

More evidence of early US involvement in Indian demonetisation

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When Prime minister Narendra Modi took the bulk of Indian cash out of circulation, he caused great hardship for many Indians, while a [disruption-loving tech elite and political establishment](#) asked for optimism and patience. In an [earlier piece](#) I have provided some indications for US involvement in that scheme. In this piece, I am adding some more, including earlier, evidence, summarize the evidence and ask if this evidence is reasonably compatible with the interpretation that the initiative was really Modi's.

There is no firm proof or admission, as yet, that the decision has been taken at the behest of foreign institutions. In a report of news agency *Reuters* from December named "[Who knew?](#)", unnamed Indian official sources want to make us believe that only the prime minister himself and a handful of people knew of the plans. The *Reuters*-report names only one of the supposedly five who knew, a high-ranking official of the finance ministry. Tellingly, there is not a single mention of any foreign involvement, despite a formal co-operation of the finance ministry with USAID, aimed at pushing back cash in favor of digital payments.

There is plenty of evidence that US government entities, foundations and other institutions were intensely involved. We briefly summarize the evidence presented already in an [earlier piece](#), bring it together with some more evidence, and then ask, if this evidence is reasonably compatible with the interpretation that the Indian government made its own demonetisation plan, and either did it alone or - somewhat more plausibly - enlisted all the help and advice it could get, including from abroad. This is an interpretation that some readers of my earlier piece have brought forward. In the following concise list of evidence, items 3,6 and 7 have been discussed more extensively in my [earlier piece](#), 1,2,4 and 5 are new.

To fully understand the following, it is important to be aware of the [Better Than Cash Alliance](#) (BTCA), formed in 2012 to push back the use of cash globally. Founding members are US-institutions who stand to gain most. Those are notably the Bill and Melinda Gates Foundation (Microsoft), Visa, MasterCard, Citigroup and Omidyar Network (eBay). Funding members are also the notorious Ford Foundation and the US government's development agency USAID. Do keep in mind the acronym BTCA, as it will show up a lot in brackets to flag its members, as their role in Indian demonetisation is described.

1. **In 2013**, the year after BTCA was founded, **Raghuram Rajan**, former Chief Economist of the International Monetary Fund (IMF) in Washington, took over the post of Governor of the Reserve Bank of India (RBI), coming directly from the University of Chicago. One of his first decisions was to set up the "[Committee on Comprehensive Financial Services for Small Businesses and Low Income Households](#)". He put [Nachiket Mor](#) in charge of it, a banker and board-member of the RBI. In March 2016 the **Gates Foundation** (BTCA) made **Mor** head of its India country office. A reward?
2. Somewhat counterintuitively, the **Mor Commission** that was to foster financial inclusion of the poor and of rural areas, was **heavily dominated by big finance and law firms**, with a **strong US-bias**. Members included former Citigroup-CEO (BTCA) Vikram Pandit and Bundu Ananth, President of IFMR Trust. IFMR is an Indian Research Institute, which has many US-Institutions as funders, including Chicago University, USAID (BTCA), Gates Foundation (BTCA), Ford foundation (BTCA), Citi (BTCA). IFMR is a member of the "Alliance for Financial inclusion", which is financed by the Gates Foundation (BTCA). A further member of the Mor Committee was a representative of the

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National Payments Corporation of India, the umbrella organization of payment service providers, which [aims to transform India into a cashless society](#). Another member was credit rating agency CRISIL, majority-owned by the US rating-firm Standard & Poor's.

3. **In 2015, USAID (BTCA)** announced a formal **partnership with the Indian finance ministry** to advance digital payments in India. The **Better Than Cash Alliance** is an [associated partner](#) to this partnership, as are most of the key BTCA-members individually. USAID commissioned a report on the payment infrastructure in India and on ways to advance digital payments. **In January 2016 USAID presented** the report titled "[Beyond Cash](#)".
4. **In May 2016, RBI announced plans** to print a **new series of banknotes** and announced in August that it had approved a design for a new 2,000 rupee note.
5. **In September 2016, McKinsey Global Institute** issued a report titled "[How digital finance could boost growth in emerging economies](#)". Authors acknowledged "collaboration with the Financial Services for the Poor team at the **Bill & Melinda Gates Foundation**". They thanked more than ten Gates-Foundation (BTCA) people for contribution to the report, including Gates-Foundation's India head **Nachiket Mor** of Rajan's Mor-Committee. In mid-December, seemingly unfazed by ample evidence that taking away cash in India has been the exact opposite of helping the poor and promoting "financial inclusion", McKinsey-partner Susan Lund and study contributor Laura Tyson published "[The promise of digital finance](#)", making fantastic claims about the advantages of pushing back cash-use in favor of digital, including ten percent higher GDP for countries like India. They disseminated this piece on the website of Project Syndicate, which is paid for by US hedge fund billionaire George Soros. It also went to dozens of newspapers worldwide via Project Syndicat. Co-author Tyson also has relations to Soros via the World Economic Forum.
6. Also in **September 2016**, less than four weeks before the surprise demonetisation, the partnership between USAID and the finance ministry to advance digital payments was "taken to a new level" by the [creation](#) of the "[Catalyst](#)", with the webaddress "[cashlesscatalyst.org](#)". US-Ambassador Jonathan Addleton said at the occasion that "India is at the forefront of global efforts to digitize economies". The CEO of Catalyst announced that the goal was a field experiment to increase digital payments tenfold in *one* city. USAID declared, it would finance this initiative for three years.
7. **Catalyst is housed at IFMR**, the institute mentioned above, of which Gates Foundation India's-CEO Mor is a board member, and which relies very much on funding from various members of the Better Than Cash Alliance.

