling price of luxury flats, cars, durable goods, other luxury items and investment goods the price of which has gone down due to economic showdown (this second group of goods are given more weight in Index calculation), *this WPI based point to point calculation hides the real inflation rate.*

How this manoeuvring takes place can be explained by simple arithmetic. Weight as stated above is a numerical value given to importance. Suppose in 2008 the prices of food, investment goods and luxury goods are Rs. 10, Rs.100 and Rs.50 respectively and the prices of the same changed in 2009 to Rs.50, Rs.80 and Rs 30 respectively. The weights are 3, 2 and 1 respectively. For the base year, 2008, calculation of the index is as follows : Food = Rs.10 = $100 \times 3 = 300$ + Investment Good = Rs 100 = $100 \times 2 = 200$ + Luxury Goods = Rs 50 = $100 \times 1 = 100$. The aggregate is $300 + 200 + 100 = 600$. Average index, that is, Index that one gets commonly is aggregate index divided by sum of indices, that is $600 / 6 = 100$. For 2009, by the same weights the Index is as follows: Food= Rs.50 (5 times the price in 2008) = $500 \times 3 = 1500$ + investment goods = Rs.80 (80% the price in 2008) = $80 \times 2 = 160$ + Luxury goods = Rs30 (60% the price in 2008) = $60 \times 1 = 60$ aggregating ($1500 + 160 + 60$) to 1720 divided by 6 becomes 286.66. That is price level has moved up by ($286.66 - 100 =$) 186.66% point. In the second case one assumes the prices for 2008 and 2009 remain the same as above but the weights are reversed, that is, weight for food=1, for investment goods=2 and for luxury goods=3. In this case the Index for 2008, base year, shall remain constant at 100 but calculation of Index for 2009 will show : (Food= $500 \times 1 = 500$) + (investment goods= $80 \times 2 = 160$) + (Luxury good = $60 \times 3 = 180$) aggregated to ($500 + 160 + 180 =$) 840 divided by 6 becoming 140. That is price level will be shown as moving up by ($140 - 100 =$) 40% point which is far below the 186.66% point as shown above. In this way, the "year to year, point to point" and "week to week, point to point" Index hide reality. It is a conspiracy the ruling class has hatched to fabricate illusion and befool the people. But the people feel overwhelmed and suffocated by inflation swallowing them while the persons in charge say, "No inflation".

Thus inflation rate can be deflated by manipulating weights allotted to goods and services. In the above example, goods and services are given generic names. If and when actual goods are taken into consideration and weights given are suitably manipulated, even a hyper inflation can be hidden and shown as *zero or negative inflation*. There is thus chicanery in this matter. The ruling class has been doing it for many years. One reason behind this, perhaps, is that the authorities are expecting the inflationary situation to end soon due to counter inflationary measures taken already or due to upturn in developed Western economies on which the Indian economy is dependent. There are many other reasons behind it. But that is a different story. □□□