

# Against Inflation And Wage Freeze



**B. T. RANADIVE**

*President, CITU*

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The new Act freezing wages and D. A. passed by Parliament challenges the working class to a fight and struggle.

Under the Additional Emoluments (Compulsory Deposits) Act, 1974 all additional wages and allowances payable to an employee for one year in pursuance of any wage revision would be impounded in a compulsory deposit account, known as the Additional Wages Deposit Account.

The Act also provides for compulsory deposit of one-half additional dearness allowances payable hereafter for a period of two years in an account known as the Additional Dearness Allowances Deposit Account.

These compulsory deposits will carry interest of 11 per cent i.e. 2.5 per cent above the maximum bank deposit rate (in July it was 8.5 per cent).

The amounts so deposited will be repaid in five equal annual instalments after the stipulated time. Exceptions by way of earlier payments may be made in extreme cases.

As a result of erosion in the value of rupee year after year the deposits the workers keep with the Government under the Provident Fund Scheme are actually returned with less real value. According to a study published in the Economic Times, an employee who contributes Rs. 100 per month to the Provident Fund, deposits Rs. 2400 in a year along with the contribution of the employer. The Study showed that if the employee between 1962 and 1972 paid contributions regularly, the total balance in his account would be Rs. 48,567 including the employers contributions and interest at the rate of 6 per cent per year. However, if the real value of money deposited

is taken into account, then his balance should have been Rs. 81,448 by the end of 1972. He is thus losing about Rs. 32,000 at 1972 prices.

The fate of deposits with the Government under the new Act despite proclaimed higher rate of interest, will also not be different.

The Govt. is openly victimising the workers to benefit the monopolists, landlords and big traders.

No one can trust the Govt.'s word that the new restrictions are meant only for a couple of years. The Govt. proclaimed emergency to meet the situation created by the Indo-Pak War of 1971. The war has ended. The prisoners have gone. But the Emergency remains.

The Govt. had proclaimed a similar emergency after the India-China conflict of 1962 and the India-Pak war of 1965. It again continued for years.

During the last twenty-five years the Congress Govt. has kept the country under Emergency for over ten years.

The new Act may be perpetuated for a number of years and wage-freeze in one form or the other may continue for a prolonged period.

While fighting against this offensive the working class should realise that it is directed not only against the workers but against all sections of salaried employees also.

It embraced within its scope 18 million workers and employees, 6.1 million in the private sector and 11.9 million in the public sector, consisting of 3 million Central Govt. employees, 4.6 million State Govt. employees, 2.5 million employees of Public Sector undertakings and 1.9 million employees of local bodies.

Thus not only the workers in factories, mines, transport, railway and other industries are attacked, the Central and State Govt. employees, the bank, insurance and mercantile employ-

ees, the school and college teachers and university professors all are equally the victims of this attack.

But the story does not end there. The self-employed persons, the professionals, lawyers and doctors are already on the list, and the Govt. has started describing them as tax evaders. This forecasts tax harrassment. Besides they are also subject to compulsory deposit of part of their earnings.

The agricultural worker, the peasant, the small proprietor will be equally affected by the prospective taxation burdens which are to accompany the new measures.

The restrictions on credits and dividends are likely to affect the smaller shareholders and proprietors allowing capital to be centralised in the hands of the big tycoons.

The widest spectrum of society is being attacked under the plea of controlling inflation. In reality it is a measure to manoeuvre against the economic crisis, against the stagflation—stagnation accompanied by inflation—at the expense of the people.

### **Price Control and the people**

The working class, along with the people, has been groaning under the burden of ever-rising prices. The distress and misery caused by the rising price spiral is unimaginable. Real wages have fallen, besides most of the commodities have to be bought in the blackmarket at exorbitant prices ; people have to put up with shortages and have often to go without vital necessities.

Therefore, immediate relief is required, so that the working class and the people are assured of regular supply of necessities at reasonable prices. The working class will therefore support every genuine measure to control prices and bring them down. Do the proposed measures take us anywhere in this direction ?

### **A Class measure**

As is clear, the Act is intended to deprive the workers of wage rise and increased dearness allowance.

It constitutes a direct measure for wage freeze ; for prohibition of revision of wages in favour of the workers.

But it does not stop at that. It does not guarantee even the present emoluments. By sequestering 50 per cent of the additional D. A. it imposes a direct wage cut on the workers for the whole year. The extent of the wage-cut goes on increasing as the cost of living piles up. Thus this is a provision for direct lowering of the real wage by means of law.

A law has been passed prohibiting enjoyment of any wage or salary rise for two years. A law has been passed statutorily freezing the wages and salaries ostensibly for a period of one year. The period may be extended any time.

The Congress cry of Socialism, Garibi Hatao, has ended in a legislative enactment for lowering the wages of workers and salaries of employees.

