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Democratic deficits in India

Anand Kumar

The Indian journey from a colonial repressive social formation to a democratic society based upon triple justice - political, social and economic - through peoples' representation in governance and participation in nation-building is a fascinating story of collective human imagination and endeavour. It has attracted global attention because of its achievements so far. But there is no scope for glorification as our democratic project needs to engage in course correction as we are lagging behind in so many ways. The need of review and basic reforms can be illustrated with two examples.

First, let us look at what are the major deficits of Indian democracy after 70 years of efforts of democratization? There are at least six major zones of deficiencies in our system today – i. development deficit, ii. governance deficit, iii. legitimacy deficit, iv. democracy deficit, v. nation-building deficit, and vi. citizenship deficit. Secondly, we need to check our ranking in the world today, specially with reference to our neighbor China and other BRICS partners including Brazil, Russia and South Africa in terms of holistic well being of our

citizens. According to the latest report of the United Nations Development Program of 2015, India ranked 130th out of a total of 188 nation-states in terms of human development index with nearly 1/3rd population living in conditions of distress and destitution. The internal variation between the constituent provinces of our country presents much more worrying picture. It is causing restiveness for reforms among the Kisans, women, youth and several marginalized sections of our society including the Dalits, Adivasis and the minorities.

If a) furthering of human development, b) celebration of diversities, and c) strengthening of civil society are three significant indicators of the health of democracy in any post-colonial society then the relationships of our democracy with development, diversity and civil society are under stress. The Indian engagement with the paradigm of Liberalization-Privatization-Globalisation (LPG) since 1990s has made us enter a phase of jobless growth. In more nuanced terms, there is stagnation in agriculture and allied sectors causing flight from rural areas and

crowding of the metropolitan centers. Declining growth is being experienced in the manufacturing sector which is creating stagnation in the labour market. Only service sector is experiencing accelerated growth with marginal elasticity of employment due to capital intensiveness of the sector.

Socio-culturally, the idea of India was based upon recognition and celebration of unity in diversity. But the constitutional commitments for striving for a republic of citizens based upon secularism and socialism is getting interrogated. There are numerous instances to suggest that the Indian state is found to be engaged in managing the rise of majoritarianism as well as minority alienation. It is found to be related with divisive consequences of electoral competition which is directly increasing the relevance of identity politics. The civilizational and communitarian cleavages of religion, caste, ethnicity and regions are getting politicized without complementary growth of citizenship.

Historical sociology of democracy and democratization - from Alexis de Tocqueville to Charles Tilly and from Srinivas and Kothari to Amartya Sen and Ashutosh Varshney - suggest that there is a positive correlation between building of a democratic polity and evolution of civil society. Here development of democracy is evaluated with help of four types of indicators - nature of constitution, substance of the polity, processes of the power relations and procedures of the legitimacy system. The case of India looks very convincing on all four counts. But a closer look makes anyone recognize that our democracy is facing four major speed breakers - grip of the dominant castes over dependent castes,

primacy of patriarchal forces over women, deep economic disparities and identity politics. Similarly, the making of civil society is suggested to be taking place in the social spaces within the triangle of family, religion and state through voluntary associations and civic activities for secular and common causes. A fertile ground for the expansion and efficacy of civil society in India since independence is found to be growing as indicated by at least the following features :

- a) Assertion for justice and representation in policy making;
- b) Increasing electoral participation by the women, minorities, Dalits, and Adivasis;
- c) Expansion of social basis of politics beyond the educated sections and modern occupational classes;
- d) Increasing frequency of social mobilizations;
- e) Increasing engagement in political competitions and coalitions for political power;
- f) Pressure for reforms in governance and electoral system; and
- g) Recognition of citizens' role beyond votes and political parties through Right to Information and Public Interest Litigations.

At the same time, there are major indicators which suggest that the parliamentary system of India and political culture both need urgent reforms to overcoming the deficits of citizenship-building to further the progress of civil society. They include the following:

- a) Under-representation of women and Muslims;
- b) Declining accountability and

responsiveness of elected representatives;

- c) Lack of financial transparency in the election process and affairs of the major political parties;
- d) Corruption at high places of public authority; and
- e) Identity politics around caste, ethnic, religious and regional identities and interests.

Where we are going wrong?

It is true that the political community of India was warned by the makers of our Constitution at the time of its adoption in 1949 itself about the need to be engaged in minimizing the contradictions of togetherness of political equality and social and economic inequalities in shortest possible time after independence. Otherwise we may suffer catastrophic consequences in the later decades was alerted by Dr Ambedkar. It was also underlined another stalwart of the Indian freedom movement Dr Rajendra Prasad that any Constitution is to be carried forward not by the principles enunciated in it but through the quality of the persons and their practices who will be assigned the responsibility of representing the citizens in the years to come. In other words, there was underlining of i) the ideological need of developing democracy on egalitarian lines of social and economic progress, and ii) programmatic pre-condition of promoting an altruistic political elite through elections and social mobilizations. Where are we today in terms of the ideological framework of our democracy and what kinds of persons have come forward as the representatives of our people? What is their combined

impact upon grassroots democracy as manifested through local governance and dynamics of civil society including social mobilizations?

Between the Lines

Tragedy of Bangladesh

Kuldip Nayar

A combined reading of some of the most revealing studies as evident through the reports of our national committees and commissions suggests that we are a ‘drifting democracy with dangerous deficiencies’. Why? Because a) there is growing gap between the needs of the women (Justice Verma Commission Report on violence against women); b) the dignity and dreams of the minorities, particularly the Muslims (Justice Sachar Committee report); c) there is rise in attraction towards the extra-constitutional formations and their extremist activities among the weaker sections including the Dalits and Adivasis (Bandopadhyay Committee Report); and above all d) no betterment of nearly 77 per cent working population of our country which is forced to live as ‘working destitutes’ and surviving with minimum purchasing power (Prof. Arjun Sengupta Committee Report).

In short, all is not well with our Swaraj at the level of common person and daily governance in villages and towns. It is because our post-colonial Indian political class has taken care of being correct at the level of the formal macro-processes like regular elections, free press, space for political formations and voluntary associations and opportunities for citizens for local initiatives. But our system leaders have been equally negligent about deepening the project of democracy at the grass roots levels which informs the daily lives of the millions

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It is not understandable why the properties and temples of Hindus are being vandalized when the country is in the midst of its liberation celebrations. Forty five years ago India, which has a Hindu majority population, helped the people of then East Pakistan wrest independence from the unwilling hands of the army-dominated West Pakistan. More than 2,000 Indian soldiers and officers sacrificed their lives in the war against Islamabad.

