

*Prepare for the Coming Revolutionary Storms*

# **On the Note Ban: Real Aims and False Claims**

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A Publication of the Communist  
Ghadar Party of India, January 2017

Price Rs. 10.00

Published by  
Communist Ghadar Party of India  
E-392 Sanjay Colony, Okhla Phase – 2,  
New Delhi 110020, [www.cgpi.org](http://www.cgpi.org)

Printed and Distributed by  
Lok Awaz Publishers and Distributors  
E-392 Sanjay Colony, Okhla Phase – 2,  
New Delhi 110020, Phone No: 09868811998  
email: [lokawaz@gmail.com](mailto:lokawaz@gmail.com)

# **On the Note Ban: Real Aims and False Claims**

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The year 2016 came to an end amidst a grave cash crisis created by deliberate government action. The demonetization drive launched on 8th November, popularly called the Note Ban, has led to widespread ruin and wrecking of numerous sectors of social production.

In one stroke, 86% of the value of rupee notes in circulation was declared illegal tender on 8th November 2016. People were given 50 days to deposit their old notes in banks. In a society where a majority of people rely heavily on cash transactions for their survival, the immediate economic impact of the Note Ban has been truly devastating.

Lakhs of daily-wage and contract workers have been thrown out of work, for lack of cash to pay wages. Peasants in many regions have been unable to buy the inputs needed for the *rabi* sowing

season. Wholesale and retail trade has shrunk. So has construction activity, tourism, transport, small and medium-scale industries and services which depend on cash. Several lives have been lost as a result of being unable to pay for emergency medicines.

At the other pole, the Note Ban has created opportunities for several Indian monopoly houses and foreign multinationals to reap enormous profits, including the telecom monopolies and recently created payment banks. It has been welcomed and hailed by the chieftains of the capitalist monopoly houses who call themselves *India Incorporated*. Business Standard reported on 2nd January, 2017, that 21 out of 25 Chief Executive Officers of Indian big corporations expressed satisfaction with the government's performance and that the majority of them expect to step up their investments in 2017.

Destruction of many lives and depriving crores of citizens of their livelihood, as well as the colossal waste of people's time standing in long queues all day and restrictions on cash withdrawals are all being justified as being "*temporary pain*" for the sake of "*long-term gain*". On New Year' eve, the Prime Minister announced various so-called concessions in bank loans as allegedly being the first set of gains for the poor and hardworking people of the country.

What really is the long-term gain and for whom? Which class is the real beneficiary and who stands

to lose? What is the real aim of this suddenly imposed financial austerity program?

This pamphlet consists of three parts. The first part is devoted to an analysis of facts and phenomena to identify and expose the real aims behind the Note Ban. The second part is devoted to a critical appraisal of the government's claims that it will reduce inequality, corruption and terrorism. The third part is what Communist Ghadar Party believes is the real solution to these problems and the immediate program of action towards that solution.

## **Real Aims**

While old notes worth about 15 trillion (lakhs of crore) rupees were banned, less than half this value was replaced by new notes in the first 50 days. According to both the RBI and the central Ministry of Finance, this has been done according to a well worked out plan. What does this show? It shows that the former Prime Minister Manmohan Singh was wrong when he called the Note Ban a "*monumental blunder*", and former finance minister Chidambaram was also wrong in calling it "*colossal mismanagement*". The truth is that a prolonged period of acute cash crunch has been deliberately created, so as to compel people to shift from cash to digital transactions.

The principal aim of the Note Ban is to accelerate "financial sector reform" in the interests of monopoly capitalist billionaires, Indian and international. It is

to force people to put all their savings into banks and move from cash to digital payment mechanisms, so as to strengthen the hands of monopoly finance capital to more effectively and extensively rob the people of their savings.

