

India's demonetisation scheme causing mass hardship

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The Indian government's "shock and awe" scheme to demonetise more than 85 percent of the country's currency has severely disrupted economic life across India and continues to inflict great hardship on the working class and rural toilers more than two months after its sudden imposition.

Conceding that demonetisation has forced farmers to accept ultra-low prices from wholesalers, depressed consumer demand, and led cash-short employers to lay off workers, both the World Bank and IMF have sharply scaled back their 2017 economic growth projections for India.

In a report issued this week, the IMF said that it now expects the Indian economy will grow by 6.6 percent in the fiscal year ending March 31, 2017—a full one percent less than its previous forecast—and by 7.2 percent in 2017-18 or 0.4 percent less. Indian political leaders have repeatedly said the country needs 8 percent annual growth if the economy is to be able to absorb the ten million youth who join the labour force each year.

However, a sample survey that the All India Manufacturer's Organization (AIMO) conducted of 73,000 of its more than 300,000 members indicates the adverse impact of demonetisation may be larger, indeed much larger, than is being anticipated by the IMF or, for that matter, the Indian government.

According to the AIMO survey, during the first 34 days following Prime Minister Narendra Modi's November 8 demonetisation announcement, micro and small industries (that is family-owned firms employing no more than a handful of workers) slashed employment by 35 percent and suffered a 50 percent fall in revenue.

While the micro and small industry sector was hardest hit, the AIMO survey found that medium and large enterprises also experienced sharp revenue drops, ranging from 20 to 50 percent, and slashed jobs wholesale. The medium and large manufacturers surveyed had reduced

employment by 5 percent. Those that specialize in infrastructure projects, such as road-building, had laid off a third of their employees on average.

The AIMO is projecting that the slump will continue in the coming weeks and forecasts that by March the job losses in the micro and small industry sector will rise to 60 percent, while tripling in the medium and large manufacturing sector to reach 15 percent.

The authors of the AIMO study were themselves stunned by their findings. "While [the] AIMO understands," they wrote, "certain immediate repercussions of such a bold step (demonetisation) by the government, it did not anticipate or was prepared for such a jolt to industries even after one month."

In December, AIMO leaders made repeated attempts to meet with Commerce Minister Nirmal Sitharam and Finance Minister Arun Jaitley, but they were given the cold shoulder. This prompted AIMO President K.E. Raghuram to exclaim, "It is high-time the Indian government wakes up. By March 2017, large numbers of small and medium units might close down. Small and micro industries cannot bear the losses, not even for more than a month."

According to the Ministry of Micro, Small, and Medium Enterprises, such enterprises provide employment to 81 million Indians including large numbers of financially vulnerable self-employed artisans.

The social dislocation caused by the Bharatiya Janata Party (BJP) government's demonetisation scheme is further indicated by the sharp spike in destitute rural workers seeking to exercise their right to temporary employment under the central government's Mahatma Gandhi National Rural Employment Guarantee (NREGA) program.

Adopted in 2005 by the Congress Party-led, Stalinist-supported, United Progressive Alliance (UPA) government in order to provide political cover for its

pursuit of pro-investor reforms and a “global strategic partnership” with Washington, the NREGA guarantees 100 days of poorly paid, manual labor per annum to every rural household.

According to an analysis published by the *Indian Express*, from last July through November three million workers sought NREGA employment daily. Then in December, the first full month after demonetisation, the daily average spiked to 5 million. And by the end of the first week of this year, the daily average had swelled to 8.4 million, well over two-and-a-half-times the pre-demonetisation average.

The average daily wage paid under the NREGA, according to the government’s own figures for the current 2016-17 fiscal year, is just 161 Rupees (about US \$2.40).

Modi and his Hindu supremacist BJP have claimed that the sudden demonetisation of India’s 500 and 1000 Rupee notes was a “surgical strike” against “black money”—that is assets that were illegally obtained and/or held outside the scrutiny of the tax authorities.

This is a fraud. The vast majority of India’s “black money” is in the form of real estate, gold, foreign currency, and overseas bank accounts, not Indian currency, and it is in the hands of India’s corporate bosses, real estate developers, other rich and super-rich, and corrupt politicians, not the workers and toilers who are bearing the burden of demonetisation.

Preliminary figures show that a very large portion of the demonetised notes have been deposited in the country’s banks, which strongly suggests that the government’s own estimates of the amount being held as “black money” were highly inflated.

Be that as it may, the real purpose of the government’s demonetisation scheme is to shore up India’s ailing banks and government finances at the expense of working people.

By compelling the population to exchange their cancelled old bills for valid new ones through the banking system, the government is hoping to give the banks, which are hobbled by unpaid business loans, a desperately needed cash-injection. The longer-term aim is to dramatically raise the proportion of everyday financial transactions made through the banking system, so as to make them a potential source of revenue for the banks and bring them within the purview of the tax system.

Not surprisingly, Modi’s pro-investor government has proven callously indifferent to the massive social dislocation caused by its demonetisation scheme. In a speech at the end of last month Modi claimed that he had

“saved the country” by taking a stand against “black money” and “terrorism,” and said any hardship would soon pass. In his New Year’s address, he took a somewhat different tack. He claimed that the “pain” Indians have borne in fighting corruption “will be an example for generations,” urged the banks which have “had a huge influx of wealth” to prioritize the middle class and poor, and announced that a handful of “relief measures” would be included in next month’s budget, especially for farmers who desperately need cash so that they can proceed with planting.

A few days later, President Pranab Mukherjee, who was himself a finance minister under the UPA and supports demonetisation, said he feared the poor cannot “wait.” In an address to India’s governors and lieutenant governors, Mukherjee praised Modi’s New Year’s address for providing “some relief,” but signaled his concern that it will prove woefully inadequate in preventing social unrest. Declared Mukherjee, “We all will have to be extra careful to alleviate the suffering of the poor ... They need to get succour here and now.”

For its part, the rightwing *Indian Express* published an editorial titled, “Heed the President: Government should listen to his warnings about a looming crisis in rural India.”

Thus far the opposition parties have proven incapable of capitalizing on popular anger over demonetisation and more generally the Modi government’s ultra-rightwing, pro-big business agenda, which includes aligning India ever more completely with Washington’s war drive against China. This is because the entire opposition, from the Congress Party through the Stalinist Communist Party of India (Marxist) or CPM, have themselves assisted in the implementation of this agenda. For two decades, from 1989 to 2008, the CPM sustained in office a succession of rightwing governments, most of them Congress-led, which did much of the heavy-lifting in the drive to make India a cheap labor haven for global capital and a satrap for Washington.



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