Above all, Prime Minister Sheikh Hasina is the daughter of Sheikh Mujib-ur-Rehman who liberated the territory through people’s movement which he built. Her credentials of fighting against religious forces cannot be doubted. It is, however, another matter that she has used the action against fundamentalists as a battle against opposition parties.

The Bangladesh Nationalist Party (BNP) complains that her wrath is directed against them because they are the only alternative. The ruling Awami League headed by Sheikh Hasina, they complain, is using all tactics to finish them. Even the rumours have been set afloat that they are anti-India so that Khalida Zia’s image is tarnished.

I recall my meeting Sheikh Mujib-ur-Rehman at Dhaka soon after the liberation of what is now called Bangladesh and complained to him that there was a lot of anti-India feeling. I had gone to the Dhaka Press Club and found the media

hands jibing that the smoked Hilsa fish was available at Kolkata hotels but not in Bangladesh. They also strongly criticized New Delhi and Kolkata for appropriating the gains of liberation.

Lt. General Jagjit Singh Aurora, who led the Indian troops, was particularly mentioned for looting the rich West Pakistanis who were transacting business from the then East Pakistan. Sheikh Mujib-ur-Rehman told me that a Bengali did not forget the good done by the one who gave a glass of water: “Your countrymen have died here while helping the Mukti Vahini in liberating the territory.” He said that secularism in Bangladesh was deep rooted and could not be ignored in any situation.

But strangely the secular identify of Bangladesh is being questioned now. The Jamaat-e-Islamia, which was once part of the government during the military regime of General H. M. Ershad, is trying its best to sell the Islamic way of governance and wanted close relations with an Islamic state in the world. Fortunately, there is practically no response to this in Bangladesh.

However, the unpopularity of Sheikh Hasina has made the Bangladeshis look not only anti-India but soft Islamists. She is only busy obliterating the followers of Begum Khalida Zia, the main opposition leader. In this fight, even the secularists who are on the side of Begum Zia are being dubbed as

communalists and constantly hounded.

Sheikh Hasina is now anxious to entrench, and not part with power. The opposition parties openly say that they may not be able to remove her in elections because she would not hold a fair poll. She is already talking of dynastic rule and consulting her son in America openly in all government matters.

In line with that thinking, the Prime Minister is appointing her own followers at key positions in different universities and educational institutions even though they lack competence and literary qualifications. In the process, she is destroying the educational system based on merit. But this does not concern her because she believes that in the name of secularism she can put any of her loyalists at high positions. She behaves as if it were her birth right to rule.

A bill is sought to be enacted where anyone challenging her father or his rule would be considered anti-national. This is, indeed, a strange way of looking at democratic traditions. But once this becomes a law, stranger things can take place in Bangladesh. The opposition parties, which are her main targets today, will be left with no voice to raise in the days to come. The environment would be more authoritarian and dictatorial. And a very few would be able to question the government.

In all of her actions, Sheikh Hasina has forgotten the welfare of the country. The problem that Bangladesh faces today, as it celebrates its birth anniversary, is how far the government has been able to help people benefit through

economic development. Unfortunately, this is not the case. The Prime Minister counts her gains only in terms of key jobs she has given to her staunch followers.

The judiciary is no more independent. There are no collegiums to select judges as is the case in India. The government directly appoints them. And as the first foreign minister of Bangladesh Kamal Hussain, who was in town, told, despite the independent judges on the bench some tend to tilt towards the establishment. They behave as if someone is overlooking their shoulders. Accordingly, their judgments reflect a slant which does not behove an independent judiciary. The Hindu judges feel the pressure.

I recall the conversation which I had with our High Commissioner at Dhaka Subirmal Dutt. In reply to my complaint that the plight of Bangladeshi Hindus would be unenviable he said that this point was discussed before India's help. It was assumed that most of the one million Hindus living there would migrate to India and many of those staying back would embrace Islam.

This may be true but it was never imagined that the properties and temples of Hindus would be destroyed. The fact that there were more than 200 million Muslims in India would influence the Bangladeshi Muslims not to do anything which would alienate New Delhi and the Hindu population of India.

Bangladesh has to renew its ethos, the image of a secular democratic country. Organisations like the Jammat-e-Islamia would drag it to fundamentalism. But that was not in the mind of Sheikh Mujibur-Rehman, father of the nation,

who wanted to establish a country which would not discriminate against the minorities. Sheikh Hasina, to her credit, wants to follow his footprints. But she has become authoritarian, and her action does not reflect that. This is the tragedy of Bangladesh.

(Continued from Page 3)

of men-women on a daily basis. This has invited the blame after 70 years of freedom and parliamentary democracy, that India is now trapped in the syndrome of psephocracy in the name of democracy where there is declining role for citizens' participation and effective contribution in governance and development. It has to do with lack of commitment towards decentralization of power and authority even after a path-breaking constitutional amendment exercise for it through the 73rd and 74th amendment act. It looks like a great betrayal which deserves urgent resistance through civil society initiatives for political and electoral reforms to save our constitution from further abuse and make our people act like life-guards of our national project of democratic nation-building.

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Demonetization: the politics of public suffering

Prem Singh

There have been various and repeated references to the suffering of the public caused by the decision of demonetization by the government. The suffering of the ordinary people due to this astounding decision has been criticized even by the High Court and Supreme Court. Around 100 people have died because of it. The supporters of Prime Minister Narendra Modi claim that people are not distressed with this decision; they are happy; if people were unhappy, they'd be on the streets protesting instead of queuing up outside banks. But at the same time they are seen threatening the sufferers and the journalists who dare to highlight their plight. However, at some point Modi supporters could recognize the suffering of all the people who are queuing up outside banks from morning till night. That is why they constantly remind the people of the hardships endured by soldiers on the borders. The Prime Minister claimed after the implementation of demonetizing that suffering would be over in four to five days, but later he made an emotional appeal telling people to brace for another 50 days, for the country's sake!

The public, specially the working class, has suffered a lot after demonetizing. The utterance of some genuinely concerned persons regarding the plight of the public saying that those who are responsible for this would be cursed by the poor (*garib ki haay lagegi*), is but a weak plea. Such poetic justice pleas have no place in today's politics. In a democracy, no

government has any right to inflict misery upon the people even for one day. Dr. Rammanohar Lohia, in his doctrine of immediacy, held that the justification/legitimacy of every action/decision must lie within that action or decision. Any rationale offered with reference to the future good, merely help governments/political parties unleash oppression on people. In the case of demonetizing too highly exaggerated claims are being made for the emergence of a 'golden India' in the future as is seen in expensive advertisement campaigns by the government.