The concrete result of banning 86% of the value of old rupee notes has been the transfer of more than Rs. 13 lakh crore of such notes from the hands of the public into the banks. Banks are suddenly flush with enormous money deposited by the public at a low interest rate, with continuing strict limits on cash withdrawals. While retaining some of this as cash reserves, the banks can lend the rest and improve their profitability.

Mukesh Ambani, head of one of the biggest Indian monopoly houses, is reported to have praised the Note Ban announced by the Prime Minister saying, *“With one single step, he has brought all the unproductive money into productive use. This will enhance credit flow in the economy ...”* When he talks of “productive use” he means the production of maximum profits for monopoly capitalists like himself.

Indian and foreign monopoly capitalists see an untapped opportunity for huge profits by forcing people to be a part of digital payment systems. Right from 9th November, numerous digital payment companies started advertising their services. On every digital transaction, the banks and companies providing the payment mechanism

expect to collect a commission or fee of up to 2 percent. Such fees are presently being collected from the merchants who sell to the public. Once it becomes widespread it will add to the price of commodities that people have to pay.

Mukesh Ambani's Reliance Jio obtained on 10th November a licence for operating a payment bank, and is hoping to corner the largest share of the market for digital payment services. Reliance Jio's plan is to set up the payment bank as a joint venture with the State Bank of India. Others who have obtained licences for operating payment banks include Idea Mobile owned by the Birlas, Airtel owned by the Mittals and Paytm owned by the Tatas and the Chinese Alibaba group.

According to a report by the Boston Consulting Group, one of the largest consultancy companies of the world, there is an annual business of \$500 billion (a quarter of the country's GDP) waiting to be made within the next five years in the Indian digital payments industry. That means potential profits of up to \$ 10 billion, i.e., Rs. 65,000 crore every year.

For the monopoly capitalists to tap the potential profits from digital payments, at least 50 crore Indians would have to abandon cash as the preferred mode of daily transactions and start using one or another form of non-cash payment. Persuading the majority of Indian people to change their behaviour would take too long. Hence the monopoly houses decided that the best way

to accelerate this process is to deprive people of cash.

Moving away from cash and towards digital payments is part of the so-called *governance reform agenda* that is promoted by the Anglo-American imperialists and by the World Bank, Bill and Melinda Gates Foundation and other donor agencies. It appears to be a progressive agenda for the benefit of all, while in truth, the principal beneficiaries are the capitalist billionaires.

If all or the majority of economic transactions become recorded and the information is available to the State, it not only expands the potential base for taxing the public and for levying service fees. Large databases with detailed information on every individual are used for targeted advertising, targeted political propaganda and for subverting any threat of revolution.

Money has taken many forms over the long history of exchange and commodity production – from grain and cattle to gold, coins and paper notes. The replacement of paper money by digital money transfers is a further development, which in itself is not objectionable to the working class and other toilers. What is objectionable is the domination of greedy monopoly capitalists over the banking system and the State, as a result of which technological advance is used to maximise exploitation and wholesale robbery of the toiling majority by a tiny minority.



Following the global financial crisis of 2008, the use of the government budget to bail out big banks in the US and some European countries was met with widespread opposition among the people. Why should public funds be used to bail out capitalist banks which have piled up losses because of speculating with people's deposits? This was the legitimate question that the working class and people were raising in the US and other capitalist countries.

In 2009, the leading imperialist powers set up a Financial Stability Board (FSB) to come up with ways to prevent big banks from going bankrupt. The FSB came up with a proposal called a '*bail in*' strategy to ensure the stability of the financial system. Instead of pumping budgetary funds into banks to prevent them from failing, the *bail in* strategy proposes that part of the money belonging to depositors can be robbed and used to save the banks. It recommends that laws be passed to make this robbery legal.

The first concrete example of this strategy took place in Cyprus in 2013. Laws were passed to impose a freeze on people's deposits, making them pay for the crimes of greedy capitalists who were responsible for the banking crisis. In the case of Greece, the big banks imposed financial austerity on the entire people, preventing them from withdrawing cash from their own deposits for an extended period of time.

