**Introduction**

Prime Minister Narendra Modi suddenly announced on 8 November 2016 that all Rs.500 and Rs.1000 currency notes were no longer valid. People were told to get them exchanged for new notes or deposit them in their accounts in banks after providing identity proof. This decision brought India to a halt overnight. Modi who was so keen to get into the Guinness Book of records through mass yoga programmes has established a new world record.. the only Prime Minister who has ensured crores of people queue up for their own money and then are refused it.

Five hundred and one thousand rupee notes constitute 86 per cent of all money in circulation. Overnight all this money, that is around 14 lakh crore rupees was suddenly withdrawn. But it was not replaced with new notes. Imagine if 86 per cent of all your blood is removed and replaced with just 5 per cent, what will happen? You will not survive.This is what the Modi Government has done to the Indian economy. The Bank Employees Federation of India has estimated that even if all the note printing machines work overtime, it will take six months to print an equivalent amount of notes.

Even the most developed capitalist countries such as the U.S. do not have cashless economies. Yet such are the whims and fancies of the present Government headed by Modi, that they want to make India cashless overnight.

In fact India is a cash based economy. Only two to three per cent of the population use credit or debit cards, termed as plastic. RBI data shows that in 2015-16, the total value of non-cash transactions using credit cards, debit cards, electronic transfers of money between bank accounts, mobile wallets and so on was Rs 11.3 lakh crore. In an economy with a GDP of about 136 lakh crore, that is just about 8 per cent.

In such an economy when cash becomes illegal overnight, then the entire country will obviously be affected. It is the common people who are the worst hit – agricultural labourers, small farmers, daily wage workers, rural workers, factory workers, domestic working women, shopkeepers, middle class employees, etc. All across India farmers who are busy preparing for the rabi season have been worst hit as they deal in cash.

Now another most callous move has been made. Whereas both the Prime Minister and the RBI announced that cash can be exchanged till December 31, now because of the failure of the Government to print enough new currency, it has suddenly declared that no more cash will be exchanged. This is another blow to the common people.The very fact that the government has tweaked the rules on a daily basis, 17 new notifications, since the demonetization was announced reveals how ill-planned it was. Some of these – like reducing the withdrawal to 2000 rupees. allowing the use of old notes for buying seed after lakhs of farmers made losses or concessions for those with weddings to conduct, after so many weddings, as though dates can be postponed – reveal a total lack of planning and foresight.

The CPI(M) has opposed the currency ban because it will not lead to any significant dent in the black money economy and on the contrary it is affecting the lives of all working people and the economy as a whole. The CPI(M) has demanded that till December 30, the Government should allow the common people to use the 500 and 1000 rupee notes for their daily transactions or till such time as the Government has sufficient currency in place to relieve the present cash crisis which has engulfed India.

The CPI(M) has demanded strong and stringent steps against the blackmoney holders. The CPI(M) and the Left parties have always been in the forefront of the fight against corruption and against black money. It is the CPI(M) and the Left who have fought against 2G, against Sharda/Narda scams in Bengal, against Bellary type illegal mining, against Vyapam and such like scams. The Left has never and will never compromise on corruption

In this booklet, we look at the major issues of the currency ban and why we say it is not a war against corruption or black money but a war against the people.

**What were the declared objectives of this note ban?**

The Reserve Bank of India’s notification and the government’s own gazette notification of 8th November lists three objectives for banning the Rs 500 and Rs 1,000 notes: 1) it will make useless all the unaccounted wealth (black money) kept in cash; 2) it will get rid of all the fake currency notes in circulation; and 3) it will be a blow to terrorist activities and drug trafficking where these fake notes are used.

Are these objectives being fulfilled?What is the truth?

**What is black money?**

All money and currencies are white money. Money and currency becomes Black money (or more correctly, black economy) when it is illegal and undeclared income. If income tax (or other applicable tax) has not been paid on any earning that is taxable either under income tax or various indirect taxes like excise, customs or VAT, it becomes ‘illegal and undeclared’ and hence black. This black money is inextricably woven into the ‘white economy’ and constantly white money gets turned into black or the reverse. Black money is bad for the society as those who have it are escaping from their duty to pay tax on it which would be used by the government presumably for the benefit of all.