In the wake of the adoption of neo-liberal economic policies, there is a precipitous change in the attitude of the ruling class towards the suffering of the ordinary people. The ruling class does not fear the power of the ordinary people's vote, or that the suffering people could defeat it in the next elections. In any system when people are pushed to the brink of desperation, the result will be termination of life itself. In the era of neo-liberalism, as per the Crime Bureau record, around three lakh farmers have committed suicide. The situation continues. But it makes no difference to governments and politicians. Because elections are fought with black money in nexus with campaign companies, corporate houses, electioneering strategists and media. All these agencies decide when and which party and leader will form the government at the centre. In this era of neo-liberalism footloose specialists are directing political parties and governments in India. In

this situation, 'suffering of the public' provides the path for political verbiage and swindling. The prime minister and his specialists, claiming to end the difficulties of the public in 50 days, know very well that the public will suffer even after that.

Whatever the considerations may have been for demonetization six months back, the misery of the people was not one of them. The misery of the people is no longer a problem for politicians. The leaders know that their campaign machinery will win hands down against it. They will manufacture consent for themselves. The miserable people will again vote-in those whose politics favours only the corporates. The ruling class makes such arrangements that people view the pain of continuous miseries like suicide, displacement, unemployment, inflation, disease as inevitable adage to their religion, caste, region, etc. In this process the people get progressively a-politicized. The situation of 'there is no-alternative' is actually a result of the public's a-politicization. The consequence is that it ceases to ally with those parties and leaders who seek to build a political alternative that challenges the neo-liberal order. The situation gets further complicated when a majority of civil society and peoples' movement groups take on the role of brokers which overtly or covertly facilitates the established order.

The foreign-funded NGOs act as safety-valves in order to keep the neo-liberal order intact. They divorce

political workers from political work and promote the process of a-politicization. The proponents of neo-liberalism claim that there is no alternative to neo-liberalism, nor is it needed. If there are problems within neo-liberal system, they make NGOs sort them out. In the recent past the whole hearted support of the civil society and peoples' movement groups to the anti-corruption agitation sponsored by two NGO heads proved very damaging to alternative politics against neo-liberalism. That agitation was openly and actively supported by RSS, corporate houses and the likes of Ramdev, Sri Sri Ravishankar and General VK Singh. Anna Hazare had praised Narendra Modi then, and is not adverse to him even today. Not just this, the Aam Aadmi Party, born right from the womb of the corporate was supported by the secular progressive civil society, and still is, despite the fact that this party clearly advocates an anti-ideology stance for everything, including the ideology of the Constitution. For many of those people, if Rahul Gandhi cannot be the alternative to Modi, Kejriwal might.

Post-1991, it is not just the public that has been a-politicized, the civil society too is undergoing the same. Leaving aside a few exceptions, hardly any intellectual of stature took a decisive stand against Manmohan Singh's new economic policies. Those who claim that Modi is a calamity thrust upon the nation by idiots, need to stop and reflect on how genuine their concern for the public's suffering really is? Every era yields its 'yug purush' in its own true image. After Manmohan Singh, Modi is the aggressive representative of the Indian civil society cast in the neo-liberal times. It is a false reassurance that this was merely an

election won by 31 percent of the vote. Those greatly moved by the distress of the public in the wake of demonetization are searching for an opposition to register their protest. Post-1991 politics in India has progressively turned unilateral, which is neo-liberal. Nitish Kumar and Naveen Patnaik are supporting demonetization. Mamata Banerjee and Arvind Kejriwal, both support neo-liberalism and in this regard are guided by the imperatives to consolidate the Muslim vote bank.

In the debate on black money, nowhere does it get mentioned that it is the money looted from the wealth generated by the working class; and that the process of this looting is accelerated with the implementation of the new economic policies in 1991. In India, neo-liberalism is the name of the interminable and unrelenting sufferings of the working class. Even after 25 years of neo-liberal regime, there is unashamed assertions about the 'golden future' it is supposed to usher. That means farmers' suicides, displacement of tribals, the ever increasing army of the unemployed, and the lives of the crores of people working day and night on dams-highways-bridges-airports-mega buildings is the price to be paid for this 'golden future'. The working class will pay this price in the future too. Imagine how many generations of the working class will be sacrificed to build 500 smart cities? Who will be sacrificed in the conversion of the country to the digital/cashless mode? The responsibility of children's upbringing, education, health and entertainment in a democracy lies with the state. But there is no place for the children of the working class in neo-liberal India's present or future. What can be more damning

for the politics of the country than the fact that the public has come to consider its destiny to slog and die building the neo-liberal order?

Public suffering ought to be alleviated: no one can disagree with this in principle. One could begin working in this direction. Parties against Congress and BJP should come together and tell the public that they will root out the neo-liberal order and frame their policies according to the Directive Principles enshrined in the Constitution. If the resolve is honest, the 2019 election can be easily won. Black money of the corporates will not be needed for it. The endorser of neo-liberalism often turns out to be the endorser of neo-imperialism. The freedom of the nation, achieved after many sacrifices eventually turns into slavery in the clutches of neo-imperialism. One should hope that the supporters of Congress and BJP, especially the young ones, will not quietly witness this squandering of freedom. They can support the politics that opposes neo-liberalism. Or force their parties to desist from the path of neo-liberalism.

**Books by
Surendra Mohan**

1. **Vikas Ka Rasta: Nai Arthik Neetiyon ka vishleshan.** Price 600 rupees.
2. **Samajwad, Dharma Nirapekshata aur Samajik Nyaya** Reissued as second edition; Price 500 rupees
- Published by Rajkamal Prakashan, 2a Netaji Subhash Road, New Delhi 11002
3. **Vartaman Rajneeti ki Jwalant Chunauiyan.** Price 400 rupees.
4. **Dr. Ram Manohar Lohia ki Neetiyon:** (This booklet was published late last year.) Price 25 rupees.

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Parliament disruptions: What has become of the Rajya Sabha

Harivansh

Nearly two-and-a-half years ago, in June 2014, I received the honour to serve as a Member of the theRajya Sabha, courtesy the Janata Dal (U) and its leader Nitish Kumar. I often see photographs of former Members and Chairmen, including of Dr S Radhakrishnan, Dr Zakir Husain, R Venkatraman and others on the walls of the hallowed corridors. I try to identify the faces of Bhupesh Gupta, Chandrashekhar, Atal Bihari Vajpayee, Pilo Modi, Era Sezhiyan and many more whose enlightened, informed and excellent interventions and debates left a sharp influence and probed our conscience during my younger days. The ideological debates in Parliament inspired many of us to dream for the country and to stand for the values that had shaped independent India.