This strategy was endorsed in 2014 by the G20, including the Indian State. A committee set up by the Ministry of Finance submitted a draft Financial Resolution and Deposit Insurance Bill on 21 September, 2016, just two weeks prior to the Note Ban. The proposed Bill envisages the creation of a Financial Resolution and Deposit Insurance Corporation, with the power to impose a “*reasonable limit*” on the protection of people’s bank deposits.

All these facts show that the Note Ban is part of a strategy to make the people pay for resolving the banking crisis that has been caused by big capitalist defaulters. The situation of deep crisis affecting Indian banks, due to massive capitalist loan defaults and declining deposits and loans, is being turned around at the people’s expense. The Note Ban is delivering a boom in savings deposits, along with tight limits on cash withdrawal, thereby opening up prospects for profitable bank lending to grow in the near future.

Global and Indian monopoly corporations are upbeat about a predicted boom in new home sales and cheaper car loans in 2017. Monopoly companies are planning to use the destruction caused by the Note Ban to their advantage, to further expand their tentacles in various sectors.

The so-called concessions announced by the Prime Minister on the eve of the New Year are not really any concession. The lower rate of interest

being offered on bank loans to poor peasants and others is actually higher than the rate of interest banks are paying on savings account deposits. In other words, after compelling people to lend to the banks cheaply, we are now being told that our own money will be loaned to us at a higher rate. This robbery is being presented as a New Year Gift!

In sum, the real aim of the Note Ban is to impose the burden of the crisis caused by capitalist loan defaulters on the backs of the working people and pave the way for the super-rich to keep growing richer as fast as possible. It is part of the agenda of financial sector reform that is being promoted globally to enable finance capital to rob citizens at will.

## **False Claims**

Announcing the Note Ban at midnight on 8th November, Prime Minister Modi presented it as being a crusade against the growing inequality of wealth, and against corruption and terrorism. He claimed that the aim was to unearth the black money hoarded by corrupt persons and deploy it for the benefit of poor hardworking people. He appealed to all Indians to bear with hardship for 50 days for the sake of achieving these noble goals.

## **Lie No.1: Reducing Inequality of Wealth**

The BJP-led government headed by Modi has been marketing the same worn out *“trickle down”*

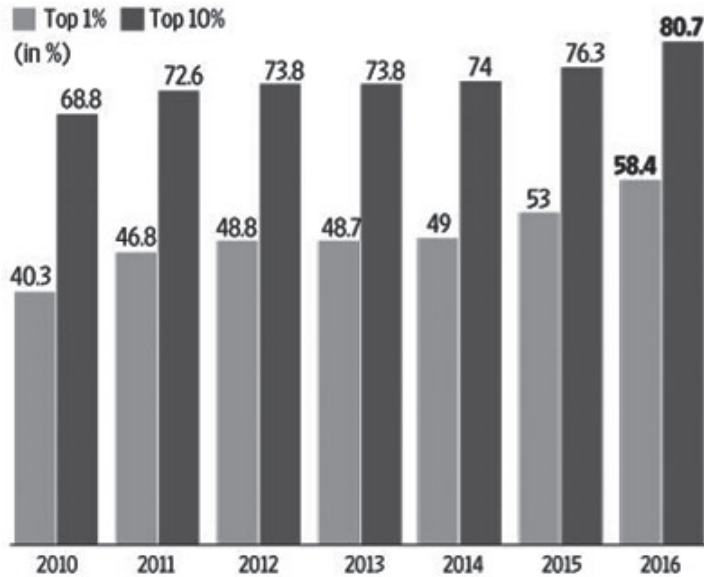
theory which was promoted by the Congress-led government headed by Manmohan Singh. Globalisation, liberalisation and privatisation continue to be promoted as the panacea to solve all economic problems. Facts, however, keep revealing that whether capitalism grows more or less rapidly, the rich are growing richer at an accelerating pace, at the expense of the toiling majority who remain poor and grow even poorer.

