FACTS against MYTHS

VIKAS ADHYAYAN KENDRA #1, 2017-18 INFORMATION BULLETIN

A Cashless India or another "India-Shining" Scam? Myths behind the Digital-India Policy - Part II

"...the present government is setting a dangerous precedent of over-centralizing the economy inducing an almost militaristic control over people's money (if you see the manner in which every household was made to rush to banks to deposit their money into the system) to suit the interests of the global economy...Demonetisation will slowly "cleanse" the streets of all vendors and force people to use the larger retail outlets owned by Big Business..." [1]

"...The digital economy is a design for atomization, for separation, to allow Indians to become individual consumers with abundant "red money" – credit...Imposing the digital economy through a "cash ban" is a form of technological dictatorship, in the hands of the world's billionaires..." – Vandana Shiva[2]

Comment:

The demonetization policy was initially pitched as a measure to tackle, inter alia, the issue of "black money" and fake currency. The justification since then has changed — in transforming India from a "cashless society" to a digital economy. On July 1, 2015 the Digital-India campaign was launched by the Prime Minister in the company of corporates – Mukesh Ambani, Ratan Tata, Azim Premji, and K.M. Birla — who have committed a total of 4.5 lakh crore towards digitalizing India. Massive job opportunities are to be generated in the IT sector with the TATA group announcing 60,000 jobs. Besides, corruption is set to take a back seat with high transparency due to this program. (3) The aim behind this plan is to provide e-solutions through e-Governance to just about everything under the sun. Digital-India is a flagship programme of the Government of India which aims to provide connection between all government-run institutes and the people. Its main motive is to ensure that all the work is done electronically and the country becomes totally paperless by the deadline, 2019.

The initiative includes plans to connect rural areas with high-speed internet networks. It consists of 3 core components, viz.

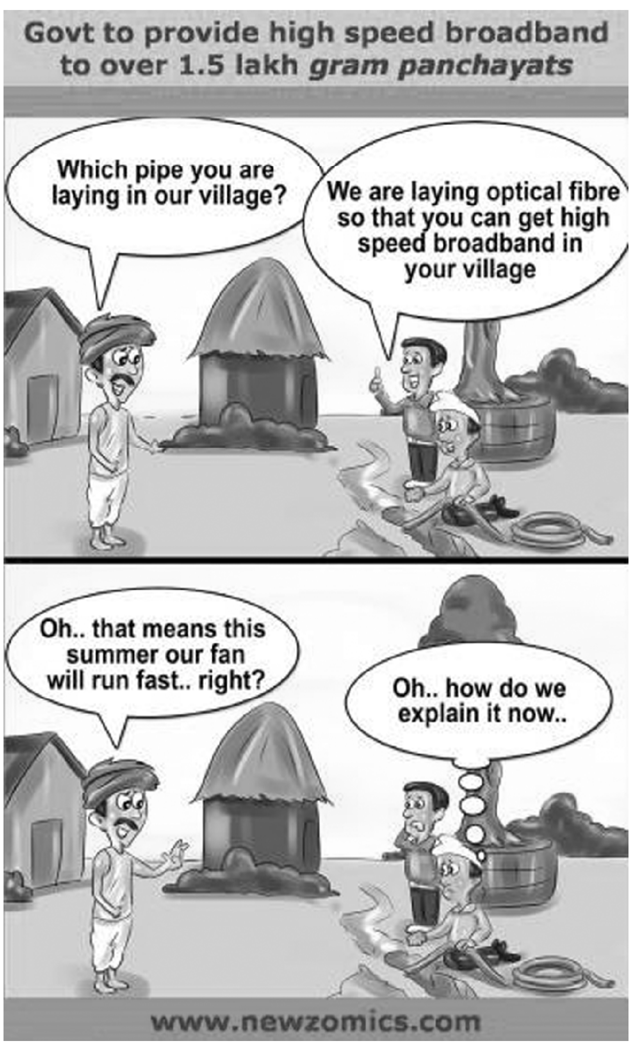
- The creation of digital infrastructure
- Delivery of series digitally and
- Digital literacy

Implementation is to be carried out through Central Government Schemes — Lucky Grahak Yojana and Digi-Dhan Vyapar Yojana.