The working class and the salaried employees, like the rest of the people, have been the victims of high prices and their real earnings have been going down. Now their wages and dearness allowance are held being responsible for the inflationary spiral and they are again being fleeced.

The spokesmen of the Govt. and the Congress are eloquent when money is going in the hands of the working class and middle class employees. They, however, plead complete helplessness when it is a question of restraining money that goes into the hands of the capitalists, the landlords, traders and speculators.

In April, Finance Minister Chavan put a few crores in the hands of the Capitalists by granting them tax relief.

Only a few months prior to the new Acts the Govt. had no compunction in sanctioning inordinate increases in the prices of foodgrains, sugar, vanaspati, cloth and other necessities of life. Prices of these commodities have risen 50 to 100 per cent during the last year. Having ensured fabulous returns for the exploiting classes the Govt. has now struck against the workers, employees and the common people.

How does the Govt. seek to meet the inflation by the reduction of the purchasing power of the workers? By reducing demand, i. e. by forcibly lowering the consumption of necessaries of life by the workers. This is its fine remedy. This is the finale to Indira Gandhi's call for a consumers' strike. Inflation is to be fought not by checking the speculators, by bringing down prices, but by forcing the workers to consume less.

It is known that already the steep rise in prices and the inadequate dearness allowance based on fraudulent cost of living index, have already lowered the workers' standard of living and forcibly reduced consumption of necessaries of life below the minimum level necessary to maintain production efficiency unimpaired; and that workers' children are suffering from malnutrition.

But the Govt's remedy is to force down the consumption of necessaries still further in the name of reducing the demand. The people seek relief from inflation through lowered prices so that they can add to their purchasing power and consume more. But the Govt.'s method of relief is to force people to consume less and allow prices to go on mounting. Even with these so called anti-inflationary measures the Govt. does not promise any relief in prices. Lower wages but no lower prices that is what the Act offers.

The Govt. 'the spokesmen of the Planning Commission and the Congress leaders have been holding out promises of a new national wages and incomes policy. Now its class character is out. It amounts to a forcible reduction of the consumption of the common people and a forcible redistribution of national income in favour of the exploiting classes. The total effect of these so-called anti-inflationary measures is to help capital accumulation in the hands of the tycoons and force the common people to economise on daily necessities.

## Fake reasons

The Govt. justifies the measures saying that it helps to immobilise Rs. 500 crores in the year and thereby reduces money supply with the public. It says that by impounding wages and dearness allowance it will succeed in reducing the money supply by 5 per cent.

Official theory is that prices are too high because there is too much money supply, too much money with the public. Because of this too much money, people buy too much and are prepared to pay high prices. This enables prices to be raised, If the supply of money with the public is curtailed, then there will be less buying and prices will come down. Therefore first curtail the supply of money to the working class and the salaried employees and see that they are forced to buy less.

This absurd reasoning which turns everything topsy turvy is the class propaganda of the ruling classes to confuse and mislead the people.

Any sensible men will ask the question : Who determines the supply of money ; how did the money supply increase to create this spiralling situation ? Why could it not be checked long before ?

Are working class wages and dearness allowances the cause of increased money supply ? Or, are they the results of prices following increased money supply ? And do not figures show that wages and D. A. lag far behind actual prices ?

The opportunist Congress leaders including Mrs. Indira Gandhi indulge in a sleight of hand and give all kinds of excuses to explain inflation. Three years back, it was the Bangla Desh struggle and the influx of refugees. Next it was explained as part of the world-phenomenon by referring to the inflationary condition in advanced capitalist countries. Now it seems that it is the over-supply of money through workers' wages and dearness allowances that are held responsible,

## False claims

The first question is how far does the impounding of wages and D. A. help in curbing the money supply? Does it help to immobilise 5 per cent of the stock of money? This claim is found to be thoroughly bogus, exposing both the ignorance of official spokesmen and the fraudulent character of their claims and propaganda.

In making these claims, official spokesmen do violence to elementary understanding of economics. To quote two eminent economists, Prof. C. N. Vakil and P. R. Brahmanand: "There is a serious error in the Government's assumption that money supply to the extent of Rs. 500 crores will be impounded. It is an elementary notion in monetary economics that the stock of money is a fraction of the total flow of money income. In India, for every five rupees flow of money income, one rupee worth of money stock is required. The impounding of Rs. 500 crores of increment in gross wages would imply an impounding in money supply of only about Rs. 100 crores. Currently, money supply is rising at the rate of 14-15 per cent. The ordinances would therefore immobilise only less than 1 per cent of the stock of money." (*Commerce, July 13*)

So much for the claim to immobilise 5 per cent money stock and release the pressure on prices.

## Prices and Wages

Do wage rises cause price rise? The Govt. argues that price changes are determined by the supply of money and wage rise and dearness allowance lead to increased supply of money. Therefore wages and dearness allowance are the causes of rise in prices and hence they must be controlled.