These photos on the walls of the Rajya Sabha, from where emanates the power of democracy, often haunt me. It has been particularly difficult these last few days to get past those photos. Till 1 December (15th day since the commencement of the winter session) no business has been allowed to occur in the House except on the first day when a good debate took place in the Rajya Sabha over demonetisation. Regular disruptions, chaos and high-pitched slogan shouting have resulted in complete pandemonium in the House. The continuous ruckus usually leads to the suspension of the House proceedings and, sadly, it has become a regular feature. I ask myself: is this the only alternative left to us to address the genuine grievances of the public, the states and the nation?

I have witnessed the Chairman and Deputy Chairman trying their best to run the House smoothly and peacefully; yet a sense of helplessness persists - I must acknowledge the efforts of the Deputy Chairman, Prof P J Kurien. He is often on his toes, pleading with members to exercise calm and allow the House to function. However, members in the well pay no heed to his words. I have great sympathy and respect for Prof Kurien and envy his patience, calmness, wit, humour, and above all, his commitment to run the House. The unabated slogan shouting disrupts normal activity and he is often forced to adjourn the House. I introspect at such moments, recalling that this is the Upper House of distinguished leaders and statesmen and valuable contributors to society.

In the Constituent Assembly debates, the Rajya Sabha was envisioned as a House for reflective and evaluative reasoning detached from the ordinary, mundane and routine engagements of everyday life.

N Gopalswami Ayyangar termed it as a House which may rein in the “passion of the moment” as reflective moment. Several members of the Constituent Assembly favoured a second chamber, as they believed that erudite members of this Rajya Sabha would be above the narrow and parochial political boundaries of the Lok Sabha. These members of the Rajya Sabha would be able to view legislations more dispassionately, and thus enhance the

efficacy of the overall process of law making. I am also reminded of Lok Nath Mishra who described this House as “a sobering House, a reviewing House, a House standing for quality and the members will be exercising their right to be heard on the merits of what they say, for their sobriety and knowledge of special problems; quantity, that is, their number, is not much of moment”.

M Ananthasayanam Ayyangar found this House to be a platform of reflective consideration: “the genius people who may have full play, and it can make place for people who may not be able to win popular mandate.” Dr Radhakrishnan stressed the significance of the RS and stated, “There is a general impression that this House cannot make or unmake governments and, therefore, it is a superfluous body. But there are functions which a revising chamber can fulfil fruitfully. We are for the first time starting, under the new parliamentary system, with a Second Chamber in the Centre, and we should try to do everything in our power to justify to the public of this country that a Second Chamber is essential to prevent hasty legislation. We should discuss with dispassion and detachment proposals put before us.”

Its late chairman Krishan Kant in his foreword to the book *Emergence of Second Chamber* in India had foreseen the possibility of a stalemate that our current parliamentary system is facing. He wrote, “the majority-minority party equation in the Council

of States (Rajya Sabha) changes at a much slower pace than in the Lok Sabha. There may be occasions when a party enjoying a majority in both the Houses is reduced to a minority during an election in the Lower House, but remains a majority in the Rajya Sabha. Some experts argue that this position is an anomaly because it derogates from the theory of mandate, which holds that popular mandate, at any given time, gives to the winning majority an untrammelled right to initiate legislations germane to that mandate. The need to carry the opposition majority in the Upper House is, by inference, an anomalous provision. There is the added danger, that the Opposition in the Upper House can use its majority to embarrass the government of the day.”

Our great leaders in the past assured that during stalemates, senior leaders of the political parties will engage in consensus building. Have we failed? Again I quote N Gopalaswami Ayyangar. While moving the motion for a second chamber (RS), he said in the Constituent Assembly: “After all, the question for us to consider is whether it performs any useful function. The most that we expect the second chamber to do is perhaps to hold dignified debates on important issues and to delay legislations which might be the outcome of passions of the moment until the passions have subsided and calm consideration could be bestowed on the measures which will be before the legislature; and we shall take care to provide in the Constitution that whatever on any important matter, particularly matters relating to finance, there is a conflict between the House of the People and the Council of States, it is the view of the House of the People that shall prevail. Therefore, what we

may really achieve by the existence of this second chamber is only an instrument by which we delay action which might be hastily conceived and we also give an opportunity, perhaps to seasoned people who may not be in the thickest of the political fray, but who might be willing to participate in the debate with an amount of learning and importance which we do not ordinarily associate with a House of People.”

This is what our sagacious leaders, our Constitution makers thought of the role of the RS. It is the sacred duty of all members of this House to maintain and carry forward this distinguished legacy. When I see the Deputy Chairman helplessly pleading with members and then adjourning the House time and again, I stare at the Visitors Gallery asking myself how I would respond to public queries about these successive adjournments.

Our great leaders as the architects of the world’s largest democracy have taught us that dissent and disagreement are non-negotiable democratic values. But even with our differences and dissent, dialogue is essential without which, people’s faith in the system can easily erode.

I entered this House with a dream to debate issues pertinent to our country. Joblessness or the era of jobless growth is the biggest challenge that the country is facing today. Since globalisation itself faces serious contestations, I often ask myself whether our economic growth model has failed. I am eager to hear the enlightened debates/ views of this House in the same spirit that I heard the debate on the GST Bill, in my view one of the best debates in RS so far, - it was marked

by eloquence, knowledge and full participation of members, above party lines and narrow partisan politics, keeping in view the interest and future of the country.

Today I feel agitated about several vital issues which need to be looked into earnestly and dispassionately. Many other members of the RS may share my views and sentiments. For instance, the most recent Indore-Patna rail accident must be discussed. It is important to note that approximately 3,000 railway bridges are more than 100 years old, 32 of these 3,000 have been classified as “distressed bridges” but their usage beyond their lifetime is not considered to be a serious issue. Indian railway tracks are hugely congested; some of the sections are running either at 100 percent or above of its carrying capacity. For example, in the Mughalsarai-Ghaziabad section, a train leaves the originating section every two minutes. This high density of train movement not only highlights the superhuman efforts of the railway employees but also underscores the pathetic situation of our railway infrastructure. The serious governance issues are not limited to railways alone but they have spread to the whole of our civil and defense transport and logistical infrastructure, urban development, defense preparedness, law and order, employment generation and to every other aspect of social, economic and cultural lives of our citizens. We have adopted this *chalta hai* or *jugaad* approach and in the last few decades this attitude has landed us in a serious trap.

