SWATANTRA PARTY

Receipts & Payments A/c : 1-7-59 to 30-6-60

1647

RECEIPTS

Contribution from Bombay Party	54255.63
Other Voluntary Contributions	108110.00
Quota in respect of Party	257.57
Sale of Literature and other receipts	2628.19
	165251.39

PAYMENTS

Office Equipment		1647.50
Furniture		970.90
Typewriter		1632.50
Office Expenses		1296.97
Salaries		6809.00
Travel & Conveyance		7616.22
Literature & Publicity		38983.75
Stationery		2094.68
Postage		1103.01
Meetings		223.60
Telephone		55.78
Newspapers & Periodicals		33.11
Bank Charges		2.36
Contributions :		
Shri C. Rajagopalachari for Centre		10000.00
Shri S. Y. Krishnaswamy for Centre		5000.00
President's Office-Allowance		1750.00
Andhra	9200	
Assam	2750	
Bihar	11000	
Delhi	2250	
Madhya Pradesh	8000	
Maharashtra	2250	
Orissa	4550	
Punjab	9600	
Rajasthan	5600	
U. P.	17700	
W. Bengal	2250	75150.00
Balance		10882.01
		165251.39

Swatantra Party,
Central Office,
Bombay.

Background note.

Talking points for speakers - Re. Anti-Inflation Day.

The following items will be of useful relevance to speakers on the subject of Inflation. They would go to reinforce various statements made in the two folders attached herewith.

GRAHAM HUTTON on INFLATION: (Extracts from his book "Inflation & Society)

"Not the least of inflation's paradoxes is that its inevitable periodic crises compel inflating governments to produce, despite themselves, the very situations from which they hoped to escape by inflating. In such 'crises of confidence' they are compelled, often in abrupt last-minute panic, to raise taxation, clap on controls, and launch 'dear-money' policies which can only suddenly safeguard the currency by making money and credit far more difficult to get, and far dearer if got, than would ever have been necessary if sound money had been maintained all along."

*

"Continuous inflation, carried as a policy beyond that point, will make hay alike of democratic society and growth itself. The State will then have to round on the trade unions and other pressure-groups, instituting a compulsory 'national wage policy' freezing people in jobs and lines of business, and generally undoing the democratic system of free worker's association, free consumer's choice, and free producer's enterprise."

*

"If the State is administered by timid or lazy governments, inflation seems the easiest way of meeting most people's - at any rate, most productive people's - requirements in the short run."

*

"From that point or stage there are only two roads: one leading on to the overthrow of democracy and personal freedoms altogether; the other leading back to sound money and a reasonable balance between State and private economic action, upon which personal freedoms depend."

*

"If you try to invest in new capital equipment within a given period <u>more</u> resources than your people are prepared voluntarily, or can <u>be</u> compelled by the State, to save from their current production, all prices will get out of gear and inflation will result. "

*

"The democratic State with a mixed economy is forced to control and regulate private persons and business progressively. It is forced, having unleashed inflation, to cover up its effects. It tries to remove the symptoms by new State controls, new regulations, and new laws about the minutiae of personal and corporate life, rather than to remove the disease . And thus democracy undoes itself by creating an increasingly compulsive, restrictive bureaucracy, upon which everyone and everything increasingly come to depend for permits, nods, and so-called initiatives. In the end democratic Parliaments see their own freedom vanish with the value of the currency, and a centralised bureaucracy reigns. A centralised State socialism comes about malgrè governments, oppositions, and citizenry - malgre even

"even the socialists, for they would prefer to bring about their ideal economy by a safer road.

"The fallacy that you can control inflation in a democracy through bureaucratic controls overprices, production and trade persists among us today. But only symptoms are removed; the lady has her double-chin removed by surgery; only to discover it at the back of her neck. The State- today or in history - merely removes one symptom and replaces it with another; or, in attempting to refulate social and economic life while persisting with inflation, runs the machinery of democratic government, the currency itself, and the entirety of social law and order headlong into catastrophe."

*

"The more productive capital a democratic society needs, the more inflation will drive that society on to a three-horned trilemma. It will have to abandon freedom and secure savings forcibly, so long as inflation persists; or it will have to abandon inflation to get the savings voluntarily in a democratic society; or it will have to slow down or abandon economic progress and the necessary rate of formation of capital, if it remains democratic but inflates."

*

"The inflating modern democratic State faces this trilemma, which bears repetition. It must abandon individual and social freedoms if it is both to form new capital fast enough and to inflate. It must abandon inflation if it both desires to conserve freedoms and to form capital fast enough. Or it must abandon hopes of rapid material progress (new capital formation) if it wants both to inflate and to conserve individual freedoms."