Every one who has not lost sanity knows that this is a false representation of the economic phenomena of price rise.

The demand for rise in wages and dearness allowance comes as a response to the price rise which erodes the

real wage. The very word dearness allowance has no other meaning than price-rise allowance. It is an attempt of the working class and employess to protect themselves against further robbery of their labour in the process of distribution. During inflationary developments this process, this struggle between the robbed and the robbers, is a continuous process and the capitalists and their spokesmen present it as a process of prices chasing wages.

If, after each wage increase, prices are further pushed up, it is not because of the wages but because of other factors which push prices upwards—supply of money, profiteering, monopoly prices, speculation and cornering. So long as the soil for continuous price rise remains in the shape of these conditions, workers have to constantly demand compensation. All that it reveals is the bankruptcy of the Govt.'s efforts to combat the vested interests and the elements that lead to price rise. In fact, it betrays unwillingness on the part of the Govt. to intervene in the unjust distribution of national product between the haves and the have-nots that inflationary high prices ensure.

What inflation does therefore is to rob the producer second time as a consumer having robbed him previously in the process of production. A wage is agreed to on the basis of a given price level. On the basis of this wage, profits are secured by the capitalists. But not satisfied with these, they and their partners want to rob the workers a second time by charging high prices and when the workers demand compensation, they reply, your compensation is the cause of the price rise.

Actual experience of the Indian situation also reveals the same and presents the Govt. and the employers both as falsifiers and greedy profit-mongers.

There is in India no law guaranteeing a living wage or a need-based minimum wage. (The minimum wages fixed by the Govt. constitute a legal sanction to give a starvation wage.)

There is no responsibility to revise the wage at regular intervals by reference to any decent standard. The entire question is left to the struggle between the workers' movement and the combined force of the Govt. and employers.

Under these circumstances the protection which the working class and employees seek is the protection of their existing wages by full compensation against rising cost of living.

A rapid rise in the cost of living started during the second World War. Since then workers had to demand rise in wages because prices rose fast, not the other way about. Because of this continuous rise, both before and after independence, the employers and the Govt. were forced to accept a regular system of compensation. The Dearness Allowance of various amounts became a part of wage-protection system.

But the workers were all the while being cheated and their wage was being systematically eroded.

In the first place, the principle of full compensation on a point to point basis was not accepted for the overwhelming mass of workers and employees. This meant a guaranteed erosion of real wages and salaries.

Secondly, the cost of living index was manipulated ; was fraudulently compiled to conceal the real rise and deny the workers adequate compensation. To quote but one instance, the Joint Memorandum of the West Bengal Committees of the CITU, UTUC, UTUC, (Lenin Sarani) and Trade Union Co-ordination Centre to the Expert Committee on Consumer price Index Numbers for Calcutta submitted on 30th November 1973 stated, "the workers and employees are being defrauded every year to the tune of Rs. 72 crores on account of Dearness Allowance resulting from fraudulent and erroneous compilation of CPI numbers for Calcutta and most deficient linking factor. And based on the same calculation, the employers have enriched their coffers to the extent of a few hundred crores of rupees during the past few years..."

Thirdly, vast numbers of workers in unorganised industries either get no regular D. A. or there is adhoc increase after a long period of erosion of wages.

Fourthly, even the agreements entered into by organised workers do not provide DA increase on a point to point basis ; they provide for quarterly or six monthly settlements or change in D. A. only after the cost of living has moved beyond certain points.

All these show that prices have been going ahead of wages and they compel the workers to demand adequate D. A. Official statistics show wages have been lagging behind prices and are being eroded.

The real earnings of factory workers, which include basic wage, wage revision, bonus, dearness allowance, have been going down during the last decade. The index of real wage of factory workers ( base year 1961—100 ), was 103 in 1962 ; it continued to go down and reached 94 in 1968 and by 1971 was 102—had not yet reached the level of 1962. These figures are calculated on the basis of a fraudulent index which understates the actual erosion.

Conditions have deteriorated further since 1971. With last year's spurt in prices, with consumer goods prices rising a hundred percent and with shortages of necessities of life, the real wages have been rapidly eroded.

The situation was noted by the Third Pay Commission in relation to the salaries of the Central Employees :

#### Index of Real Wage

	1960	1972
Peon	100	105
Lower Division Clerk	100	91
Upper Division Clerk	100	82
Assistant	100	78

This is the reality. Prices had gathered their own momentum and were mounting. Wages and salaries were falling behind. To

single out wages etc. as the cause of price rise is just falsification of the real process.

If inflation has drastically eroded the real wages of the workers and the employees, it has brought destitution to the mass of the rural people. Years of inflation have ruined the agricultural worker, the handicraftsman and the small peasant.

The mass of agricultural workers have a pittance of wage—Rs. 3 to Rs. 5 at the most except in a few cases. There is no protection against the rising prices, there is no provision for regular rise in wages. There is no provision for regular work throughout the year. Is it any wonder if during this period of continuing prices he is denuded and ruined ?