Undoubtedly, this is a grand vision for a New Millennium India. However, it has to be viewed within India's harsh and dismal social reality and to its highly inadequate digital infrastructure. According to a global study by Mckinsey and Facebook – 'Offline and Falling Behind: Barriers to Internet Adoption', almost 1b. people in India are without an internet connection which comprises of 25 % of the similar world population.

Besides, 26% of Indians or almost 30 crore people are illiterate, that too when the condition to be counted as a literate is so lenient. India has some of the cheapest mobile internet plans but this fact goes for a toss when it comes to the country's average income of just INR. 7378/month. The troubles are further manifested with India's poor condition of its telecom network infrastructure.

A problem with digital transactions that it is not merely about poor infrastructure but also the inability to understand how to use the cashless mode of operations that demand basic literacy. There is need to be able to at least use mobile phones, enter various numbers and be able to navigate the new, digital world. Moreover, the overwhelming number of India's transaction is in cash. Credit or debit cards using Point of Sales (Pops) machines are a measure of 3% of all transactions. Even if people do not use credit cards for digital transactions, they still need bank accounts. Only around 35% of Indians above 15 years have bank accounts and less than 10% have ever done any kind of non-cash transaction.



How India got on board this "new age" hyper-technology is not difficult to perceive. The geo-political forces — the globally-active digital finance mega firms along with the lobbying industry e.g. APCO Worldwide — maneuvered India to join as they did on the demonetization plan. Their aim was to drain the liquidity out of the banks (ruining banking as people have known it) effectively forcing them to go digital. The move has also been part of the World Bank prescription for the Global South, with active support from the billionaire enterprise, the Bill and Melinda Gates Foundation. Their aim was also to nudge Indians, well beyond the aspirational classes, to make payments for their transactions electronically.

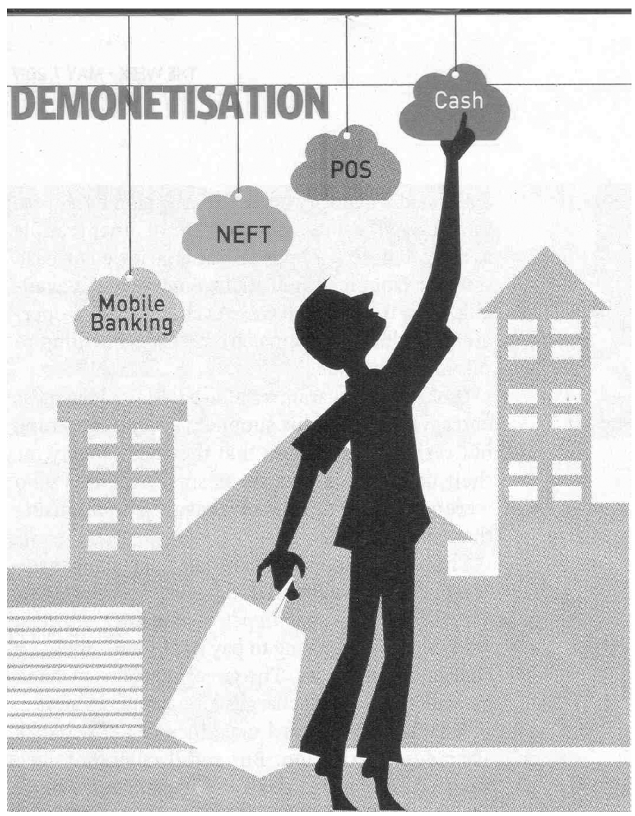
According to a report by GSM Association and Boston Consulting Group there is an annual jackpot of $500 b. by 2020 (a quarter of India's GDP) with over 50% of internet users, by the digital payments industry. A large share of this digital booty is likely to accrue to the already wealthy, the major beneficiaries of the scheme. Billionaires have already minted money – on patents and monopolies over the tools of information and network technology viz., the rent collectors, as Vandana Shiva dubs them, of the digital industry, who have collected huge rents, at very high frequency, in a very short time. The Bill Gates Foundation for instance has minted money through patents on software that were developed by brilliant people; they merely own the 'workshop', owning all the work that happens under their roof. Bill Gates used his monopoly to eliminate rivals and then to ensure that no matter what kind of computer is needed, it had to have Microsoft windows. In an honest economy, such behavior would be illegal. In India it has however been christened as "smart"[2]

