

Withdrawal of Rs 2000 Currency Notes - Aggressive Growth of Black Money

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The spread of rumours about the abolition of Rs. 2000 currency notes for the past 3 years became true with the declaration of Reserve Bank of India (RBI) in regard to the withdrawal of Rs. 2000 currency notes from circulation. The declaration of demonetization by Prime Minister Modi, in 2016 has seriously been criticized not only by the progressive intellectuals but also by the Parliament Panel Report 2017. The RBI stopped printing of Rs 2000 notes in 2018. Since then, they were neither issued by banks nor available in ATMs. After September 30, 2023 it will not be possible for anyone either to exchange or deposit them in the banks.

Any policy decision taken by the ruling class should be aimed at economic progress and beneficial to the common people. In fact, this goal is totally demised in Neo- liberal policies. The RBI is unable to justify its decision of withdrawal with standard and valid reasons. The RBI itself states that the common people are not possessing these notes with them. Then the question of exchange of these notes by common people will not arise.

The ruling class failed to address the critical lives of majority owing to demonetisation, GST, followed by Covid-19 pandemic. It simplified entire crisis created by demonetization into long queues. Thus, the ruling class is cruelly insulting the miserable lives of majority.

The RBI always stating that the present withdrawal will not create any problem to the common people as if that 'no problem' itself is benefit to majority. The currency withdrawal surely affects money supply and there by the movement of economy. Naturally they will show their impact on common people because they are not separated from the economy. They are part and parcel of it. Then it clearly indicates extremely growing economic inequalities as well as the miserable lives of majority. The justification provided by RBI clearly indicates this reality.

In fact, this policy has been formulated in the framework of Neo-liberal policies which have aggressively been implemented with an accelerated speed for the last 9 years. Therefore this measure are against the interests of oppressed.

Withdrawal of Rs 2000 Currency Notes from Circulation :

In 2016, as high value note of Rs 1000 denomination are abolished, it is wonder to notice that in its place Rs 2000 currency note which is double to Rs 1000 note value has been introduced and circulated under RBI Act, 1934, Section 24(1). This is really a serious contradiction. Moreover, it is again surprise to observe Rs 2000 notes are printed by the time Rs 500 and

Rs 1000 are abolished in view of their high value. In the place of old Rs 500 notes, new Rs 500 notes are printed and circulated. The printing of new notes cost thousands of crores. The cost to produce 350 crore pieces of Rs 2000 notes in 2016 -17 is as high as Rs 1,120 crores. The Indian Air Force has to spend Rs 30 crores for their transportation. In addition, the ATMs calibration requires cost as well as time.

The RBI has stopped printing of Rs 2000 currency notes in 2018 which are introduced by spending huge amount of people's money. Moreover, the RBI states that their durability is 4-5 years. The international rules will not permit the public to use destroyed notes. Therefore, the RBI again states that the measure of withdrawal of Rs 2000 currency notes is part of the 'Clean Note Policy'. The government is spending thousands of crores of rupees on abolition, printing and withdrawal of notes instead of allocating it to create decent employment opportunities to majority so as to improve their quality of life. This waste expenditure of people's money itself is anti- people. In fact, when the notes destroy, the people themselves come to the banks for exchange. At that time, the banks can give them other denomination notes. Thus, it is very simple to solve the problem of destroyed notes which will not require any cost. Instead, how it is justifiable to withdraw Rs 2000 currency notes. Further, 4 months duration is given either to exchange or deposit Rs 2000 notes. It needs 36 crore transactions as there is Rs 3.62 lakh crores worth Rs 2000 notes. Then @ 4 minutes per transaction at least needs 144 crore minutes or 24 crore hours. This extent of precious time is lost for the banks as well as by the people. The scarce manpower in the banks are forced to postpone their important functions. Consequently, the majority people will face problems in other transactions with the banks. How can they say that this measure does not affect the common people?