Available data show that the wealth produced by the working class, peasantry and other self-employed toilers in our country has been getting more and more concentrated in fewer and fewer hands, year after year (Chart 1). The share of wealth owned by the richest 1% of the population – about 35 lakh households – increased from 40% of India's wealth in 2000 to 49% in 2014; and has jumped to 58% by 2016. The recent jump means that the rich are growing richer at a faster pace since 2014, implying that the change from UPA to NDA rule did not reverse or even slow down the trend of increasing wealth inequality.

Various theoreticians of BJP are arguing that the main reason why prosperity has not trickled down to the majority of people is because of the highly corrupt Congress Party rule that prevailed most of the time. They point to the fact that the boom in capitalist growth that took place during 2003 to 2008 was extremely parasitic, driven by speculative asset bubbles and dominated by corrupt activities.

## CHART 1: THE RICH ARE GETTING RICHER AT A FASTER PACE

Share of total wealth in India:



Source: Credit Suisse Global Wealth Databooks

They point to the fact that the high rate of economic growth achieved under the first Manmohan Singh government was “jobless growth”.

The main flaw in the argument of these BJP theoreticians is that they do not take into account the objective laws of capitalist development and the fact that capitalism has reached its highest and most parasitic stage. The rich are growing richer more rapidly than before, not just in India but in all the capitalist countries, with the richest 1% owning

40% or more of the total “*investible wealth*” of the population (Chart 2).

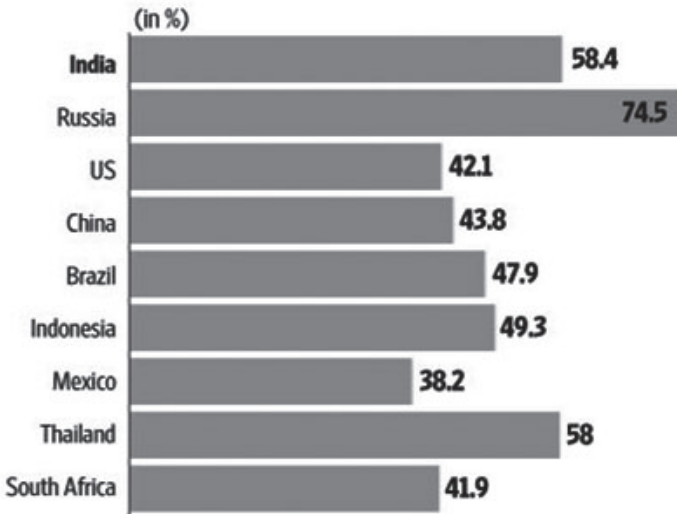
Inequality is especially high in India because capitalist exploitation takes place alongside the remnants of feudalism, colonialism and imperialism. The degree of concentration of capital and the resulting monopoly power is extremely high. So is the degree of concentration of political power. Whether it is the BJP or the Congress Party in charge of the executive power, the capitalist monopoly houses are setting the agenda, with the aim of growing richer at a faster pace than their global rivals.

Congress Party accuses the BJP of mismanagement while BJP accuses the Congress for growing inequality. They both hide the fundamental reason for the growing economic inequality, which is that the means of social production are the private property of capitalists. The system of production based on capitalist ownership has reached its highest stage of monopoly capitalism. Private property has become highly concentrated in the hands of giant monopoly companies. As a result, the entire process of social production is geared towards maximizing private profits of the owners of such corporations by holding down workers’ wages and peasants’ net incomes as low as possible.

In our country, the monopoly houses, those who call themselves *India Incorporated*, control the levers of the State and ensure that the nation’s wealth is

## CHART 2: INDIA IS ONE OF THE MOST UNEQUAL COUNTRIES

Share of richest 1% in total wealth:



Source: Credit Suisse Global Wealth Databooks

used in their narrow interests of becoming even richer and among the most powerful in the world.