The peasant is also equally exploited under inflationary conditions. While the big landlords are able to take advantage of shortages, the small producer, forced to sell his product at the harvest time, has to accept a lower price which compares unfavourably with the price of commodities he has to buy to satisfy his personal needs or the need of agriculture. Taxation, high prices, and consequent indebtedness has ruined him,

#### **Who is responsible for the money supply ?**

The Govt. says that the increased money supply is responsible for the price rise. But who is responsible for the supply ? Has the stock of money fallen from the skies ? Who determines the money supply ? The workers, employees agricultural workers and peasants ?

In 1960-61, total money supply with the public was Rs. 2,868.61 crores. It increased later on by leaps and bounds as follows :—

1965-66	Rs. 4,529.39 crores
1969-70	Rs. 6,386.54
1970-71	Rs. 7,139.97
1972-73	Rs. 9,412.23 ,,
1973-74	Rs. 10,758.05 ,,

It is well-known that an important source of this rapid increase was deficit financing by the Govt. to meet the needs of its 'planned development', the needs of capitalist path.

For the Third plan, the deficit financing was of the order of Rs. 1,133 crores; for the three annual plans 1966-69 it was Rs. 682 crores ; for the Fourth plan 1969-74 it was originally estimated to be Rs. 800 crores but the later estimate given in the Draft of the Fifth Five Year Plan document places it at Rs. 2060 crores. However, in 1972 alone total deficit financing amounted to Rs. 1,000 crores. Taking 1971-72 and 1972-73, money supply increased by 30 percent or by Rs. 2129 crores. This was a slightly lower figure than the increase of Rs. 2,240 crores in the preceding four years from 1967-68 to 1970-71.

The 1973-74 budget provided for a deficit of Rs. 309 crores. This of course has been exceeded.

With the introduction of this additional money into the economy, prices rise and the workers and people are defrauded. Are the people responsible for this? Have workers' wages and salaries created these enormous additions to money supply?

Deficit financing includes, besides the overall budgetary deficit, the Reserve Bank of India's transactions in the long-dated securities and is equivalent to the net increase in Govt's total indebtedness to the Reserve Bank as revealed by the monetary data: "However since 1970-71, net Bank credit to the Govt. has exercised a far more expansionary influence on money supply than the net credit to the commercial sector. The Reserve Bank credit to the Govt. increased by Rs. 671 crores in 1971-72 and Rs. 784 crores in 1972-73."

#### Net Bank Credit to Govt.

	Rs. in crores
1969-70 (Mar 31-Mar, 31)	108
1970-71 (        -do-        )	515
1971-72 (        -do-        )	972
1972-73 (        -do-        )	1308
1973-74 ( Mar.-Jan.        )	1032

The growing reliance on credit from the Reserve Bank plays a vital role in increasing the money supply. Besides the Govt.'s credit from the commercial institutions also adds to the price-spiral.

During the last four years, bank credit to the Govt. and commercial sector increased by nearly 90% resulting in a 20% annual growth rate in money supply. The effects of this in the sky-rocketting prices are there for all to see. The Govt. has not yet learnt the lesson. The Draft of the Fifth Plan provides for an increase of Rs. 4574 crores in bank credit to the Govt. for the period, including Rs. 1148 crores from the Reserve Bank. Apart from this, the Commercial banks are expected to contribute by way of loans and credit to Central Govt. undertakings.

Thanks to this prices have risen enormously throwing the budgets of wage and salary earners into complete disarray. The index number of wholesale prices (1961-62 = 100) shot up to 137 by 1965-66; by 1969-70 it was 175.7; in 1972-73 it rose to 218.5; by January 1973, it was 213.5; and by December 1973, it had reached 262.1. By June 1974, it had reached 305.6—a 27.6 per cent increase over June 1973. Food articles index has risen from 246 in Jan. 1973 to 351 in June 1974. The main victims of course have been the prices of foodgrains and food articles, imposing starvation on all sections of the masses—workers, salary earners, agricultural workers, poor peasants. During the period 1968-73, prices of food articles rose by 71 per cent as against the general price rise of 62 per cent. During 1973, as against the rise in the general price level of 28.2 per cent, the rise in prices of food articles was 34.3 per cent.

The All India working class consumer price index (with fraudulent calculations) base 1960 = 100, rose from 194 in Jan. 1972 to 260 by Dec. 1973 and further to 294 in May 1974. The Urban non-manual employees General Index 1960 = 100, rose to 182 in Jan. 1972 and further rose to 223 by Oct. 1973.

In face of this how can the Govt. plead as if this supply of money was not designed, was not let loose on the people with deliberate intention ? The speeches of Finance Minister and Planning Commission spokesmen have been advocating the merit of deficit financing for years. It was considered to be one of the most important sources of finance for the planning efforts of this country. Its use for an under-developed country like India was considered to be legitimate and false virtues were invented in recommending it. It was pleaded that it could always be adjusted to the growth of production ; the money supply could always be related to the supply of commodities and that it would give a push and incentive to production and employment.