Again the RBI says that the Rs 2000 notes are not the main currency at present. The value of Rs 2000 notes in March 2018 is as high as Rs 6.73 lakh crore and its share in the circulation of cash is 37.3 percent. However, in March 2023 its worth declined to Rs 3.62 lakh crore and its share decreased to 10.8 percent. Further, the RBI says that these notes are stored as Black money by the tax evaders and black market giants. Thus, the withdrawal is expected to bring out black money. Will it not show the inefficiency of the government in terms of its inability to prevent the accumulation of black money in the form of Rs 2000 notes?

The issue in front of ruling class is how to transform this black money into white money? In fact, the development of capitalist exploitative system in emerging economies is strongly associated with black money. The black economy which will be in the grip of dominant class assumes various forms and spreads aggressively. For this, the ruling class will extend its support. In fact, the dominant class and ruling class are not different. They are one and same in terms of their interests. Excessive use of Hawala and Money laundering to transform black money into white money is impossible without the support of ruling class. Simultaneously, legal routes for this will be formulated and implemented. In this process, the present withdrawal of Rs 2000 currency notes has been emerged.

What will Happen to Black Money with the Implementation of Present Withdrawal?

It is known to all that RBI itself declared that the Rs 2000 notes are hoarded and stocked by dominant/wealthy class as black money. Therefore, the present withdrawal is announced, RBI says. The goal of this measure towards black money will be understood in the process of implementing withdrawal. This measure has created various effective opportunities for the transformation of black money into white money easily.

1) From May 23, 2023 to September 30, 2023, anyone can exchange or deposit Rs 2000 notes in the bank. Further, RBI states that there is enough cash in other denominations with the banks. 2) The limit to exchange number of Rs 2000 notes is 10 @ one time. There is no any restriction as to number of times per day. 3) Anyone can deposit Rs 2000 notes in the bank in any account. There are no any special conditions to deposit Rs 2000 notes. 4) The deposited amount is permitted to withdraw at anytime.

These are possible opportunities framed to transform black money possessed by Black billionaires into white money in a most easiest way. The RBI Governor Shaktikant Das announces that by June 7, 2023 as high as Rs 1.8 lakh crores of Rs 2000 notes came back to the banks. The share of deposits is to the extent of 75 percent. It is expected that if the same trend continues by September 30, 2023, the deposits will be to the tune of Rs 2.7 lakh crores. These deposits will raise the liquidity of banks. Consequently, there is no any need for the banks to raise interest rate in order to attract deposits. Further, he says that these deposits will lessen the quantity of currency in circulation which is expected to control the price rise.

The statement by RBI clearly states that all these Rs 2000 notes are stored and hoarded as black money by the black billionaires. This entire black money will become legal money either by exchange or by deposits. In order to prevent people from understanding this reality, the RBI is giving several sub-standard reasons. Moreover, the rise in the liquidity of banks depend upon the conversion of black money into white money. Thus, black money is the basis for liquidity of our banks.

Despite various easy ways created by RBI to transform black money into white money, the declaration of withdrawal of Rs 2000 notes from circulation resulted in the 20 percent rise in the sales of gold and diamond jewellery in big metropolitan cities. The shop owners charged 10-15 extra to accept Rs 2000 notes. Still, the excessive sales continued. As a result gold rate increased further.

In spite of low GST on gold and diamond jewellery it became affordable only for the wealthy class. The withdrawal became a powerful tool to raise the demand for gold and diamond jewellery. Moreover, the black money converted into gold and diamonds quickly. It is known to all that the gold business is dominated by commercial giants and this is closely and strongly connected to smuggling. The aim of the neo - liberal policies is to prevent insolvency situation in these businesses.

Similarly, there is a need to stimulate real estate business which is also manifesting downward trend. The withdrawal of Rs 2000 notes raised the demand for luxurious villas and flats in big cities and demand for land in upcoming towards. Further, the demand for

high - end apparel, super luxury goods and super luxury cars has accentuated. The GST is low on all these commodities. This will further raise inequality in consumption. Consequently, the oppressed class will be disturbed deeply by looking at the extravagant consumption of wealthy through the conversion of black money into white money. Usually the generated black money will be sent to foreign countries through Hawala. Now, no need to use this illegal way. Our own banks will perform this duty.

