

Inflation : Utopia Deferred

Inflation has been raging in India for the past three years but the ruling Congress-Communist clique played false with facts and figures to conceal the real state of the gathering storm of inflation. Recently the American President in tune with FAO (food and agriculture organisation), a UN Subsidiary, directed his attention to impending world food crisis and soaring food prices and pointed his finger at India, especially. This probably prompted the Congress-led UPA government of India to unveil inflation from hiding and divulge the truth to accept that there is indeed inflation. This acceptance of inflation by the ruling Congress establishment is not addressed to the people of India but is designed to stall the ebbing FDI (foreign direct investment) flow.

Inflation is primarily a monetary phenomenon. When too much money in circulation chases too few goods and services in the market, prices soar. The fiscal and monetary authorities have been pursuing cheap-money policy for several years and recently the same policy has been extended to an absurd limit. Even land-sharks-cum-speculators are being covered by bank-loans through a fuzzy misnomer called development policy. Huge foreign fund either directly or through the web of Indian capital is allowed to flood the Indian commodity, especially edible grains, market. Prices of rice, wheat, cereals, edible oils and spices in the retail market are sky-rocketing for the past eight years in a row. Every household in the low and middle income groups feels the pinch. But the pain of those in the organised and government sectors is partly lulled by the mechanism of dearness allowance and thus they are trapped into money-illusion while other households, left in the lurch, actually bear the brunt of inflation, find their real income reduced every year and thus pauperised, brutalised and silenced to oblivion. The nethermost of them are now virtual non-entities, scattered as they are over the length and breadth of the country. Yet they total up to the population-size of an England or Denmark or even more and if somehow they are organised and united they can prove themselves to be the black-hole for the rabid loathsome and disgusting ruling clique and lead the country beyond the black-hole to a brave new world. But that is wishful thinking, especially in the Indian context.

Inflation pushes up prices and an upwardly mobile price level pushes up business expectations. Investment, that is, more and more investment, takes place and the multiplier effect takes income and employment level to greater heights. Production rises and more and more households come under income flow. All these positive factors charm a government to opt for an inflationary monetary-fiscal policy. A small dose of inflation favours business expectations, so says a Keynesian dictum. And the governments at the Centre and States are following this Keynesian prescription almost since independence, that is for about sixty years. Previously they called the deficit-finance-induced inflation, a kind of savings forced on the people and called upon the people to bear the cost of erecting the commanding height of the public sector by suffering price rises that is, consuming less. The people of India bore great sufferings and sacrifices

due to galloping inflation year after year in the hope that the projected stage of self-sustained growth will be distributed among the forever suffering mass of pauperised people. Nowadays the ruling circles call upon the people to undergo the same sufferings for a different cause, that is building business expectations of the rich! And now the national UPA government at the centre and near home the CPM government in West Bengal are causing inflation by resorting to huge deficit financing every year and are receiving applause and rewards from the national and transnational corporations for their ability and efficiency to keep the inflation to a small dose that is to a single digit level.

On the condition of small dose of inflation, FDI inflows augment the foreign exchange reserve of the Reserve Bank of India. The fiscal and monetary authorities of India, bound by this condition are hell-bent on keeping the annual inflation rate at or below five per cent (5%) level for the past several years to instill high business expectations of international finance capital and its network of Indian agents. The cut-off five percent mark, as it were, sets the standard of efficiency of the government and monetary authorities of India before the World Bank-IMF-WTO. People of India do not count in the ongoing hullabaloo about inflation. The annual inflation rate has crossed eleven percent, far beyond the cut-off mark and their Highness the WB-IMF-WTO are furious!! □□□