But its real content was understood and well-designed. It was intended to raise prices ; it was intended to curb the consumption of the masses to effect a transfer of value from the have-nots to the haves, to promote capital formation. It was a class weapon of transferring the burdens of the capitalist planning to the shoulders of the masses forcing the people to work on short rations.

The point is that rising prices were being constantly used by the Govt. to check consumption of necessities of life by the mass of the people and create surpluses in the hands of the exploiting classes. That is why there could not be any price control because it was never seriously meant.

If today, the Govt. circles feel concerned by the inflationary price rise, it is because the process has now got its own momentum and is threatening the economy with breakdown. The stagflation has invaded India and the Govt. is unable to control it.

#### **Other Factors**

The effects of reckless deficit financing, creation of money with a view to cheat the masses of people by depreciating their labour have been intensified by certain other inevitable factors.

In the first place, the enormous indirect taxation, especially on articles of common consumption, has accentuated the process. High taxation served the same aim as deficit financing. Govt. excise duties and taxation form a substantial part of the prices of products, as every time the levy is added the burden is allowed to be passed on to the consumer. The indirect taxation does not touch the profits of the capitalists of traders ; they go on piling up, but the new burden has to be borne by the consumer masses.

#### Rise in Excise Duties on Essential Commodities

Commodities	1969-70	1974-75 (Budget)
1. Sugar	102.80	196.00
2. Tea	25.01	41.40
3. Tobacco	202.88	343.08
4. Kerosene	96.28	130.00
5. Textile & Jute	231.32	375.80
6. Matches	27.37	30.50
7. Vegetable oils & fats	11.62	19.05
Total	697.28	1135.83
Total Union Excise	1524.31	2852.94

The expansion of credit by the commercial banks on the basis of increased cash and liquidity base has further accentuated the inflationary process. In 1969-70, net bank credit to the commercial sector was the most important factor contributing to the expansion of money supply. During the busy season, October 26, 1973 to Jan. 25, 1974, bank credit expanded by Rs. 590 crores as compared to the expansion of Rs. 338 crores in the corresponding period of the previous year. This expanded credit helps the monopolists and the wholesale speculating elements who are interested in raising prices. Whether it is curtailed or expanded, these elements get away with it.

## Bank Credit to Commercial Sector

( Rs. in crores )

1960-61	1503
1965-66	2655
1969-70	4786
1970-71	5675
1971-72	6523
1972-73	7640
1973-74	9093
1974 April	9328

Thanks to all these, money supply has rapidly increased. The annual rate of growth of money stock increased from 10·8 percent in 1969-70 to 11·2 percent in 1970-71. In 1971-72, money supply increased by 13·1 percent ; in 1972-73, the observed growth rate was 15·9 percent. During 1973-74, in nine months, the supply increased by 9·6 percent. What would the workers, the salary earners and masses of people would not give to have an equal rise in their real earning ?

Thus the constant use of deficit financing to bolster the resources for the successive five year plans, the hectic increase in indirect taxes on all necessities of life and articles of common consumption, the liberal financial accommodation which the banks are permitted to give to stock-holders of agricultural and industrial production have been forcing the price-level to giddy heights.

This reckless method of financing has further created another independent uncontrollable force. It has given birth to the parallel economy, the black money market, which holds the country to ransom by its speculative activities and which the Govt. is unable to control and dares not attack.

Completely assured of handsome profits because of the price rise and relative shortages, the holders of black money concentrate more and more resources in their hands through

illegal operations and widespread tax evasion. The Wanchoo Committee recorded : "The estimated income on which tax has been evaded would probably be Rs. 700 crores and Rs. 1,000 crores for the years 1961-62 and 1965-66 respectively...The income on which tax was evaded for 1968-69 can be estimated at a figure of Rs. 1400 crores for 1968-69...The money value of deals involving black income may therefore be not less than Rs. 7,000 crores for 1968-69. The income-tax evaded for 1968-69 would be of the order of Rs. 470 crores.