Who knew?

To conclude that the finance ministry and the prime minister decided on the demonetisation assault with no significant involvement of US-institutions, we would need to believe, that USAID, Catalyst and the people at IFMR - misled by the finance ministry of India - were working on and paying for a trial project to scale-up digital payment in only one city, right up until Modi surprisingly announced the temporary abolishment of most cash in the whole of India. Since a trial in one city alone could only have worked by creating strong incentives to use digital payments and probably investing in the infrastructure, what Modi announced on November 8 would have made obsolete all single-city plans and preparations of Catalyst, if they had ever existed. We would have to believe that the people at the ministry who knew, and Modi, did not

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see a need or find a reason to delay that project until it became clear that it was no longer needed. If the US government should have been displeased with their agency being ostensibly fooled into planning and paying for a useless project without being informed, they did not show it. A spokesperson of the State Department [said](#), that the move, despite some “inconvenience” for many Indians and visiting Americans was “important and necessary to crack down on illegal actions.”

Whose initiative?

Granted, the creation of *Catalyst* might just have been a clever ruse to be able to prepare the surprise demonetisation without arousing suspicion, because a one-city field-experiment was publicly announced. However, this would make it even more relevant, that *Catalyst* was a heavily US-influenced operation, paid for by USAID and having grown out of a longer-standing cooperation between USAID, the Washington-based Better Than Cash Alliance and the Indian ministry of finance.

To assume that the US-government was not informed of the plans stretches belief, given the circumstances. Assuming they have been informed and involved, one could still think, that Modi took the initiative to demonetise India, either in good faith or for more sinister reasons, and simply enlisted help and advice of US institutions. If so, the "help" did not consist in effectively helping to meet the challenge of providing all of India with new money in a timely fashion. That part went terribly wrong. The only advice that the Better Than Cash Alliance has ever had, is to reign in the use of cash and to advertise the use of digital payment systems. Note that for those who want to push back the use of cash worldwide, the disaster that demonetisation was for the majority of Indians, was a benefit, rather than a problem. Worldwide it instilled fear that people and businesses relying solely on cash could experience the same. If Modi and the Indian government should have acted with the supposed interest of the country in mind, and thought that they would get useful, unbiased advice from foreign institutions with a strong and obvious business interest in the abolishment of cash and from a foreign government whose country is home to the companies that dominate digital payment systems globally, then he would have been naïve at the border of imbecile. I will not assume that. The fact that the ground in India was prepared from at least 2013, by a committee of the RBI with very heavy US-links, and then by a formal USAID-finance-ministry partnership, does not lend more plausibility to the narrative, that the initiative was Modi's.

We will look more closely at the economic arguments and the evidence in favor of financial inclusion and of pushing back cash in a follow-up article.

Did 'Better than Cash' coopt vested Indian interests

The hypothesis that the main driver or a main driver behind the demonetisation were US interests, does not at all imply that the Indian prime minister and other Indian constituents did not have their own interests associated with it. It is hardly possible to get the elite of a country to do something that goes against their own interests, but it is fairly easy to get them to do something that helps (significant fractions of) them, but hurts the majority of the people. A few possible such interests, some of them quite plausible, I would like to quote from a readers letter:

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1) **recapitalising the public banks**, which were staggering under the weight of bad loans to cronies. Soon after the demonetisation, the state banks waived loans to 63 corporations, including Modi's close friend and ally, Adani. the entire corporate sector is expected to benefit from lowered interest rates as a result of recapitalization.

2) there are major local beneficiaries of pushing people onto the cashless system, such as Nilekani and Ambani, who probably played a part in persuading Modi. **Nilekani** is the key person behind the **Aadhar system** of equipping every Indian with an ID card, through which they are now required to get food rations, train tickets and other basic services. this system greatly increases the possibilities for controlling the population and crushing dissenters. **Ambani** is the owner of an **online payment platform** that has directly benefited from demonetisation.

3) destroying the informal, cash-based economy of the poor and pushing through **retail chains** instead. curiously, the big retail chains were well supplied with cash in their in-store ATMs. they experienced a boom immediately after demonetisation.

4) destroying the informal economy would also ease the process of **land acquisition**, as indebted farmers would be forced to sell. land acquisition for real estate and other development, a long-standing demand of global capital, has been stalled by grassroots movements.

5) emptying out the **cash coffers of rival political parties**. Elections are due in February in several major states. the political process in India has been profoundly corrupted by the loosened financial controls since neoliberal reforms in the 1990s.

6) another idea that has been put forward is **megalomania**—Modi wanted to do something dramatic and drastic to push through multiple benefits to his backers, and also pose as a crusader against corruption. incidentally, some recently leaked documents indicate that Modi himself received bribes from a corporate house. even India's supreme court is too chicken to order an investigation, at least thus far.

Change notices (Jan 8): I have changed the title, as the old one was too long and awkward, and changed the introduction to conform to the title. I have added the subchapter "Did 'Better Than Cash' coopt vested Indian interests" at the end of the article. (Jan 31) I corrected the numbering under the Header "Die Better Than Cash coopt vested Indian interests" as number four had been missing. Now, the numbering only runs to number 6 instead of 7.

Dr. Norbert Haering is a German business journalist and blogger. His best-selling book on "Abolishing cash and the consequences" was published in 2016 by [Bastei-Luebbe](#) (in German). His weblog is <http://norberthaering.de/en/home>

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