Studies have shown that the biggest source of black money is the fiddling of accounts done by companies. This constitutes more than 80% of the illicit money that flows out of India. The fiddling of accounts is done through under-reporting of production volumes, and over-reporting of labour and utility costs to understate the profits and hence reduce the tax liability. The most common way of transferring money out of the country is by under-invoicing exports and over-invoicing imports. But neither the Modi Government nor the earlier central governments have ever taken any action against the main corporate culprits.

**How much Black Money is there?**

Various experts and committees have tried to estimate how much black money there is in the economy. Obviously, this is a difficult thing because after all it is ‘hidden’ money. However, some estimates have emerged, which indicate that it could range from 20 per cent to 66 per cent of the economy. Since India’s GDP in 2015-16 was about Rs 136 lakh crore, the amount of black money could be anywhere between Rs 27 lakh crore and Rs 90 lakh crore.

**Is this black money kept in 500 or 1000 rupee notes?**

Not at all. The cash component of black money is just 3-5 per cent of total black money wealth. This means that the present note ban is targeting only 3-5 per cent of the black wealth in India, somewhere between Rs 1.4 lakh crore to Rs 4.5 lakh crore. Initial estimates of the government too, quoted by media, put the net recovery of black money at about Rs 4-6 lakh crore. So all the chest thumping and war cries by Modi and his cronies, and his promises of a ‘new India’ in the coming new year, are empty talk because 95-97 per cent of the black money will still be there untouched even if the move meets its targets.

All the news about money being put into false accounts or sacks of money being burnt is all part of that 3-5 percent. It is a fraction and that too from the smaller fry that is being exposed.

Moreover the Government has not explained the logic of banning 1000 rupee notes but printing 2000 rupee notes.These notes are useless today because people do not have enough change.

Therefore the step will not catch the main black money holders of their assets.

**Where is the black money?**

A committee on “Measures to Tackle Black Money in India and Abroad”, set up by the finance ministry in 2012 and headed by the chairman of Central Board of Direct Taxes (CBDT) had said that “demonetization may not be a solution for tackling black money or economy, which is largely held in the form benami properties, bullion and jewellery, etc.”

According to the Government's own reports, the black money made by rich Indians, the tax thieves, is in foreign banks, or invested in gold, bullion, real estate, land etc. The Government has lists of 680 accounts in Swiss banks. Another revelation through the wikileaks Panama papers also had a list of Indians holding accounts in many tax havens. The Government has agreements with countries which are tax havens to avoid double taxation to help corporates and multi national companies. These also enable tax avoidance and generation of black money. The Government also allows companies to invest in India through what are called Participatory Notes which permit the investor to remain anonymous. This is a route to launder black money. Although certain regulations have been put in place, the participatory note route is still not banned.

The main issue is that the big companies and rich individuals do not keep their black money in cash. Therefore they will not be significantly affected by this ban.

**Will terrorist funding through fake currency stop due to this note ban?**

No,it will not. Last year, India’s top investigation agency focusing on terrorism, the National Investigation Agency (NIA), asked India’s top institution for statistical experts, the Kolkata-based Indian Statistical Institute (ISI), to make an estimate of how much fake currency was going around in India. Data on various aspects was provided by the NIA and other security and intelligence agencies including CBI, IB, DRI, R&AW and state police departments.

This study report estimated that only Rs 400 crore worth of fake currency notes were in circulation. That is, just Rs 250 out of every Rs 10 lakh or just 0.025% . This study seems to have been accepted by the government because in August this year, state finance minister Arjun Ram Meghhwal quoted this study and gave the same figure in the Rajya Sabha. And just recently, the government has told the Supreme Court the same thing.

Can this paltry amount of fake currency justify the note ban on Rs 14 lakh crore worth of currency? As the ISI study itself reportedly stated, “the existing systems of seizure and detection are enough to flush out the quantum of FICN [Fake Indian Currency Notes] being infused”. Any sensible person would know that those who make counterfeit notes will start making the new notes also in due course. It is absurd to think up a plan for getting rid of fake notes that involves withdrawing Rs 14 lakh crore of currency from circulation.

**Will the ban stop terrorism?**

The entire country is against terrorism and terrorist acts. But terrorists are not carrying around bags of currency. The avenues that fund terrorism and the politics that create terrorism has to be fought. Intelligence and other official agencies have to be strengthened.Shockingly within two weeks of the new currency note of 2000 rupees being introduced, the security agencies reported that two terrorist killed at the border were carrying two such new 2000 rupee notes. This makes it clear that it is not the currency but the avenues that fund terrorists that have to be dealt with.