Prof. Vakil and other signatories to the Memorandum on a Policy to Contain Inflation sum up the situation regarding black money very effectively :

"The monetary expansion process accompanied by shrinking and uncertain supplies of necessities, in a context of inevitable, but, ill-conceived, and badly and fragmentedly administered controls, has led to the generation of windfall incomes particularly of profits, largely unaccounted to the tax-authorities, in the spheres of hoarding, speculative trading, transactions in real estate and in consumer durables, and diversion of resources to unauthorised lines. The official series of the index number of wholesale prices does not reveal the full measure of the extent of increases in the money prices of many scarce commodities. This would yield an upper limit to the measure of 'black' income for that year of Rs. 9,000 to Rs. 10,000 crores and of 'black' money of Rs. 1,800 to Rs. 2,000 crores. The bulk of the 'black' income would accrue as windfall gains, situational and conjunctural rents, partly to the producers, partly to various intermediaries and partly also to those who have the political and economic power or privilege over the distribution of permits, licences, scarce commodities, and other rights. This has set up a whole hierarchy of very powerful vested interests, engaged in the perpetuation of an economy of scarcities, of segmented decision-making without any integrated principles governing the whole economic process. Two sets of markets like parallel lines exist side by side in the same plane ; but unlike parallel lines, they intertwine and intermesh. And one scarcely knows which one is black and which one is

white. This has led to a system of generation of income in the form of profits and of acquisition of perquisites, which bears no relation to any measure of social contribution to production by the receivers of such incomes." (PP. 3-4)

Instead of directing its fire against these sources, who make a farce of every control and send prices to giddy heights, the Govt. attacks the earnings of the workers and employees who are the victims of this anti-social operation.

### **The classes that are in action**

Some of the economists and Govt. spokesmen argue as if the spiralling prices constitute an impersonal phenomenon, as if the conduct of certain classes is not responsible for it. The excessive money supply creates a fertile ground for the operation of the profiteering interests of the classes who have hold over production, goods or money.

Prices are manipulated by a narrow clique of landlords, monopoly capitalists, wholesale dealers into whose hands the bulk of the stocks go from the places of production. The budgetary and financial measures adopted by the Govt., its need for deficit financing facilitate this manipulation and they multiply the effect of official policies. They exploit the shortages rendered inevitable by Govt's failure to release productive forces, failure to utilise full production capacities and organise distribution of the existing stocks. The practice of the monopolists to restrict production to peg up prices is known. Others send part of their production in the black-market to avoid excise duties, understate production and create artificial shortage in the open market.

### **The class alliance**

Instead of curbing these elements the Govt. throws its weight in favour of the monopolists, capitalist traders and landlords, and fleeces the people in the name of anti-inflationary measures.

Everyone knows that the basic element in the general price-rise is the price of foodgrains; that annual fluctuations and

shortages are exploited to the utmost by the landlords, large farmers and traders. These can be controlled if compulsory procurement of landlords' stocks is made, wholesale trade in foodgrains is taken over by the State, the ordinary peasant is given an attractive bonus to sell his produce to the Govt. and an effective distribution system is organised under supervision of peoples' committees.

These measures are not beyond the capacity of a Govt., not sold to the vested interests. But the Indira Govt. moves in the contrary direction.

The official index of wholesale prices had registered an increase of 27 per cent in 1973 over the previous year while the increase in the prices of essential commodities in the retail market had ranged between 50 and 70 per cent higher, and in some cases even 100 per cent. During the last two months after the presentation of the budgets the retail prices of goods of mass consumption have further gone up by 20 per cent to 50 per cent. Besides, the Govt. announced a 37.5 per cent hike in the price of standard cloth intended for the consumption of the common man.

During the last rabi season, the Government announced the take-over of wholesale trade in wheat, rice and coarse grains and promised adequate supplies to the mass of consumers at controlled rates. But this policy faced a fiasco precisely because the Govt. refused to resort to compulsory procurement of all the surplus of the landlords. As a result, the Govt. could hardly procure 4.5 million tonnes instead of its target of 8.1 million tonnes and landlords and traders were allowed to withhold the stocks to sell them later in the blackmarket. Instead of taking any action against them, the Govt. gave up the policy of state trading in respect of rice and other *Kharif* grains. And instead of learning any lessons, the Govt. continued to increase the prices of foodgrains to benefit the landlords. It has now further increased the price of wheat from Rs. 76 last year to Rs. 105 per quintal and has made a complete *volte*

face in relation to the procurement policy. It has allowed the wholesale traders to enter the market on the basis of their assurance that they will supply 50 per cent of their purchases to the Govt. at a fixed price and they will be allowed to loot the consumer by selling the rest as they like.

The Govt. has also announced further increase in the Central issue price of wheat from Rs. 93 a quintal to Rs. 125 a quintal, which along with the handling charges would amount to an increase of more than 35 per cent in the issue price. And in the statutory-rationed areas wheat will be available at Rs. 1.28 per kg. as compared to Rs. 0.98 per kg. at present.

When the Govt. increased the price of rice to oblige the landlords, it made a present of Rs. 350 crores to them. By adding to it in the free market, the traders might have netted double that amount.

The Govt. has besides announced substantial increases in the prices of commodities whose prices are controlled, including cement, fertilisers, coal and steel. Price of vanaspati has been doubled.

All this shows the class basis of official policies.