For the past two weeks, the media has been full of conflicting numbers and estimates of how many crores of additional rupees will the Central Government gather through the Note Ban. The main issue, however, is not *how much*, but *for whom* are these monies being gathered? Who will benefit and who is being made to pay?

Every Union Budget shows how the toiling majority of people are made to bear the burden of ever increasing taxation while the money collected

is used primarily in the interest of the capitalist monopolies.

Moving to a *“less cash economy”* does not guarantee prosperity or protection for the working class. Having a bank account or a mobile payment account is not of much use if there is no money in that account. In order to ensure a dignified human life for every worker, the State must guarantee the right to work, to secure livelihood, to minimum wages indexed to consumer prices and other basic rights that belong to all wage and salaried workers. It must guarantee adequate availability of inputs for the peasants, along with assured procurement of their crops at stable and remunerative prices. It must halt privatisation, liberalisation and corporate land acquisition.

The existing State and the Modi government are acting in the opposite direction, attacking the livelihood and rights of workers and peasants for the benefit of Indian and foreign capitalist investors.

The Note Ban has caused enormous destruction of productive forces and enormous pain for crores of workers, peasants and other self-employed including small traders, while the future gain it promises is primarily for the capitalist monopoly houses. The destruction of small and medium-scale enterprises, such as in real estate, and their replacement by giant monopoly companies, Indian and global, will further accelerate the trend of growing concentration of wealth.



Far from transferring wealth from the rich to the poor, the Note Ban is part of a drive to do the opposite: that is, to rob the savings of working people for the benefit of super-rich capitalists.

## **Lie No.2: Combating Corruption**

Reports of various corrupt practices during the past 50 days have shattered the illusion that the Note Ban is a crusade against corruption.

There have been reports of black market operators sprouting up in many parts of the country, offering to exchange old notes at a discount. Such operators have been supplied with new notes with the collaboration of corrupt persons occupying high positions of authority within the State. There have been operations organised to transport old notes to various tribal areas where residents are exempt from income tax.

All such phenomena confirm that corruption is so deeply and widely entrenched within the Indian State that any anti-corruption drive sponsored by this State is a big fraud. Corrupt officers and ministers will find ways to collect bribes without using cash. Not only will the Note Ban not curb corruption, but it has in fact created new avenues for corrupt ways of accumulating wealth.

The Income Tax Department, which is supposed to be the principal organ for identifying the unaccounted wealth deposited in banks and

collecting tax and penalties from their owners, is itself notoriously corrupt.

Corruption is defined as the abuse of public position for private gain. There are many ways in which public authority is being used for private gain in our country, and not all of them involve cash or any form of black money.

About 85 big capitalists have taken lakhs of crores of rupees as loans from public sector banks and are refusing to repay. This is one of the biggest corruption scandal going on. It exposes the nexus between the chieftains of the borrowing companies and the highest levels of the State.

The Central Government, which controls the public sector banks, has not instructed them to seize the assets of the big capitalist defaulters. On the contrary, the big capitalist loan defaulters are being protected and shielded from public anger. The RBI does not even permit their names to be published, which the bank workers' unions have been demanding for a long time. Thus, the biggest robbers of public funds are not being targeted by the so-called anti-corruption crusade of the government.

The vision of a “*developed India*” that the Prime Minister is promoting is the vision of a full-fledged capitalist society as in the US. American society is less cash intensive than Indian society but this does not mean it is less corrupt. The forms of corruption differ from one society to another.

The specific form of corruption in India, for instance, reflects the fact that no revolution took place in 1947 and as a result, the State is a legacy of British colonial rule. All arms of authority are corrupt from top to bottom.