**Government says it is a little pain for lot of gain. Is this true?**

It is shameful and callous that the Government Ministers and BJP leaders speak like this. Seventy one people, all of them poor have already died standing in line. There are cases of children having died because their parents standing in lines could not exchange the money in time to ensure their treatment.

The Prime Minister is telling people if our jawans can spend sleepless nights on the border standing watch to protect the nation we too can stand in bank queues for a few days and do our nationalist duty. The jawan at the border is the son of a Kisan. Today it is the Kisans of India who are extremely badly affected. Lakhs of farmers who were bringing their crop to the purchasing centers have not been paid in cash. Kisans who need to spend money to buy seeds and other requirements for the rabi crop do not have the cash. They are worried.They are also part of the lines standing outside banks and now Government seed shops. If the Kisan is worried, the jawan can never be happy.

But the Prime Minister and the Government want to use fake concern for the jawan and fake nationalism to justify the suffering of the people. As we have seen, standing in queues is not going to stop black money. Secondly the main point is someting entirely different.

The real cost is not the inconvenience of standing in queues to withdraw your own hard earned money. It is the loss of economic activity and livelihoods that this move has forced on the people. Large parts of the economy that operate in cash have suddenly been made non-functional. And obviously the worst effected by this are the low-paid workers in informal jobs who got their earnings in cash.

The Engineering Export Promotion Council has estimated that 4 lakh jobs in the labour intensive sectors like textile, garments, leather, jewellery etc have been lost in the last two weeks because of the currency ban.More than 6 million workers out of the approximately 32 million in these sectors have not been paid their wages. In fact these figures may be an underestimation since reports show that in Agra alone 1.75 lakk workers in the footwear industry have been hit. Most of these workers are Dalit workers facing the burden. 20 lakh workers in the plantation sector have also been similarly hit. Crores in the unorganized sector have been affected.

Consider the kind of sectors that operate almost wholly in cash, agriculture, retail trade and construction, for instance. These are also among the sectors that employ the largest numbers of people in India. Anything that reduces their activity to a fraction of its normal level, therefore, immediately throws millions of livelihoods off gear.

It is ironical also that the same people who scream themselves hoarse when trade unions call for a strike to press for their legitimate demands and trot out figures of how many thousand crores will be lost due to labour being unproductive for a day are silent on the effect of crores being unproductive each day because they are spending the day standing in lines.

**Is the Prime Minister's claim that the step is pro-poor correct?**

This is like rubbing salt into an open wound. Help the rich and call it pro- poor. Modi has spent the first half of his term in office concentrating on improving the “ease of doing business” and has been lauded for it by business associations. This involves a series of concessions for the rich.

Now the Government is forcing people, common people to put their money into banks. But they do not have access to their own money. There was never any chance that the “chunavi jumla” of Rs 15 lakh in each Indian’s account would be realized, but today people have to have black marks put on their fingers to take out their own money. In no country in the world have people ever had to take permission to use their own money or were restricted in the amount of cash they could withdraw.

Worst of all is the plight of rural people in many States who have put their money in rural cooperatives. In a dictatorial and arbitrary move rural cooperatives are banned from doing any currency exchange. In Kerala for example where almost 2 lakh crore rupees of people's money is in rural cooperative banks, people have been subjected to immense difficulty.

**Helping the Rich**

Far from helping the poor, Government policies have included directions to the banks to write off loans taken by big business houses and the rich.

Today around 11 lakh crore rupees is owed to banks by these sections.

If a farmer or a small shopkeeper or a student takes a loan from the bank and does not pay it back in time with interest, the banks will issue them notice, takeover their property, send them to jail.

Has this Government punished a single one of the big business defaulters?

On the contrary this Government has written off around 2 lakh crores rupees of money taken by big business. Among them are people like Vijay Mallya, who has been given the gift of a 1200 crore rupees write off.

Through the currency ban, ordinary people are being forced to put their money into banks.This will help the banks to make up the losses because of their write offs to the rich, help them balance their accounts, show a profit and then once again recycle that money to the defaulters.

There is nothing pro-poor about this policy.