### **A world phenomenon ?**

The Congress leaders and the Prime Minister are in the habit of saying that inflation is a world phenomenon and that Indian inflation is a part of this phenomenon. This is only half-truth. Inflation is prevalent only in the capitalist countries and is not to be found in the Socialist countries. In China and the U. S. S. R. there is no inflation. On the other hand prices of necessities of life have gone down or shown only a nominal rise.

There is however some truth in the statement that our inflation is related to that in the capitalist countries. Our economy is linked with the inflation-ridden economies of imperialist countries and through their economic aid, high prices of imported goods and unequal exchange, the effects of their infla-

tion have been exported to India. A country whose economy relies on the imperialist countries for its development efforts is bound to reap this fruit. The Congress regime stays condemned on this count also.

At the same time, it must be realised that inflationary conditions existed here long before they started in the capitalist countries and the link with the latter has only accentuated the processes obtaining in India. This is clear from the differing rates in the size of consumer prices for the decade 1963-1973.

	Average yearly increase between 1963-1973	Increase in 1973 over 1972
U.S.A.	4.5	6.2
U.K.	7.3	9.2
W. Germany	4.2	6.9
France	5.7	7.2
India	11.9	28.2

Pakistan, Sri Lanka, Syria, Iran, Egypt have all lesser rates than India.

### The Second Act

Along with the Act on Wages and D. A., Parliament has passed an Act limiting the distribution of dividends. It lays down that the maximum distributable profits would not be allowed to exceed either (a) 33% of the net profits of the company or (b) 12 per cent of the face value of the equity shares, whichever is less. This ceiling on distribution of profits will operate for a period of two years and would cover not only the Indian Companies, but also the foreign companies.

An impression is sought to be created through this Act that the Govt. is being even handed as between capital and labour. This of course is a totally false claim. The workers and employees are really deprived of part of their means of subsistence. The capitalists are helped to strengthen accumulation in their hands. They lose nothing. They add to their economic strength.

It is true that the restriction on distribution may adversely

affect some smaller industries and share-holders. It will also restrict the ability of some others to invest elsewhere. But by and large, it will strengthen the position of big companies.

During the last year, the private Corporate sector distributed 60 per cent of their profits after tax. The new Act would help the corporate sector to save Rs. 50 crores in a year. Those who will retain this amount will be big companies—some 200 who claim a major part of the retained earnings. The measure, it seems, is intended to lessen the dependence of the companies on bank funds and to that extent help reduction of credit.

This of course is a problem. It has been found by the R. B. I. that at the end of 1971-72, for 1650 larger Public limited companies, borrowings from various sources provided 38 per cent of the total finance employed by the Companies. Bank credit provided 20 per cent of the total finances. Share capital plus resources and surplus provided only 37 per cent. But previous experience shows that this new measure is not likely to produce the desired results. The various measures of restrictions adopted by the Govt. or the R. B. I. have always one thing in common. They attack the lower section and protect the big ones. Some of the recent restrictive measures of the R. B. I. affected the smaller industrialists and created a crisis among them. The danger is also there to-day. The smaller concerns might be affected, closed and the workers and employees thrown on the streets.

### **Hoisted on its own petard**

The danger is all the greater because the Govt. is being hoisted on its own petard. The inflation Bhasmasur is threatening to overcome the bourgeois-landlord economy which it was supposed to expand. A slow and stagnant economy with an absolute decline in per capita income; industries unable to utilise their full capacities; agriculture stagnating, showing big ups and downs and throwing the entire economy into disarray; unemployment in villages and cities reaching colossal proportions—according to one calcula

tion nearly 40 per cent of the working force is unemployed or under-employed ; the vast rural masses turning into destitutes and paupers ; more than two-third of the people living below the starvation line ; foreign debt service and profit payments becoming unbearable ; balance of payments position rendered precarious by oil prices and now by food shortages ; with prospects of huge unemployment in industry, with shortages of power, coal, steel, transport—this is the shape of the crisis confronting the ruling classes and the Govt. wants to keep the economy going by means of manipulations and ruthless repression of the type unleashed during the Railway strike.

The Govt. seeks to take the economy out of this impasse by adopting various means. In the bargain it wants to put the entire burden of the operation on the common man and grind the rural masses and city toilers to dust. The Acts which are paraded as anti inflationary measures are just the first shots in this war to protect the capitalist-landlord economy.

Inflation has created a first rate crisis for the bourgeois-landlord economy obstructing the process of capitalist development, of reproduction. It has created a crisis in the sphere of distribution of surplus value.

Combined with shortages, inflation creates quite a crisis for the industries. With rising inflationary prices, urban and rural masses alike are forced to spend a greater part of their wages on the absolute necessities of life leaving very little purchasing power to buy industrial goods. The inflationary conditions enable the feudal relations to levy a tribute in the shape of continuing rising food prices and transfer part of the surplus to trade and landlords. Wages, salaries, and D. A. which respond to rising cost of foodgrains and necessities of life become the special target of capitalist attack, being held responsible for the leakage of capitalist profits.