In the United States, where the bourgeoisie won its independence through a civil war and established a bourgeois democratic State, which in the 20th century emerged as an imperialist state seeking global hegemony, corruption is concentrated at the highest levels while being absent at the lowest levels.

The US is shown as being lower than average in international comparisons of corruption only because most forms of corruption have been legalised by the US bourgeoisie. For instance, it is legal for capitalist companies to influence electoral outcomes as well as to hire lobbying firms to pay elected representatives to support or oppose particular bills or policies.

The overall scale of corruption is proportional to the degree of concentration of political power, which in turn is a function of the degree of concentration of capital.

Since corruption is the use of public office for private gain, the US is in many ways the most corrupt society, in which all aspects of public affairs are completely dominated by a tiny minority of monopoly capitalists. The public domain is

completely overrun by the private interests of multi-billionaires. The political process does not permit any space for any party other than the two parties which are financed by the super-rich.

Far from being a crusade against corruption, the Note Ban is itself a case of mega-corruption because a major public decision was taken in narrow private interests. The decision was taken behind closed doors among chieftains of influential monopoly houses, after which the Prime Minister was assigned the task of implementing and marketing it as a pro-people crusade. The plan was presented to the Cabinet at the last stage. The formal rubber stamp was obtained from the RBI Board, which consists of senior bureaucrats and handpicked “experts” who are loyal to various capitalist monopolies, Indian and international.

### **Lie No.3: Combating Terrorism**

Announcing the Note Ban on 8th November, the Prime Minister stated that the Note Ban was aimed at eliminating counterfeit rupee notes being used by external powers to finance terrorist acts in India.

Global sponsors of terrorism use many modern channels of financing. They do not depend on counterfeit rupee notes for financing terrorist activities. Moreover, the total value of counterfeit rupee notes in circulation, according to the government’s own estimate, is only Rs. 400 crores, out of more than Rs. 15,00,000 crore of old notes

which have been banned. The ratio is less than one in three thousand.

For any anti-terrorism campaign to be taken seriously, it must be targeted at the main and most powerful states which sponsor terrorist activities in this region. There is ample evidence to show that the United States and its intelligence agencies are the biggest sponsors and financiers of armed terrorist groups, which operate in many countries and regions of the world, including South Asia.

Through the secret sponsoring of terrorism and open wars waged in the name of fighting terrorism, the US has wrecked many nations and divided up territories, to suit its hegemonic interest. All countries whose governments refuse to toe the US line are potential targets for terrorist attacks, and for externally incited civil wars or *“pro-democracy”* and *“anti-corruption”* movements.

Every time there is a move by the governments of India and Pakistan to engage with each other, terrorist attacks are organised by the intelligence agencies of the US or its allies. This serves to keep India and Pakistan permanently at loggerheads, with each side seeking US support against the other.

Instead of protecting the country from the threat posed by US imperialism and its aggressive drive to dominate Asia, Government of India is endangering the country by seeking a strategic

alliance with the US and strengthening intelligence and military cooperation with this most dangerous sponsor of terrorism.

Just like the US tried to justify its aggressive wars of conquest in the name of fighting terrorism, the rulers of India are trying to pass off the imposition of financial austerity on the working population as being targeted against terrorism.

The real aim of the Note Ban is not to fight against terrorism or against corruption. It is not to make national wealth benefit the poor. The real aim is to force people to put all their savings into banks and switch to digital transactions, for the benefit of the richest and biggest capitalists of the country. The end goal is for monopoly capitalists to take control of the savings of the entire people.

The Note Ban is a component part of the agenda of monopoly finance capital, Indian and international. It is an attack on livelihood and rights of working people to advance the narrow aims of capitalist billionaires.

## **Towards the Real Solution**

The capitalist monopolies that control the media are deliberately hiding the growing expressions of mass anger and protest against the Note Ban. Mass unrest and violent attacks on ATMs and bank branches have taken place in many parts of the country.