I am at a loss to comprehend why these questions do not emerge as the most pressing matters in our Parliamentary debates.

We must dig deep, find the causes and suggest remedial measures. It seems the whole infrastructure has collapsed. Even the precarious financial position of the railways (a major part of their finances is taken up by salaries and pensions) needs to be debated thoroughly.

The situation on our borders after the surgical strikes against Pakistan needs to be discussed. The attacks against our soldiers continue as unabated cross border terrorism poses grave threats to the country. I feel pained and anguished when I read about how China has encircled us, having established ports in Bangladesh, Sri Lanka and Burma. Tibet is yet to acquire autonomy, and with each passing day it appears that its distinct cultural, social, religious identity is being subsumed within the dominant Han Chinese racial and cultural practices. In recent times the Chinese army has decided to safeguard and operate the Gwadar port in Pakistan. China and Pakistan have also launched a direct rail and sea freight service between Kunming and Karachi.

Russia is also warming up to Pakistan and US President elect Donald Trump has assured Nawaz Sharif of his cooperation and support. China has extended its influence in Central and South East Asia.

These issues bother me and I am sure also agitate the minds of other members as well.

The modernisation of the army needs to be discussed; we must initiate large-scale and fundamental reforms to our administrative, police and bureaucratic framework. The working conditions of paramilitary forces need to be debated at length.

The tussle between the judiciary and executive has been on the rise in the recent past. It is a serious confrontation that may well precipitate a constitutional crisis.

I have been equally disturbed when I see or read how our defence personnel guarding our borders are attacked and media headlines scream “lessons not learnt from past mistakes”.

The issue of climate change needs to be addressed. Delhi’s pollution problem and air quality is a matter of grave concern.

The on-going developments at Nalanda University need to be discussed.

The jailbreak in Nabha, Punjab had been meticulously planned. It was a high security jail from where the Khalistan Liberation Force chief was able to escape. It is being alleged that there was a deal of Rs 50 lakh for making this jailbreak possible. There is an urgent need to discuss all these serious issues and find long lasting solutions.

Next year will be the one that marks the centenary of the Champaran Satyagrah, which gave a new direction to the anti-colonial struggle in India and an enduring political legacy to the world. It is the duty of the government and the opposition as well to discuss how the country should commemorate this momentous occasion and revisit the ideals of the satyagrah.

Being a witness to such anarchic scenes in the House, I recall my old friends who believed in the Naxal ideology and always had derogatory adjectives for our democratic system. Those days we would

debate for hours to convince them about the democratic virtues of our Parliamentary debates.

This is clearly a question of governance and efficiency. This government was elected on the promise of providing an efficient and effective administration which is responsive to the aspirations of the country. But time and again whenever there have been attacks, there are headlines questioning the efficiency of the government. Responsibility must be fixed. This country has a great tradition of quality and moral leadership; resignations were tendered even for minor incidents by taking moral responsibility. Do our Ministers introspect their utterances, roles, efficiency and governing capacity?

We are familiar with the axiom that time and tide wait for nobody. The world is changing at an unprecedented pace and there are multiple anxieties and insecurities. If such serious issues are not debated even at a time when the duration of the Parliament session has been gradually shortened since Independence, then what future do we promise to the younger generation? We owe something to our great leaders who sacrificed their lives for this country and gave us this House so that our democratic traditions can remain vibrant and inspire the future generations.

I have been asking myself why a silent member like me (and there are many silent members in all parties in RS who adhere to rules and procedures and completely respect the words and instructions of the Chair) remains unheard. How do we, who do not rush to the well of the House, navigate through this crisis, restore our faith in the great

parliamentary traditions of this country?

There is a demand now that the Prime Minister should sit through the discussions on demonetisation. It was reminded by a senior Congress leader that when the 2G scam broke out in 2013, the same BJP wanted the then Prime Minister, Dr Manmohan Singh to remain present in the House during the entire debate. There is a widely acknowledged saying that as you sow, so shall you reap. The BJP is facing the same past karmas. But it is my view that the Congress has been a party of great leaders which include Jawaharlal Nehru, Sardar Patel and many others known for their magnanimity and vision. They would not have appreciated the current discourse and disruptions. The Congress leaders often make us feel that they have the monopoly over Gandhi's legacy. Gandhi had once said that an eye for an eye only ends up making the whole world blind. It is a great opportunity for the Congress to offer a lesson on good parliamentary behavior to the BJP by allowing the House to run smoothly.

We must appreciate the PM's position as the head of the government, while demanding his continuous presence in the House as we desire. It is possible that his presence is needed elsewhere than at the Parliament always.

However, the PM should also find time at regular intervals to be present in the House when important issues are being debated. There should be a full-fledged debate on demonetisation with a particular focus on black money, benami properties, bullion and gold, real estate, drugs and even prohibition.

It must be reiterated that there is a direct connection between the black money and the liquor and drug mafia. More than 40 committees have been constituted in the past to deal with the problem of black money but without success.

The Indian bicameral parliamentary system may find comparable legislative set up around the world and it would be quite informative to compare the functioning of the Indian parliament with the systems abroad. In the United Kingdom the members of parliament have a right to be heard without overwhelming background noise, and unparliamentary language is not allowed. In the British House of Commons, when grave disorder breaks out, the speaker has the power to suspend or to adjourn the sitting. That power was exercised very few times and was enforced last time in 2004. In the House of Lords, unworthy conduct by Members has hardly ever been reported. In the entire history of the United States Congress, 20 Members have been expelled: fifteen from the Senate and five from the House of Representatives. All these expulsions have been triggered by political reasons, treason charges or scandals, hardly for bad behaviour or disrupting the Congressional procedures. In the Australian Parliament the Speaker can direct a disorderly member to withdraw from the House for one hour. However, if a member fails to leave the Chamber immediately or continues to behave in a disorderly manner he may be named and the House can then suspend him.

I come from a party which draws from the legacy of Gandhi, Lohia, Jayaprakash and is presently headed by Nitish Kumar who has been in

public life for the last four decades. He has held many distinguished posts at the centre and has been the Chief Minister of Bihar for the last 11 years (except the tenure of Jitan Ram Majhi for a brief period). There is intra-party democracy in the JD (U) and Kumar gives opportunities to all its members to raise people's concerns. It may be worth mentioning that, following his example, none of the members from JD (U) has indulged in creating ruckus or pandemonium in either of the two houses of the parliament.