*

"That was what Lord Keynes meant when he declared that debauching a currency sapped the foundations of a society more subtly, swiftly and permanently than any other conspiracy. The society which emerges after a period under such a policy of inflation is different. More important, it has to be run differently. So a democratic government may embark on such a policy; but it can only pursue it by controlling and repressing more and more; and it quickly becomes undemocratic."

- - - - - - - - -

The International Monetary Fund Mission report on the risk of Inflation in India states:

"Inflation is a socially costly and economically wasteful means of increasing investment. It encourages excessive investment in inventories, real estate, and foreign balances; and it discourages investment in agriculture and certain fields of industry, particularly if controls hold down prices while costs rise. Thus, inflation diverts the limited resources available for development to sectors where their effect on production is negligible. This is not to deny that there may be a temporary increase in investment as a consequence of inflation; but the experience of many underdeveloped countries is that after an initial increase which may continue for perhaps two or three years, socially productive investment may revert to an even lower level than prevailed prior to the inflation.

"The problem for India is not to secure a short spurt of a relatively large amount of investment. That has been the problem for certain industrial countries at a time when a once-for-all rapid expansion was necessary. For India, however, as for other undeveloped countries, the basic problem is to secure a steady rise in investment in many sectors of the economy and over a long period - in fact, until the momentum of the economy and the growth in its "capacity to save will make such a level of investment normal. It would be shortsighted to jeopardize the structure of the economy and its growth in the directions suited to the needs of the people for the sake of a temporary spurt in investment induced by inflationary means."

"Even in the short run, the problems confronting the Government of India would be greatly intensified by inflation. Inevitably, inflation would impair the international payments position of the country. Exports would become less profitable; foreign exchange receipts would decline. The lack of foreign exchange would make it difficult to acquire the imported equipment and materials required for the Five Year Plan. If the payments problem should become very acute, even the ability to maintain adequate imports of food grains and other essential goods, not directly related to the development programme, might be threatened. Moreover, it would not be possible to attract foreign capital to supplement domestic resources for development if payments difficulties should emerge and persist."

\- - - - - - -

Inadequate rise in National Income:

The following is an extract from an article in the Hindustan Times of September 1,1960 by "Touchstone, entitled "The Importance of being earnest."

"The question that must really worry the Prime Minister and the rest of us ..is whether the Plans are moving towards a fulfilment of this expectation.(viz. that the five-year plans will teach us to direct our physical exertions more purposively and fruitfully , by greater economy in the use of our resources and through greater coherence in our activity and aims.) Such evidence as is available is not entirely satisfactory. Take, for instance, the Central Statistical Organisation's provisional estimate of national income in 1959-60, which was published a few days ago. In the fourth year of the second Plan, we learn, the increase in real national income (that is, after allowing for the rise in the price level) was only half of one per cent. This brings the total increase in real national income over the four years of the second Plan to 12.1 per cent as against the original expectation of 25 per cent, subsequently revised to 20 per cent, for the period of the entire Plan. In other words, while we have managed to spend about as much money as we intended to, on development, the physical results we hoped for promise to be only about half of what we thought the expenditure and the effort would help us to achieve.

"Nor is this all. Although the national income has not been increasing as fast as we expected the population is growing much faster than we were prepared for. The result is that the progress with regard to per capita income has been even more discouraging than the record relating to the national income. In 1956-57 the per capita income (at 1948-49 prices) was Rs.283.5. In 1959-50, the per capita income(provisional) was Rs.291.3 (also at 1948-49 prices). In other words, through the first four years of the second Plan, the per capita income has gone up by less than three per cent."

\- - - - - -

The following statistical data and comments are reproduced from the "Report on Currency and Finance" of the Reserve Bank of India for the year 1959-60.

"Money Supply: During 1959-60, money supply with the public recorded a marked expansion of Rs.202 crores (to Rs.2,701 crores) as compared to Rs.110 crores in 1958-59,Rs.76 crores in 1957-58 and Rs.129 crores in 1956-57. There has been a progressive rise "in the rate of expansion in money supply from 3.3 per cent in 1957-58 to 4.6 per cent in 1958-59 and to 8.1 per cent in 1959-60. The aggregate expansion during the first four years of the Second Plan amounted to Rs.517 crores or 23.7 per cent.

