

Food Inflation!

At last the central government publicly admits inflation, but with a rider. The wisemen in government say it is food inflation, as if prices of other goods and services are not rising. But the so-called crisis managers have forgotten the meaning of the phenomenon inflation, which when appears, envelops the whole economy, which like the “Aila” named hurricane cloud that devastated everything it found in its way covers dark the whole horizon leaving no bright spot, which is not like the autumn cloud—bright, floatng in small pieces and nice to look at in blue sunny sky. When too much money in circulation chases too few goods and services in an economy, inflation appears. It is as normal as anything else. If the goverment carefully watches price level, quantity of money in circulation, GDP-stock and takes appropriate corrective measures in consultation with the Reserve Bank of India, the inflationary situation when it arises may not go out of control as at present. If, on the other hand, the monetary and fiscal authorities are bent on hiding inflation by manipulating indices and weights, they will certainly fail as it is now clear from their admission.

In the last two decades India’s external Debt-Stock-GDP ratio averages 20% and Debt service ratio as percent of GDP has fallen from 35.3 in 1991 to 5.5 in End-June 2009. All production activities in agriculture, industry and service sectors in these two decades are geared to export. The cumulative aggregate effect is bound to show paucity of stock and flow of goods and services in the internal market compared to plenty of money in circulation at the same time frame. The result is inflation. But the government and the organised sector of business activities tried and almost succeeded to silence the most vocal section of the society, the Indian middle class, for a long time by gradually increasing their dearness and other allowances and sometimes by upward revision of pay thus creating a money-illusion among them to make them complacent and content. The Parliamentary Party based Trade Unions joined the chorus to make blue-collared workers lose colour and knack for revolutionary struggles for emancipation from wage-slavery and surrender their historical role to pig-styism, thus making it easy for the ruling elites to conceal the fact from manipulating figures. Yet reality is baring in the open and the government fumbles by calling it food inflation which addage is simply a misnomer. In truth they are speaking in many voices these days while sending the bitter message that they cannot really control inflation.

However the government has come out with the admission of 20% inflation rate in the price level of food items. Prices of fuel, power, light and lubricants are rising. Administered prices of some items kept high were reduced marginally to keep the average price rise at a reduced level. But these outdated tactics won’t work and common man is angry, burning ration shops, forcing the government to threaten stockists. But all these are grimmicks. The fate of unorganised labour and small peasants and others not protected by dearness allowance, who bear the brunt of inflation and who are the majority in the workforce is to keep themselves somehow above the starvation level. How will they survive? □□□

