

Demonetisation in India was a great success - for the Better Than Cash Alliance

Two years ago, on 8 November 2016 at 8 pm, prime minister Narendra Modi declared most cash in India demonetised, starting a period of several months of severe cash shortage, which imposed a lot of hardship and suffering on the people. The *National Herald India* invited me to write a guest-comment on the occasion.

I have been invited to write a comment on the 'failure' of the Demonetisation exercise of Prime Minister Modi. True, it was an obvious failure if you judge it by its declared objective of fighting corruption, terrorism funding and tax dodging. Almost all the demonetised banknotes were deposited in banks and thus re-inserted into the legal economy. It was a failure also if judged by the secondary goal of promoting financial inclusion. Rather than helping the poor by giving them access to modern means of savings and payment options, demonetisation disproportionately hurt the poor, as they were robbed of the free means of payment that they used to have at their disposal: cash and which was working well for them. Those well integrated into a social web of support found ways to cope. Those at the margin of society, like migrant workers, suffered tremendously from being temporarily excluded from participation in the monetary economy.

It would be unthinkable for a US-government to take most of the cash out of circulation at four hours' notice. If it is done in India to Indian people, however, it is alright! Representatives of the US-Government praised the measure. Bill Gates, head of the richest foundation of the world, declared the overall benefits well worth the temporary suffering of the poor. So did the Better Than Cash Alliance, of which the US-Government and the Gates Foundation are the two core members.

The excitement in the US about demonetisation is understandable, if inclusion is taken literally to mean locking-in, i.e. locking-in of all money in the commercial financial sector. In 2015, at the Financial Inclusion Forum in Washington, PayPal's CEO Dan Schulman explained: "Financial inclusion is a buzz word for bringing people into the system." And Bill Gates elaborated at the same occasion that the US-government had to make sure that financial flows take place in a digital system in which the US-government can "find those transactions that you want to be aware of or you want to block."

Gates also said:

"It is certainly our goal to make full digitalisation happen in the next three years in the large developing countries. We have worked directly with the central bank there (India) over the last three years."

Nachiket Mor is head of Gates Foundation, India. He has also been a member of the central board of the Reserve Bank of India until recently, with responsibility for financial supervision. Demonetisation has been quite successful in bringing Indian people into "the system", in which they can be tracked. It is not far fetched to assume that this was demonetisation's real goal. "Our dream is that there should be a cashless society", said Narendra Modi less than three weeks after the start of demonetisation in his monthly 'Mann Ki Baat' address.

[Read more on the website of the *National Herald*](#)