

# Furor over food price increases rocks Indian government

**Our correspondent**  
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Popular furor over spiraling food prices is rocking India's ruling coalition, prompting speculation that the government headed by the Hindu chauvinist Bharatiya Janata (Indian People's) Party will not survive 1998.

Prime Minister Atal Vajpayee has himself conceded that the sharp rise in the price of basic foods, particularly vegetables, may cost the BJP heavily in the four state elections to be held November 25. An adverse result, added Vajpayee would have a 'bearing' on the future of his eight-month-old coalition. Polls indicate that the BJP state governments in Delhi and Rajasthan are fighting for their lives, although defeats in those states could potentially be offset by a BJP victory in Madhya Pradesh, where the Congress Party, the Indian bourgeoisie's traditional ruling party, now forms the state government.

Such is the popular furor over the food price increases and perceived fragility of the Vajpayee regime, several of the BJP's coalition partners are seeking to distance themselves from the government. The largest of the 15-odd political formations allied with the BJP, the Tamilnad-based AIDMK, is said only to be waiting for a signal from the opposition Congress to precipitate the Vajpayee government's collapse and switch its support to one led by Congress.

Over the past year India's inflation rate has more than doubled, rising from 3.7 percent last November to 8.5 percent today. But the increase in food prices has been far steeper. So far this year, the Wholesale Price Index (WPI) for food articles has recorded an 18.2 percent increase as compared with a 1.7 percent rise during the first 10 months of 1997. The WPI vegetables sub-group has risen 110 percent, with potatoes and onions showing the greatest increases. Onions, which are a crucial ingredient in most Indian dishes, are selling for six and even seven times the price of a year ago. Wheat

and rice prices have risen 12.3 percent and 7.2 percent respectively.

Because of the extreme poverty that prevails in India--more than 300 million people are deemed by the United Nations to be living in absolute poverty--food price increases can wreak havoc on the lives of tens of millions. A poll of residents in six major urban centers, whose average living standard is far higher than those of rural Indians, found that the food price increases have compelled four out of every five persons to change their diet.

Fearing riots in the national's capital, the government there recently ordered the distribution of onions at lower prices through state shops normally used to distribute rice, milk and other staples.

The trigger for the onion price spiral was a poor onion crop due to heavy rains and flooding. The BJP government, however, is held responsible by the political opposition and much of the public for failing to appreciate the gravity of the crisis. Onion exports were only recently banned and the government has taken only token measures against hoarding.

Earlier this month the West Bengal-based Trinamul (Grassroots) Congress resigned from the coordination committee of the BJP-led coalition in protest against the government's failure to arrest the price hikes. To at least give the impression that his government is concerned, Vajpayee has called a meeting next week of the chief ministers of India's state governments to discuss the price situation.

The food price increases are only the most dramatic indicator of a deteriorating economic situation. Industrial production grew a paltry 3.6 percent during the first half of the current fiscal year (April through September) as compared to 6 percent in the same period in 1997. While the government has set an

objective for a 15 percent increase in exports in fiscal 1998-99, thus far exports, when measured in US dollars terms, have not grown at all. And there is increasing concern the government's revenue projections will not be met, meaning new pressure for cuts in state expenditure.

Initially, India escaped most of the ravages of the East Asian economic crisis. While India's political elite and much of its academic community touted this as proof of the strength of India's economy, it reflected far more India's economic backwardness. India's economy is far less dependent on foreign trade, mainly because of her obsolete infrastructure and technique. In any case, the East Asian crisis is increasingly impacting on India. Foreign investment is stagnating and India's industry is facing increasingly savage competition both at home and abroad from East Asian companies desperate to increase their market share. India's steel producers, for example, are complaining that Asian competitors are dumping steel--i.e. selling it at below cost--in India.

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