Contrastingly, the impact on common people will be disgusting and shocking. Because, the sectors which are major source of employment generation like agriculture, informal sector, small industries, small businesses self employed works which are closely connected with cash transactions are seriously affected. Contrastingly, the critical lives of majority will be worsened further owing to non-availability of livelihoods. The life crisis of common people is not at all an issue to our government because its sole aim is how to strengthen the interests of monopoly capital.

Black Money in India:

The sustenance and survival of exploitative capitalist mode of production is closely associated with black economy. This phenomenon is more pronounced in emerging economies. The estimates of 'National Institute of Public Finance and Policy' states that during last decade itself, the share of black economy in the so-called main economy is as high as 75 percent. The connection between 'politics - commerce - crimes' has further been strengthened after globalisation. The spread of black economy is accelerated. Even if it is confined to tax evasion, the main tax evaders are corporate forces and wealthy class. It is known to all that the black economy is dominated by powerful political leaders, higher officials, corporate forces and commercial giants is strongly associated with criminal world. In foreign transactions high level of quid pro quo is normal. Many organisations have estimated that in the domestic projects, the bribes will be to the tune of 40-60 percent. Moreover, the legal corruption has been extending continuously at high level. This will be in the form of huge and gigantic bank loans to powerful corporate forces, leasing out land at the rate as cheap as possible. Tax concessions, incentives, writing-off thousands of crores of bank loans, sale of public sector undertakings, valuable minerals and other resources at cheaper rate.

The Global Financial Integrity Report states that India is ranked 8th in the world in black money generation. Indians have stored as high as 87 lakh crores rupees of black money in Swiss bank as per the report of Swiss bank. The Special Investigation Team (SIT) appointed by Supreme Court states that Indian black money is not confined to Swiss Bank alone. It is estimated that our black money in Swiss Bank as well as in other foreign banks in March 2018 is as high as 300 lakh crore rupees. The present government which always says that its main aim is to attack corruption and black money did not take any action on the individuals whose names are revealed in 2015 by HSBC leaks as well as 500 individuals whose names are revealed by Panama Leaks in 2016.

The black money transferred to foreign countries will again come back to India in the form of Foreign Direct Investment which is known as a most powerful legal route, through tax haven countries. It will avail tax concessions, incentives, valuable land allocation and it will occupy our stock market also. Thus, black economy has been strengthening day by day. Consequently the quantity of black money is on the rise continuously. This trend is strongly supported by the present withdrawal measure to transform black money into white money through banks easily to strengthen black billionaires. The black money along with exploitation of monopoly capital will raise the affluence of wealthy excessively. The economic inequalities will increase extremely. In terminology of macro-economics, it is stated that marginal propensity to consume will be higher in black transactions and consequent high multiplier effect results in the fast growth of black money.

What is the Effect of Conversion of Black Money into White Money?

This process will raise the basis to generate more and more black money. This money will be pumped in the activities related to drugs, human trafficking, gambling, smuggling, lotteries, bettings and liquor business for the speedy and high level of income earning. These activities will be increased excessively in an extraordinary manner. The businesses which stimulate the weaknesses of human beings will increase aggressively.

The lowest/ bottom cadre in these black businesses will be the youth belonged to oppressed class. They will become lumpens. They will be arrested while committing crimes. The diversion of funds from investment to these unproductive activities to earn more and more money quickly leads to further loss of jobs to the working class. No earnings to them. All these things along with labour codes weaken the bargaining power of world of workers.

The working class consciousness will be totally absent in the youth belonged to oppressed class as they are trapped into the criminal world. The movement of exploitative capitalist system strongly requires vast enhancement of black money as well as black economy. Therefore, the present 'withdrawal of Rs 2000 currency notes from circulation' as inseparable part of neo-liberal policies works for the interests of monopoly capital in terms of multiplying black money. It is a known fact that the demonetisation resulted in the excessive rise of black money though it is popularised as a serious attack on black money.

It is impossible to end black money as well as black economy unless exploitative capitalist system is eradicated. The abolition of exploitative system is not easy but possible with consolidated revolutionary movements.