I ask myself every day before I head to the Rajya Sabha about what I would do in the House. As an MP how do I repay the people for the privileges and facilities I enjoy if I am not able to raise their issues in the House? Is it not an unnecessary and unacceptable burden on the exchequer if we are not able to raise the problems of the people in the House? I can only hope that the great parliamentary traditions of this country are restored and as Members of this privileged House we recognise our responsibilities and accountability to the people of this great country.

Footprints of A Crusader (The Life Story of Mrunal Gore)

by

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Equal Opportunity Commission

The Prime Minister's High Level Committee, headed by Justice Rajindar Sachar, was constituted in 2005 by the then Prime Minister of India Dr. Manmohan Singh to prepare a report about social, economic and educational status of the Muslim community in the country. The findings and recommendations of the report immediately became a topic of sharp debate in political, social and intellectual circles as it was presented in the Lok Sabha on 30 November 2006. The report has completed 10 years of its release on 30 November 2016. To mark this occasion Socialist Yuvjan Sabha (SYS), People's Union for Civil Liberties (PUCL) and Khudai Khidmatgar organized a one-day seminar in Gandhi Peace Foundation, Delhi, on 22 December 2016. Scholars from various disciplines including some representatives of the Muslim community participated in the deliberations and reviewed the progress of the report, particularly the implementation aspect of its recommendations, carried out by central and state governments in the last 10 years.

Following resolution was deliberated upon and passed at the end of the seminar{

The minorities, especially the Muslims, have been the ignored factor by all Central Governments. Amongst the various recommendations, the Prime Minister's High Level Committee Report had recommended the establishment of Equal Opportunity Commission (EOC) as an instrument to prevent discrimination against

minorities in the private sector like housing, employment (since courts cannot interfere in cases of discrimination in private sector). This recommendation has been inexcusably violated and also remained in cold storage.

The EOC can be set up by the state governments without taking permission from the Central government. Hence this seminar resolves that the present state governments run by secular parties should immediately establish the EOC in their respective states.

A very urgent recommendation of the Prime Minister's High Level Committee Report dealt with the unfairness of divisions of electoral constituencies which results in lesser number of Muslims in the legislature to which they are broadly entitled based on the population. This anomaly arises from the irrational demarcation of seats in the legislature.

Thus in U.P. there is abundant potential for substantial number of Muslims to win seats. For instance, in U. P. that sends the largest number of members (80) to Lok Sabha, there are 25- 52%, Muslim's in 18 seats, in 23 seats Muslims are 15- 24% and in another 18 seats Muslims are 10- 14%. Similar is the demographic – electoral reflection in most of the states." It was further pointed out that delimitation of constituencies in a fair manner is essential. But on the contrary the constituencies with substantial number of Muslims have been reserved for S.C., and constituencies with substantial number of S.C. voters are unreserved. This is unfair to both Muslims and S.C. electorate.

The Committee had hoped that it would receive the attention of the Government immediately because the Delimitation Commission was at that time engaged in this exercise and evidently any suggestion or any exercise to be done by it had to be undertaken during the current term of the then Delimitation Commission.

The Committee had concluded that Muslims were thus denied benefits in politics since assembly constituencies where the voter population from the community was substantial were reserved for scheduled caste candidates for election. In all fairness it would have been more equitable to reserve those constituencies for SCs where their voter population is high rather than those where it is low and the Muslims presence is higher.

But, the High Powered Committee's suggestion was ignored during the delimitation. This anomaly is a reason for low representation of Muslims in the legislatures. How inequitable that important issues related to the community are ignored or don't get the desired priority. Somebody has to take the responsibility for not taking concrete action in order to remove this anomaly. Mere lip sympathy is a façade. The seminar resolves that a concrete action should be taken in this matter.

–**Niraj Singh**
President SYS
Ravikiran Jain
President, PUCL
Faisal Khan
President, Khudai Khidmatgar

Demonetisation: yet another huge fraud on the people

Neeraj Jain

In a televised address at 8 pm on November 8, 2016, Prime Minister Narendra Modi announced that currency notes of Rs 500 and Rs 1,000 denominations would no longer be legal tender from midnight that night. He stated that people holding Rs 500 and Rs 1,000 notes could deposit them in their bank and post office accounts till December 30. He further announced that new notes of Rs 500 and Rs 2,000 will soon be introduced. The Prime Minister stated that this step was being taken to curb counterfeiting and funding of terrorism with fake notes, and most importantly, to crack down on black money in the country.

The total currency in circulation in the country is around Rs 17.9 lakh crore. Most of this is in Rs 500 and Rs 1,000 notes, these accounting for 86% of the currency in circulation. Therefore, till the government replaces the abolished currency with new currency notes, for the present, 14% of the currency has to serve the task of the whole. The total value of the Rs 500 and Rs 1,000 notes in circulation is around Rs 15.44 lakh crore, and these were printed over a span of 15 years.¹ To prevent the economy from collapsing, the government has to quickly replace them. Even though the Prime Minister claimed that the step was being planned for more than nine months,² the monumental inefficiency of the Modi government becomes evident from the fact that it made no advance preparations for quick replacement of the old notes with new notes. According to a newsreport that quoted former

Finance Minister P. Chidambaram and also a former RBI Deputy Governor, even if the government prints note for note, given the capacity of the four currency note printing presses in the country, it is going to take at least six to seven months for these printing presses to print new notes to replace all the scrapped notes.³ The printing of such a huge quantity of notes requires large quantities of paper and ink, which are largely imported. Such an elementary step of importing the required quantity of ink and paper was also not taken in advance - ink is already in short supply and the government recently floated a tender for importing it.⁴ Once printed, the notes must reach granular India - 5,93,731 inhabited villages, 4,041 towns, 3,894 census towns and 1,456 urban patches.⁵

The sudden move without adequate preparation for its consequences has led to chaos across the country. With 86% of the currency sucked out of the system, even though a month has passed since the demonetisation announcement, there is still no cash with the banks. People were first forced to queue up outside banks for hours to exchange/deposit their old notes. After that, they now have to stand outside banks almost daily in long queues to withdraw their money, because even after standing in line for hours, at the most people are able to withdraw only Rs 2,000–4,000 at a time. The worst hit are the daily wage workers as they are forced to forego a day's wages in order to stand in the queues. Dozens of

people have actually died waiting in these queues.

Adding to the woes of the people are non-functioning ATMs. Initially, the problem was that the ATMs were not calibrated to distribute the new Rs 2,000 and Rs 500 notes. It was only by early December that nearly 90% of the ATMs got recalibrated. But even after that, the problem of standing outside ATMs in long queues has not reduced, as there is not enough cash, and so either one can withdraw only small amounts at a time, or the ATMs run dry just 2–3 hours after being refilled.