Apart from the Gates Foundation there is the Jio Payments Bank one of the several other banks slated to occupy the digital payments platform in India. Others in the Fintech game are Airtel payments Bank, Paytm Payments Bank, India Post Payments Bank, NSDL Payments Bank, Aditya Birla Idea Payments Bank, Fino Pay Tech, and Vodafone m-pesa. These entities have globally dispersed ownership, though their promoters are Indian. Recently, the IT billionaire Nandan Niekani waxed eloquent of the digital transformation of the banking system referring to the key breakthrough of a 'Unified Payment Interface' (UPI) launched by the former RBI Governor, Raghuram Rajan. UPI simplified the transfer of money by consumers in a big way. He argued that this will "shift the business models in banking from low-volume, high-value, high-cost and high fees, to high-volume, low-value, low-cost and no fees".[4] Even if the top half of the Indian population can be attracted into the digital net, there are massive fortunes to be raked. The bottom half do not matter!

The recapitalization of Indian banks is temporary and incidental. The Indian banking system is on its way to total disruption. Digital payments are an inherent threat to traditional banking globally. Indians are brainwashed into believing that once digital payments banks have taken over, banking would reach every Indian in the next decade and the mobile would have become a virtual ATM. Airtel will go where ICCI cannot. In fact, during the demonetization period there was sharp rise in digital transactions. Since February however, according to a report in the Indian Express of March 24, 2017 the increase has seen a reversal with a decline in electronic transactions. There has been a 21.3 per cent decline in volume of such transactions — from 870 m. in January to 684 m. in February — higher than the 9.1 per cent fall seen in January 2017 over December 2017. The decline goes against the government's stated goal of scrapping high-value currencies – that of striving towards a "less cash economy". In values terms, the decline was 16.7 per cent from electronic transactions valued at Rs.97, 011 b, in January 2016 to Rs.80, 765 b, in February 2017.

The Government is talking of the cost of cash and therefore the benefit of a cashless economy strongly supported by global forces as stated above. But what fails to be considered is at what cost to the economy. All this is at additional cost per transaction to the economy. And then who will bear the cost? Digital transactions have a higher cost to the consumers and a transaction fee which is paid by the consumer to a third party e.g. a credit card (Visa, Master Card, RuPay) or a mobile wallet (Paytm is a mobile wallet) company reducing cash circulation in the economy is a benefit for finanancial firms and the new tech companies with their mobile wallets; the cost is to the people.[5] Thus, the drive to place restrictions on cash so as to force people to use digital transactions is clear cut case of putting the cart before the horse.