*

"Currency expansion recorded a further sharp rise of Rs.154.5 crores in 1959-60 as compared to Rs.126.2 crores in 1958-59 and Rs. 52.3 crores in 1957-58."

*

(Lakhs of rupees)

Revenue from Excise duties:	1950-51	1959-60
Motor spirit	2,08	36,00
Kerosene	28	6,10
Sugar	6,46	47,36
Matches	8,07	18,00
Footwear	84	1,10
Soap	1,55	2,00
Total Revenue	67,54	339,55

Additional duties:	1958-59	1959-60
Sugar	6,79	12,90
Textiles	5,22	20,49

- - - -

Government of India's borrowings at home and abroad:

	1950-51	1959-60
Loans -		
Internal	30.34	228.93
External	7.75	228.68

--

ax Revenue of States:	1950-51	1959-50
Taxes on Income, Property, Capital Transactions, commodities and services. -	281,05	553,95

*

Foreign Exchange reserves:

End of 1950-51	951,41
End of March 1960	362,87.

*

P.S. All figures in Lakhs of rupees.

- - - - - - - -

A humurous illustration of the effects of inflation:

"Before inflation hit Germany, an old man was put in an insane asylum. At the height of the inflation he was declared sane, given back his purse with a few old coins in it, and told to take cab to his brother's home. When he got there, he asked what the fare was. The cab driver said, "200,000 marks." The man said, "That's more money than I ever saw. I can't pay."

"The driver said, " Let me see what you have." So the man opened his purse; the driver took out a coin and gave him 1,000,000 marks in change !

"The poor old fellow said, "Take me back to the asylum. I'm not cured after all." (From an article in Freeman of September '58 by Mr.Samuel B. Pettengill.)

Controls are NO remedy for inflation!

"..history provides continuous and ample evidence, since the first known price control laws were enacted in Babylonia 3,800 years ago (that controls can never check inflation). They failed of their purpose, as has every similar attempt in recorded history since that time.

"It is ever the same. When a government inflates the money or some other cause pushes prices upward, attempts are made to conceal the symptoms, rather than to attack inflation at its source or otherwise get at the root-cause. The attempt is made to adjust the scale on the thermometer by edict; rather than to cure the fever that causes the mercury to rise - so to speak. The treatment applied to the fever victim is to throw him into a deep freeze." (From an article in Freeman of J July 1958.)

- - - -

Given below are some slogans suggested by some of the State units of the Swatantra Party:

1. "Inflated Currency , deflated economy.
2. "Inflation consumes the consumer, and reduces the producer."
3. "Inflation hunts the hungry and swells the affluent."
4. "Down with Inflation"
5. "Stop Waste; reduce rates."
6. "Planning for posterity does not mean pauperising the people now alive."
7. "Is this a Welfare State or an Ill-fare State ?"

. "The policy of the Congress Government is directly responsible for the increase in the cost of living."

- RAJAJI.

- - - - - - - -

Swatantra Party,
Central Office,
Bombay.

Background note.

Talking points for speakers - Re. Anti-Inflation Day.

The following items will be of useful relevance to speakers on the subject of Inflation. They would go to reinforce various statements made in the two folders attached herewith.

GRAHAM HUTTON on INFLATION: (Extracts from his book "Inflation & Society)

"Not the least of inflation's paradoxes is that its inevitable periodic crises compel inflating governments to produce, despite themselves, the very situations from which they hoped to escape by inflating. In such 'crises of confidence' they are compelled, often in abrupt last-minute panic, to raise taxation, clap on controls, and launch 'dear-money' policies which can only suddenly safeguard the currency by making money and credit far more difficult to get, and far dearer if got, than would ever have been necessary if sound money had been maintained all along."

*

"Continuous inflation, carried as a policy beyond that point, will make hay alike of democratic society and growth itself. The State will then have to round on the trade unions and other pressure-groups, instituting a compulsory 'national wage policy' freezing people in jobs and lines of business, and generally undoing the democratic system of free worker's association, free consumer's choice, and free producer's enterprise."

*

"If the State is administered by timid or lazy governments, inflation seems the easiest way of meeting most people's - at any rate, most productive people's - requirements in the short run."

*

"From that point or stage there are only two roads: one leading on to the overthrow of democracy and personal freedoms altogether; the other leading back to sound money and a reasonable balance between State and private economic action, upon which personal freedoms depend."