The situation is worse in the rural areas, where the banking network is not so widespread and one bank branch caters to several villages. Banks often have no cash for 2–3 days, and even when they get cash, it is so insufficient that people often have to go home empty-handed after standing in line for hours.

Another proof of the government's inept handling of demonetisation is the decision to first introduce the Rs 2,000 note rather than the Rs 500 note; it again shows how much our policy makers are cut off from the people. After standing in queues for 3–4 hours, people are still getting most of their withdrawals in Rs 2,000 notes. This does not ease their financial difficulties one bit, as the shortage of lower value currency notes has made it virtually impossible for them use cash to buy essential items like milk and vegetables, as shops have no change to pay back.

BJP-RSS activists have put up banners all over the country, asking people to patiently wait in the long queues as a sacrifice for the country and claiming that Modi's demonetisation policy will soon end black money and give the economy a big boost, leading to a fall in housing and food prices. Many people too think that this step will indeed end terrorism and curb black money, and so the troubles being faced by them are worth it.

Examining the government claims

Let us examine the claims of the government about the benefits of demonetisation one by one.

i) Will demonetisation overcome the problem of terrorist financing?

Terrorists need financing. They use both banking channels and fake notes. The major part of their financing is done through banking channels, using various innovative techniques. That cannot be curbed by demonetisation. And so far as fake notes are concerned, to the extent that terrorism is financed from abroad, state actors are involved in printing these fake notes. That too cannot be curbed by demonetisation. So, we are only indulging in self-deception if we believe that demonetisation is going to curb terror financing.⁶

ii) Will demonetisation overcome the problem of counterfeit notes?

According to RBI, there is only Rs 400 crore worth of counterfeit currency in circulation in the country - a tiny amount of the total currency in circulation of Rs 17.9 lakh crore.⁷ Is it really worth attempting to eliminate such a small amount

(0.022%), while giving so much trouble to the ordinary people? And very soon, the new notes will be faked too. In the USA also, there are a large amount of fake dollars in circulation; the dollar is in fact among the most counterfeited currencies in the world.⁸

iii) Will demonetisation significantly curb the black economy?

People think that black money means bundles of notes tucked away in suitcases or pillows or lockers. That is not the case. Then what is black money? For this, it is important to understand the difference between three terms: black money, black income and black wealth. All three are different, and together comprise what can be called the 'black economy'. People mix up these terms, and use them interchangeably.

First you earn income; out of this, you consume one part, and save the rest. This saving, you invest in various assets. That gives you your wealth. Wealth is held as a portfolio - you can put it in real estate, gold, share market, etc. or hold it as cash. Thus, cash is only one component of your wealth. It can be as low as 1% of your wealth, or even less.

Coming to the black economy, here, first, black income is generated through a whole range of activities. These activities can be entirely illegal, such as the drugs trade or the manufacture of fake medicines or arms trade and so on. Or they can be activities which are completely legal, but are undeclared (either wholly or in part) as people want to avoid taxes. These can include: under-reporting of income by doctors or lawyers to save taxes; under-

reporting of profits by industrialists by means such as overstating costs (for example, by showing purchase of raw material at higher than actual prices) or understating production; and under-invoicing and over-invoicing in international trade.

It is not the case that black activity or black business is carried out with cash, and white or normal activity is carried out by cheque or credit card or other such means. Normal business also requires cash. So, normal cash holding and black cash holding are not two different things. One may ask: that may be so, but is it not that black business is more dependent on cash transactions than white? The answer to this also is no. In both black and white business, cash is held for shorter or longer period, and then thrown into circulation, and this is equally so for both types of business. Therefore, if currency is demonetised, both normal and black cash holdings are affected equally.

To put the same argument in another way, black businessmen are as much capitalists as white businessmen. It is only misers who hoard money; capitalists believe in investing money to earn more money. And so, black money holders, like white money holders, also try to expand their business by investing their black money/income. Therefore, just like white money holders, black money holders also will be holding only a small fraction of their total income as cash at any point of time.

The point we are trying to make is, only part of the black income generated is held as cash. Most black money holders invest their incomes in assets that yield returns, such as buying land or shares with

it, or send it abroad through various means. A recent *Hindustan Times* report has also given several arguments to show that black money hoarders keep very little of their earnings as cash. It goes on to quote a finance ministry official as saying that ill-gotten wealth mostly enters the formal economic system through real estate and shell companies.⁹

That part of *black income* which is kept in cash is actually *black money*; while that invested in assets is *black wealth*. Demonetisation at the most affects black money; it does not affect black income generation, not does it affect black wealth one tiny bit.

Let us consider a concrete example of black income generation to understand this in greater detail. An especially important sector where black incomes are generated, and where black incomes are invested in a big way, is real estate. Funds are taken out of the country through various illegal means such as hawala channels, or under-invoicing of imports, or over-invoicing of exports, or transfer pricing. They are then brought back into the country as foreign investment or FDI (this is known as “round-tripping”) through channels such as the infamous Mauritius route. Sham corporations are registered in Mauritius, through which funds are routed into India, often through a mechanism called P-notes (participatory notes, where the ultimate investor is not identified to the Indian market regulator Sebi). The earnings on such investments are not taxed in India because India and Mauritius have a double tax-avoidance treaty, while at the same time the investors pay little or no taxes in Mauritius too because of the

tax structure there. The amendments to the Indo–Mauritius Treaty done earlier this year will not really have much of an impact on this “round-tripping” of funds, as firstly, P-notes are exempted from this amendment, and secondly, there are other routes through which such funds can be routed into India without attracting much tax, such as through Netherlands.¹⁰ FDI flows into the real estate sector have zoomed in recent years. Between 2005 and 2010, FDI in India’s real estate and housing market jumped 80 times. In 2010, nearly \$5,700 million of foreign funds were invested in the sector. It is this infusion of black money into real estate that has contributed to the sharp and sustained rise in land prices, which is making housing unaffordable for an overwhelming majority of Indians.¹¹

We have discussed the round-tripping of black money in some detail to explain how a major part of black incomes is invested via phoney legal means, through banking channels. And that is not going to be affected by demonetisation. That will only be curbed if the government takes steps to curb the illegal parking of funds abroad and round-trip back to India.