Bank workers are at the centre of the struggle against the financial austerity program. They are among the worst victims of the Note Ban, as they have been made to work overtime with no extra compensation. In addition, they have had to face the brunt of public frustration as well as slanderous propaganda that they are responsible for the leakage and black market sales of new rupee notes.

Bank workers' unions have for many years been spearheading a determined struggle against the "*financial sector reform*" agenda of the big bourgeoisie. They have demanded strict action against the biggest capitalist defaulters as the only legitimate way for banks to deal with the problem of bad loans. They have opposed all forms of privatisation and demanded that banking must be geared towards serving the general social interest and not towards maximisation of private profits.

Today, the bank workers' unions are demanding that the Reserve Bank of India must stop hiding the truth about the Note Ban. They have demanded that full information be provided on the quantity of new rupee notes that have been supplied to each bank, and the planned additional supply over the coming months.

Communist Ghadar Party of India considers the struggle and demands of the bank workers to be entirely just, and calls on all parties and organisations of workers, peasants, women and youth to extend full and unconditional support.

The demand for *social banking*, in place of monopoly capitalist banking, is a key component of the program to actually tackle the problems afflicting our society.

The financial resources of the country, which include the savings of the toiling majority, must be brought under social control and protected from loot by private exploiters. Workers, peasants, women and youth must demand and fight for legislation to guarantee protection of all their monies deposited with banks. It is the big capitalists who dragged the public sector banks into crisis. It is they who must be made to pay and not the toiling masses of people!

*Make the capitalist defaulters pay!* This is the rallying call to build the united opposition of the working class and people to the financial austerity being imposed on them.

Over 17 crore workers participated in the General Strike in September last year, against the privatisation, liberalisation and corporate land acquisition program. The present situation calls for further strengthening and escalating the united working class opposition. It calls for building and strengthening the unity of workers, peasants and all working people against the offensive of the big bourgeoisie.

Communist Ghadar Party calls on all communists and all parties and organisations of workers,



peasants, women and youth to unite around the program for the human-centred reorientation of the economy. Let us launch a united campaign to expose the truth and the lies about the Note Ban.

Let us beware of the trap of bourgeois parliamentary politics. Our aim is not to replace BJP by Congress Party or some coalition of capitalist parties. Our aim is to replace the rule of the capitalist class by the rule of the working class in alliance with all other working and hitherto oppressed people.

The growing inequality of wealth will end if and only if the means of large-scale production and exchange are taken out of the hands of the capitalist monopolies and converted into public property, to be used strictly in the public interest of providing for all.

Corruption will end if and only if the existing State, which is a legacy of colonialism, is replaced by a new State in which decision-making power is exercised by the broad masses of people, led by the working class.

Terrorism will end if and only if all channels of CIA activity are eliminated and the tentacles of US imperialism are uprooted from South Asia.

It is the sincere opinion of Communist Ghadar Party that the most important task we face is to prepare for the thorough-going revolution, which is

needed to rid our society of all forms of exploitation, oppression, parasitism, corruption and violation of human dignity and rights.

To prepare for the revolution means to build and strengthen organs of united struggle by the toiling majority of people. Such organs of struggle include workers' unity committees, worker-peasant committees and people's empowerment committees in residential localities. There is need to build and strengthen all such organs of political unity, which are all potential organs of the new political power that needs to be established.

Let us unite around our own alternative program for the Navnirman of India – a program to establish a new State and political process so as to empower the people and reorient the economy to provide for all!

Let us wage the struggle with the perspective of the revolution which will sweep away all forms of exploitation, oppression, corruption, discrimination and violation of human dignity and rights!

Inquilab Zindabad!



**Fortnightly paper of the Communist  
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**No. 09868811998**

**Internet Edition**

Mazdoor Ekta Lehar (Hindi Fortnightly)

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Mazdoor Ekta Lehar (Punjabi Monthly)

Thozhilalar Ottrumai Kural (Tamil Monthly)

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