*

"If you try to invest in new capital equipment within a given period more resources than your people are prepared voluntarily, or can be compelled by the State, to save from their current production, all prices will get out of gear and inflation will result. "

*

"The democratic State with a mixed economy is forced to control and regulate private persons and business progressively. It is forced, having unleashed inflation, to cover up its effects. It tries to remove the symptoms by new State controls, new regulations, and new laws about the minutiae of personal and corporate life, rather than to remove the disease . And thus democracy undoes itself by creating an increasingly compulsive, restrictive bureaucracy, upon which everyone and everything increasingly come to depend for permits, nods, and so-called initiatives. In the end democratic Parliaments see their own freedom vanish with the value of the currency, and a centralised bureaucracy reigns. A centralised State socialism comes about malgré governments, oppositions, and citizenry - malgre even

"even the socialists, for they would prefer to bring about their ideal economy by a safer road.

"The fallacy that you can control inflation in a democracy through bureaucratic controls overprices, production and trade persists among us today. But only symptoms are removed; the lady has her double-chin removed by surgery; only to discover it at the back of her neck. The State- today or in history - merely removes one symptom and replaces it with another; or, in attempting to refulate social and economic life while persisting with inflation, runs the machinery of democratic government, the currency itself, and the entirety of social law and order headlong into catastrophe."

*

"The more productive capital a democratic society needs, the more inflation will drive that society on to a three-horned trilemma. It will have to abandon freedom and secure savings forcibly, so long as inflation persists; or it will have to abandon inflation to get the savings voluntarily in a democratic society; or it will have to slow down or abandon economic progress and the necessary rate of formation of capital, if it remains democratic but inflates."

*

"The inflating modern democratic State faces this trilemma, which bears repetition. It must abandon individual and social freedoms if it is both to form new capital fast enough and to inflate. It must abandon inflation if it both desires to conserve freedoms and to form capital fast enough. Or it must abandon hopes of rapid material progress (new capital formation) if it wants both to inflate and to conserve individual freedoms."

*

"That was what Lord Keynes meant when he declared that debauching a currency sapped the foundations of a society more subtly, swiftly and permanently than any other conspiracy. The society which emerges after a period under such a policy of inflation is different. More important, it has to be run differently. So a democratic government may embark on such a policy; but it can only pursue it by controlling and repressing more and more; and it quickly becomes undemocratic."

- - - - - - - - -

The International Monetary Fund Mission report on the risk of Inflation in India states:

"Inflation is a socially costly and economically wasteful means of increasing investment. It encourages excessive investment in inventories, real estate, and foreign balances; and it discourages investment in agriculture and certain fields of industry, particularly if controls hold down prices while costs rise. Thus, inflation diverts the limited resources available for development to sectors where their effect on production is negligible. This is not to deny that there may be a temporary increase in investment as a consequence of inflation; but the experience of many underdeveloped countries is that after an initial increase which may continue for perhaps two or three years, socially productive investment may revert to an even lower level than prevailed prior to the inflation.

"The problem for India is not to secure a short spurt of a relatively large amount of investment. That has been the problem for certain industrial countries at a time when a once-for-all rapid expansion was necessary. For India, however, as for other undeveloped countries, the basic problem is to secure a steady rise in investment in many sectors of the economy and over a long period - in fact, until the momentum of the economy and the growth in its "capacity to save will make such a level of investment normal. It would be shortsighted to jeopardize the structure of the economy and its growth in the directions suited to the needs of the people for the sake of a temporary spurt in investment induced by inflationary means."

"Even in the short run, the problems confronting the Government of India would be greatly intensified by inflation. Inevitably, inflation would impair the international payments position of the country. Exports would become less profitable; foreign exchange receipts would decline. The lack of foreign exchange would make it difficult to acquire the imported equipment and materials required for the Five Year Plan. If the payments problem should become very acute, even the ability to maintain adequate imports of food grains and other essential goods, not directly related to the development programme, might be threatened. Moreover, it would not be possible to attract foreign capital to supplement domestic resources for development if payments difficulties should emerge and persist."

- - - - - - - -

Inadequate rise in National Income:

The following is an extract from an article in the Hindustan Times of September 1,1960 by "Touchstone, entitled "The Importance of being earnest."

"The question that must really worry the Prime Minister and the rest of us ..is whether the Plans are moving towards a fulfilment of this expectation.(viz. that the five-year plans will teach us to direct our physical exertions more purposively and fruitfully , by greater economy in the use of our resources and through greater coherence in our activity and aims.) Such evidence as is available is not entirely satisfactory. Take, for instance, the Central Statistical Organisation's provisional estimate of national income in 1959-60, which was published a few days ago. In the fourth year of the second Plan, we learn, the increase in real national income (that is, after allowing for the rise in the price level) was only half of one per cent. This brings the total increase in real national income over the four years of the second Plan to 12.1 per cent as against the original expectation of 25 per cent, subsequently revised to 20 per cent, for the period of the entire Plan. In other words, while we have managed to spend about as much money as we intended to, on development, the physical results we hoped for promise to be only about half of what we thought the expenditure and the effort would help us to achieve.