Myth about black money

Before we go ahead to estimate the size of the black economy, it is important to discuss an issue being raised by persons like Baba Ramdev, who have these days donned the mantle of “economics experts”. They are claiming that the central problem of the Indian economy relates to “black money”, and are trying to create the impression that if this problem is solved, poverty would vanish,

unemployment will decline and so on. This view is wrong for a number of reasons:

(i) Firstly, capitalism is all about making profits. And therefore, under capitalism, the line between what is legal and what is illegal, the line between ‘white capitalism’ and ‘black capitalism’, is a tenuous one. Thus, when the government gives tax concessions to the rich, the savings made by the rich are considered legal, but when ordinary people do not declare their incomes to save on taxes, that is considered illegal; when the government transfers land at throwaway prices to the corporate houses, that is considered legal, but when ordinary people buy land out of their hard earned savings to build a house and under-report the land price to save on taxes, that is considered illegal; when pharma companies through their network of Medical Representatives encourage doctors to prescribe unnecessary medicines to patients, this is plainly unethical, and should be labelled as black activity, but it goes on in a big way. And so on . . .

(ii) Then again, the definition of what constitutes ‘black activities’ varies from country to country! Thus, banks investing people’s savings in the stock market is considered illegal in India, but it is perfectly legal in the United States.

(iii) Finally, even if there were no black economy, the inherent law of capitalism, which produces wealth at one end and misery at the other, would still operate. And this is becoming worse in today’s era of neoliberalism. The people who are blaming the black economy for the misery of the masses are actually doing so to hide from the people the

real reasons for their poverty and unemployment.

All this is of course not to argue that steps should not be taken to curb the black economy. That should be done. But it should be clear that this is only one of the many problems gripping the Indian economy, and furthermore, is not the most important problem. The most important problem today is the economic policies being implemented under the name of globalisation-privatisation-liberalisation. It is these policies that are responsible for huge rise in poverty and destitution, the worsening unemployment situation, the rising inflation, and the worsening agricultural crisis which has pushed more than 3 lakh farmers into committing suicide over the past decade.

Size of black economy

It is very difficult to make estimate of the size of the black economy. Estimates of the black income generated every year vary from 25% to 75% of the GDP.¹² An authoritative analysis has been made by Prof. Arun Kumar, an eminent economist who was Professor at the Centre for Economic Studies and Planning at Jawaharlal Nehru University. He estimates the black income generation in India to be 62% of the GDP. This is fairly close to the estimate made by a report of the National Institute of Public Finance and Policy in 2014 that estimated domestic black money as being equal to 70% of the GDP.¹³ The GDP in 2016 was about Rs 150 lakh crore, so 62% of that would be roughly Rs 93 lakh crore. This then is the size of the black income generated in the economy in 2016. Black wealth would be several times this amount, as it has been

Remembering Viswambharan

In the morning of Sunday last, I received a call from Rajashekharan that “Viswambharan expired this morning.” I was speechless for a while. I knew that Viswambharan had crossed 90 years. But a few months back we had met and he was standing erect and was talking so energetically about the happenings in the country: “We should pay more attention to the problems of the unorganized workers. This globalization is bent upon finishing cooperative movement. We will have to put a determined fight to save the cooperatives....Most important thing is to build up devoted and disciplined chain of cadres. The boys today don’t like to be lectured about the importance of disciplined...” How could he say goodbye so soon?

It was in the seventies of the last century when I met him in the office of the Indian Cooperative Union at Delhi. I was commissioned by an apex cooperative body in Maharashtra to write a book on ‘Democratic Socialism and Cooperative movement.’ Running through such a senior comrade in a co-op outfit was a pleasant surprise for me. Most of our leaders were active in trade unions and a few only on parliamentary front. “Yes, a few of us in Kerala are very active in the cooperative institutions of the fishermen as also of other handicrafts” he said.

During the dictatorial rule of Indira Gandhi, who had thrust censorship on the press and put behind the bar all political activists opposed to her (1975-77), I was touring different parts of the country to coordinate the struggle for restoration of democratic rights of the people. As there was a warrant against me, I had to change my name and appearance. While on a visit to Thiruvananthapuram, I went to the Kovalam beach to meet Viswambharan but had no idea about exact location of his house. After alighting from a bus at the last stop, I started enquiring. Somebody took me to a fisherman who was squatting on the ground and vending the fish and said, “He is Viswambharan”. I got perplexed. As I could not speak Malayalam, making enquiries was so difficult. At last, I loudly uttered the words “socialist leader”. Another elderly person waived me to follow him. When I knocked on the door indicated by him, the old comrade himself opened the door and greeted me very warmly. After a long chat followed by a delicious lunch I took my leave.

It was after a long interval that we received him at Kurduwadi station. He had travelled a long way to attend a meeting of the Socialist Front. While welcoming the idea of rallying all the socialists together, he cautioned us that it was an uphill task but we should put in hard work. From there, he went to Barsi to meet Shaikh Abbas who had participated in the Shanti Yatra from Kanyakumari to Rajghat. Viswambharan had helped a lot to make that Yatra a success.

It was in May 2013 that he visited the second conference of the Socialist Party (India) to extend greetings to the delegates.

And now, this sad news.

—Pannalal Surana

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accumulating over the years. Even assuming a low figure of say three times, black wealth would be around Rs 300 lakh crore.

Let us now make an estimate of the black money in the economy. It is this black money that is circulating in the economy as cash that the government is attempting to curb by demonetisation of Rs 500 and Rs 1,000 notes. The Rs 500 and Rs 1,000 notes in circulation in the economy total Rs 15.44 lakh crore. But not all the notes in circulation are a part of the black economy, are not generated as black income. Thus, for instance, a significant proportion of our GDP - around half, according to current CSO

estimates - is produced in the informal sector, and around 85% of the population relies on it.¹⁴ While the incomes in this sector are mostly unrecorded, the dominant part of this is not 'black'. It is true that the incomes in this sector do not fall into the direct tax net, but then these incomes are too small to pay direct taxes; on the other hand, due to the tax structure of the Indian economy which collects more revenue from indirect taxes rather than direct taxes (70:30), they anyway are subject to indirect taxes.¹⁵ In this sector come the income of farmers and small traders and daily wage workers and small service providers and other such sections of the population. Most of the

transactions in this sector are in cash. Apart from this informal sector, a significant portion of the cash in the economy is also in businesses, like petrol pumps, railway stations, airports, etc., and this too is not black. Therefore, of the total currency in circulation, assuming that half is in the informal sector, and of the remaining, at least half is in businesses as legal currency, that leaves just around Rs 3 lakh crore as black money.¹⁶ Indeed, a former governor of the Reserve Bank of India (RBI), D. Subbarao, a supporter of the demonetisation move, has also mentioned this as the maximum amount that can be rendered worthless by this move.¹⁷

(To be concluded)

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