The bourgeoisie and their spokesmen call this process accumulation of wealth and riches in the rural areas. They do

not want to mention the landlords. They talk of mopping up the surplus resources through taxation but dare not touch the landlords and endanger their class alliance. In its place, they once again attack the pauperised rural masses in the name of mopping up the surplus purchasing power and levy additional taxes on the middle and small peasants through the price mechanism.

Inflation has created the problem of how to divert the profits of trade, speculation and land-monopolists to industry. Unable to solve it, an attempt is being made to replenish the capitalists at the expense of the workers, the peasants and the employees.

The monopolists, employers and Mrs. Gandhi are shouting in chorus for more production. Without it inflation cannot be tackled successfully, they say. Hypocrisy cannot go further.

Who prevents increase in production? The railway workers increased their productivity by 50% and they got police raids on their colonies. The National Labour Commission noted that while the workers increased their productivity by over 60 per cent, their real wage went down. Thousands of jute workers were thrown out in the last decade, while the rest gave more production. The same is the story of the tea garden workers, coal miners and a host of other industries.

The same is the story of the peasant. The jute grower is ruined when he grows a bumper crop.

Who is responsible for the slow growth in production for the stagnation in agriculture and industry? Are the workers, the employees, the peasants responsible? Who is responsible for the shortage of electricity, for the closure of power plants which has led to so much loss in production?

The Govt. which represents capitalists and landlords does not free the land from the grip of the landlords, causes strangulation of agriculture, imposes starvation and high prices on the workers, employees and the rural masses.

The Govt. with its bureaucratic set-up, with its corruption, with its anti-working class policy is unable to run the public sector undertakings efficiently. Besides, the people have been cheated in respect of these undertakings because of wrong construction and use of second-hand machinery, etc.

The Govt. yielding to the private sector profiteering is unable to utilise the productive capacity of industry to the full. Its inflation, high prices, and reliance on the monopolists and black market finances for running the economy are killing the market and all possibilities of additional employment and production.

In the absence of this, the Govt.'s cry for production is nothing but a demand for sweated labour—a demand that labour and other toilers should produce more at reduced rates of wages to keep up the profits of the capitalists and the gains of the landlords.

Restriction of toilers' earnings with complete freedom to the speculators to trade and loot the people—this is the meaning of official policy. It is therefore not accidental that a few months prior to wage freeze attack, the landlords and wheat traders were given freedom of trade, freedom to fleece the people.

### **Fight we must**

It is inevitable that further attacks will be launched against the people. The present attack itself is all-prevalent and is intended to curb the earnings of all sections except the privileged classes. Hence a broad-based front and fight is necessary. The Central Trade Unions and Federations of employees must come together and endeavour to bring into the common struggle the organisations of other sections—teachers, professors, professionals who are under attack. Above all, the mass organisation of the peasants and agricultural labourers—the Kisan Sabha must join it.

The people want to fight inflation. The working class and the employees want to combat this evil, but by placing the burdens on those who have been robbing the common man.

The working class denounces the new measures as a feint to cover the new attacks against the people. The mass of people require immediate relief through control and scaling down of prices of necessities of life and bringing down the general price level. This can be achieved only if the Govt. is compelled to make a determined attack against the black money economy and destroy its capacity to play havoc with prices. It is futile to talk of holding the price line unless deficit financing is done away with and the Govt.'s heavy indirect taxation which forms a substantial part of the prices of some necessities and articles of common consumption is drastically reduced; unless the Govt. takes compulsory procurement of stocks of foodgrains from the landlords and traders at reduced prices, and purchase the produce of the mass of peasants by offering attractive bonus scales; unless the control of speculators, monopolists and landlords over raw materials, etc. is smashed, and unless the inordinate profits of the monopolists are drastically reduced. This will place the burden of fighting the inflation crisis on the proper shoulders, bring down prices and give relief to the working class, the rural masses and the people as a whole.

Side by side, firm measures of credit control directed against the monopolies, landlords and speculators must be taken. Only in the context of such steps, measures like demonetisation of notes of larger denomination and freezing the deposits of the elements to be curbed can be successful.

The working class must call upon all mass organisations to join in a common fight to defeat the attack on wages and salaries, and the living conditions of the common people and compel the Govt. to accept the alternative policy of combating inflation.

Only on the basis of such a programme will the workers and employees be able to beat off the new offensive, save their earnings and D. A.

The fight against inflation however cannot be won without decisively attacking the positions of the monopolists, land-

lords, speculators and foreign monopolists. To be able to achieve it the working class and the people must demand smashing the land monopoly of the landlords by taking over all their land and distributing it to the agricultural workers and landless peasants, nationalisation of monopoly concerns, moratorium on all foreign payments till the crisis is got rid of and higher and decent wages for the agricultural workers. The fight for these demands will enable the working class to concentrate all popular forces against the oppressing classes and the Govt. which supports them.

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