"Nor is this all. Although the national income has not been increasing as fast as we expected the population is growing much faster than we were prepared for. The result is that the progress with regard to per capita income has been even more discouraging than the record relating to the national income. In 1956-57 the per capita income (at 1948-49 prices) was Rs.283.5. In 1959-50, the per capita income(provisional) was Rs.291.3 (also at 1948-49 prices). In other words, through the first four years of the second Plan, the per capita income has gone up by less than three per cent."

- - - - - -

The following statistical data and comments are reproduced from the "Report on Currency and Finance" of the Reserve Bank of India for the year 1959-60.

"Money Supply: During 1959-60, money supply with the public recorded a marked expansion of Rs.202 crores (to Rs.2,701 crores and Rs.129 crores in 1956-57. There has been a progressive marks as compared to Rs.110 crores in 1958-59,Rs.76 crores in 1957-58 "in the rate of expansion in money supply from 3.3 per cent in 1957-58 to 4.6 per cent in 1958-59 and to 8.1 per cent in 1959-60. The aggregate expansion during the first four years of the Second Plan amounted to Rs.517 crores or 23.7 per cent.

*

"Currency expansion recorded a further sharp rise of Rs.154.5 crores in 1959-60 as compared to Rs.126.2 crores in 1958-59 and Rs. 52.3 crores in 1957-58."

*

<u>Revenue from Excise duties:</u>

(Lakhs of rupees)

	1950-51	1959-60
Motor spirit	2,08	36,00
Kerosene	28	6,10
Sugar	6,46	47,36
Matches	8,07	18,00
Footwear	84	1,10
Soap	1,55	2,00
Total Revenue	67,54	339,55

<u>Additional duties:</u>

	1958-59	1959-60
Sugar	6,79	12,90
Textiles	5,22	20,49

- - - -

<u>Government of India's borrowings at home and abroad:</u>

	1950-51	1959-60
Loans -		
Internal	30.34	228.93
External	7.75	228.68

--

<u>ax Revenue of States:</u>	1950-51	1959-50
Taxes on Income, Property, Capital Transactions, commodities and services. -	281,05	553,95

*

<u>Foreign Exchange reserves:</u>

End of 1950-51	951,41
End of March 1960	362,87.

*

P.S. All figures in Lakhs of rupees.

- - - - - - - -

<u>A humurous illustration of the effects of inflation:</u>

"Before inflation hit Germany, an old man was put in an insane asylum. At the height of the inflation he was declared sane, given back his purse with a few old coins in it, and told to take cab to his brother's home. When he got there, he asked what the fare was. The cab driver said, "200,000 marks." The man said, "That's more money than I ever saw. I can't pay."

"The driver said, " Let me see what you have." So the man opened his purse; the driver took out a coin and gave him 1,000,000 marks in change !

"The poor old fellow said, "Take me back to the asylum. I'm not cured after all." (From an article in Freeman of September '58 by Mr.Samuel B. Pettengill.)

Controls are NO remedy for inflation!

"..history provides continuous and ample evidence, since the first known price control laws were enacted in Babylonia 3,800 years ago (that controls can never check inflation). They failed of their purpose, as has every similar attempt in recorded history since that time.

"It is ever the same. When a government inflates the money or some other cause pushes prices upward, attempts are made to conceal the symptoms, rather than to attack inflation at its source or otherwise get at the root-cause. The attempt is made to adjust the scale on the thermometer by edict; rather than to cure the fever that causes the mercury to rise - so to speak. The treatment applied to the fever victim is to throw him into a deep freeze." (From an article in Freeman of J July 1958.)

- - - -

Given below are some slogans suggested by some of the State units of the Swatantra Party:

1. "Inflated Currency , deflated economy.
2. "Inflation consumes the consumer, and reduces the producer."
3. "Inflation hunts the hungry and swells the affluent."
4. "Down with Inflation"
5. "Stop Waste; reduce rates."
6. "Planning for posterity does not mean pauperising the people now alive."
7. "Is this a Welfare State or an Ill-fare State ?"

. "The policy of the Congress Government is directly responsible for the increase in the cost of living."

- RAJAJI.

- - - - - - - -