**Are the problems temporary?**

The exact magnitude of the economic impact is obviously difficult to quantify precisely, but some think tanks have made estimates and they are shocking. Ambit Capital, for instance, has estimated that the growth rate of GDP will be down to a mere 0.5 per cent in the second half of 2016-17 and the figure for the whole year, therefore, will be somewhere around 3.5 per cent. In 2017-18, it says, the economy will grow at only 5.8 per cent. If these forecasts are even roughly correct, the impact will be much worse than in the global financial meltdown of 2008.

The Centre for Monitoring the Indian Economy (CMIE), another private think tank, estimates that the immediate cost of the demonetization to the economy will be of the order of Rs 1.28 lakh crore. That is about Rs 1,000 per Indian, every man, woman and child. And, of course, the impact will be felt disproportionately by the poor who are most dependent on the cash economy because they don’t have organized sector jobs.

These are private bodies, but even a government think tank like the National Institute of Public Finance and Policy (NIPFP) has come out with a report that the demonetization will present a huge shock to the economy leading to a contraction while its effect on the black economy will be little. So, we aren’t talking about a little pain for the greater good. We are talking about an enormous disruption of the people’s lives, in particular those of the poor, for little or no gain to the country.These are private bodies, but even a government think tank like the National Institute of Public Finance and Policy (NIPFP) has come out with a report that the demonetization will present a huge shock to the economy leading to a contraction while its effect on the black economy will be little. So, we aren’t talking about a little pain for the greater good. We are talking about an enormous disruption of the people’s lives, in particular those of the poor, for little or no gain to the country.

**What Modi and BJP are silent about**

One of the most blatant forms of corruption is political corruption and the nexus between corporates and black money holders and corrupt politicians. The Prime Minister today is totally silent about this aspect of black money. At present there is a petition going on in the Supreme Court. In 2013, the CBI had raided two companies (Birlas and Sahara) in relation to an ongoing investigation. Among the papers found in both companies were a list of political leaders and against their names an amount of money was written. One name was common on both lists. In the Biralas list against 25 crore rupees and in the Sahara list against 55 crore rupees was the name "Gujarat CM". Who was the Gujarat CM at the time? Why has the CBI not taken forward the issue? The Supreme Court has declared that more material should be provided before it will take up the petition.There should be an independent investigation and criminal prosecution of those involved.

The PM made the announcement at 8pm on November 8th. A few hours before the announcement BJP leaders in Kolkata were depositing crores of rupees in 1000 and 500 notes. Clearly they had prior information. This is not the only example. There are reports that in many States including Bihar, in the last month or so BJP was buying property and showing much lower amounts than the actual cost of the land. Is this just a coincidence? It is to get at the truth that the CPI(M) has supported the demand in Parliament for a probe by a Joint Parliamentary Committee.

**Why did the Government take this step?**

A committee on “Measures to Tackle Black Money in India and Abroad”, set up by the finance ministry in 2012 and headed by the chairman of Central Board of Direct Taxes (CBDT) had said that “demonetization may not be a solution for tackling black money or economy, which is largely held in the form benami properties, bullion and jewellery, etc.” Most specialists also agree with this. The Dy Governor of the RBI, Dr.K.C.Chakraborty who has criticised the step has said that the Prime Minister was not briefed properly. Actually this is a diversionary measure to conceal the utter failure of the Central Government to fulfill its election promises, not just about bringing black money back but also fundamental promises to provide jobs and ensure food security to mention a few. As some analysts have said it could also be to get an advantage of " preparations" over others in the forthcoming elections. This has also added another dimension to the Sangh parivar hate filled campaign against anti- nationals.Anyone who opposes the Hindutva agenda from Ghar wapasi, to Killing people in the name of Gau Raksha, to Love jihad and now the politics of note ban as being " nationalist." India does not need certificates from the RSS but the point is that this attempt of the RSS- BJP which must be foiled.

**Conclusion:**

On November 28, the country rose up in protest. This is the beginning of the struggle. The Left parties have demanded use of the 500 and 1000 rupee notes till such time as the system has not been put in place and at least till December 30.

The Left parties also demand that the Government immediately waive all loans to farmers; recover over 11 lakh crore NPAs by confiscating their properties; investigate the Sahara-Birla papers revelations and initiate criminal proceedings, annul Double Taxation agreements with tax havens; publish the names of foreign account holders and the proceeding against them.

The Government’s much publicized tirade against black money is hollow without such measures. The Government must adequately compensate those who have lost their lives as well as those whose livelihood has been ruined.