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Dim Prospect

The days of shadow-boxing seem to be over. soothing domestic and global woes can no longer work. On 31 May last the Central Statistical Office (CSO) released a sort of marks-sheet on performance in percentage terms of the Government of India, especially its economic ministries headed by its ministry of finance and by implication of the Planning Commission, and the contents of the performance chart has sent cold shivers down the spine of investors resulting in withdrawal of a large chunk of money from the capital market and consequent downward movement of investment indices. The detailed marks-sheet will appear sometime after a fortnight. While the labour front is sleepy surrendering fatally to the corporate power, the latter is taking initiative calling the score-sheet a wake-up call for the government and forcing the government to immediately kick-start austerity drive by clipping off 10% non-plan expenses and banning creation of new posts in every department of government offices, aimed at reducing fiscal deficit by about Rs 20000 crore. But the overall fiscal deficit is a whopping Rs 9.7 lakh crore and therefore this paltry amount of reduction in non-plan expenditure, is not enough.

Since coining the word, 'food inflation', and the captive print and electronic media parroting the word and then some labour leaders too repeating the same before workers befooling them into the false belief that inflation is restricted to some food items only, the common man on the street believed that all will be well as and when food supply improves. Food supply improved after harvesting of the kharif crop immediately reducing vegetable prices in winter as usual. Did that reduce the bite of inflation? No. Why not? Because inflation is a macro-economic event spread over a considerable period of time and is not restricted to a particular group of consumer goods or services. It is an all-embracing phenomenon. The captains of industry want labour to hold nerve and their priests, the media and the political party based Trade Union leaders, rather bureaucrats, prescribe sleeping pills and the workers and peasants are lulled to drowsiness—this is how the economy is managed by the crisis managers in Delhi. But gross economic maladies, like pregnancy, cannot be concealed for long and only toilers' struggles for emancipation can force the ruling elite to unmask itself but this is what is yet to happen in India, of today. But some indications of admissions of truth are visible. The reason is not the bargaining power of labour. It resides elsewhere. Till yesterday the government was boasting of 7 to 8 percent growth of GDP. But the CSO has burst the balloon saying it is a paltry 5.3%. Even that may be an overstatement.

Some economists now admit that the protracted Vietnam War forced the US Federal Reserve System to abandon the gold standard, that is, the system of linking the value of the US dollar to that of gold. The British abandoned G-standard after the Second World War, weakened as they were to a large extent by huge war-finance. The US dollar now is a floating currency and since 1991 Indian Rupee, is anchored with US dollar. Each and every move that the US economy makes sends its ripple effects on Indian economy. And it is quite natural. US economy now is in the throes of recession. International finance capital which is capable to move to places all over the globe in a second on the Internet can inundate an economy with investible fund on the one hand and at the same time dry up another economy at very short notice on the other. The rosy picture that the Singhs and Mukherjees have been painting for some years about growth and development is based on the input of foreign finance. Foreign finance demands a return that has a floor and a band within which that return must move in dollar terms. Inflation in the local market beyond a point can jeopardize their expectation sinking return below the floor of the stipulated band and if foreign finance capital calculates loss in dollar terms, it will definitely move out of the country. What they mean is business and reasonable return, not India's growth dream.

All the cries about 7%, 8% and 10% growth-stories whether in India or China or elsewhere are based on the postulate of flow of international finance capital and therefore subject to the rule set by the highly mobile finance capital. Now the ruling elite admits that inflation is indeed crippling. Why? Largely because imperial finance capital is unhappy with the poor performance of the Indian economy and is contemplating migrating out of India for the paucity of the margin of returns at or near the floor of the band for much too long and the high probability of the margin of returns falling below the floor in near future. The Indian Finance Ministry has been telling the story of volatility in the Indian capital market as due to Greek burden of debt in the European Union. But the volume of trade between India and Greece is too negligible to cast any shadow on India's capital market. The value of all these stories narrated by India's wise men in Economics is set at naught by the fear of flight of foreign capital wholesale from India.

Worries are proliferating about the future. The persons in authority can no longer promise a bright future and their vague words about growth, inflation and fiscal deficit could hardly bring a sense of economic stability to nervous foreign investors. □□□