Another related issue is the global trade negotiations that India is an important player. The negotiations are a whole new global legal system that threatens to supplant national policy space and sovereignty in the interests of global business. With the digital phenomenon restructuring most social sectors, global trade negotiations are eyeing the digital arena to pre-emptively to colonise it.[6] Big data is the key resource in the digital space. It is freely collected or mined from the Global South and manufactured into digital intelligence in especially the US, forming a kind of "social brain" that begins to control different sectors and extract monopoly rents. For instance, Uber, the transport MNC(See Glossary).Uber's main asset is not a network of cars and drivers but digital intelligence on commuting, public transport, roads, traffic, city events, personal behavioral traits of commuters and drivers, etc., etc. In all likelihood the government would have to buy data and intelligence even for vital public services from these digital firms despite the fact that the



"The government must realize that making it difficult to avail cash would not necessarily boost digital transactions. In fact, it can potentially suffocate the economy which is still largely informal and contributes more than 70 per cent of the nation's GDP."- S. Dey in "The Week" May 7, 2017

data is from India's various social and personal interactions over digital platforms. India is under pressure to surrender its technology or digital sovereignty to these digital firms.

As Vandana Shiva warns this imposition "is a form of technological dictatorship, in the hands of the world's billionaires…In the digital economy there is no trust, only one-way control of global banks, of those who own and control digital networks, and those who can make money (mysteriously) through digital "tricks" — the owners of the global exchange. How else could the exchange trade funds like Vanguard be the biggest investors in all mega corporations – from Monsanto to Bayer, from Coca Cola to Pepsi, from Microsoft to facebook, from Wells Fargo to Texaco?[2] When I exchange Rs.100 even a 100 times it remains Rs.100. In the digital universe those who control the exchange, through digital and financial networks, make money at every step of the 100 exchanges. That is how the digital economy has created the billionaire class of 1 %, which controls the economy of the 100 %.

The 'Whiteness' of White Money

To understand the essence of 'black' money, it is necessary to know why white money is so'white'.

Imagine a worker in a factory earning a wage of (say) Rs. 10,000 a month. Is this whith money? Yes, it is. And why? Because it is the equivalent in monetary terms of his labour power which he sold to the car factory owner for that month. Let it be that this worker is liable to pay Rs.500 as income tax on his monthly earnings and that he does it. This is needed because without it the state will not be able to take care of the 'social' needs of the people. So, the Rs. 9,500 left with the worker is the 'whitest' money imaginable. He has earned every penny of it; every vehicle that rolls out of the factory has his labor stamped on in it. And he has given a part of the wage as social deposit to the state too. Now imagine the car factory owner who, in this case, happens to be a 'responsible' and 'law-abiding' capitalist, a liberal-democratic soul (if you wish you may imagine Ratan Tata here, the archetypal example of' good' capitalist, notwithstanding the fact that the Tata Empire owes its origin to the opium trade). This owner pockets a monthly profit of, say Rs. 20 crore from the operations of this factory. For this, imagine he is liable to pay Rs. 5 crores as tax which he, by virtue of being the 'good' capitalist, pays regularly. The 15 crores left with the owner, according to the legal definition, is white money He has undertaken a perfectly legal business, has declared all his profits and paid the full tax on it. So, if he gifts a brand new vehicle worth Rs. 5 crores to his daughter on her birthday, no one can find fault with him. After all, he is spending his rightfully earned 'white' money. He may even spend Rs. 1 crore on philanthropic purposes which will improve his chances of winning a Padma Shri (Ratan Tata is a Padma Vibhushan). As long as legal definitions are strictly abided by, things are simple. The workers live with his white money and the owner with his.

The worker's white money was the result of his labour being spent in the manufacturing process but what is the owner's white money a result of? He cannot surely have performed labour worth 20 crores in a month. The truth is that not even an iota of his labour is crystallized in any of the vehicles that roll out of his factory. All that he has done is to use the money at his disposal to setup the factory and to buy raw materials (when we investigate the genesis of this 'money at his disposal', we shall invariably see that it comes from the profits earned by his father. If one asks this question to enough number of Tata generations, one will end up in opium!). With respect to the whole of the production process, the capitalist is 'superfluous'; he puts no labour whatsoever into it. In fact he is not needed at all. Those who idolise these businessmen may claim that they perform a vital labour of *management*. Engels anticipated this question 130 years ago and wrote that, "… we see that in reality the capitalist owners of these immense establishments have no other action left with regard to them, but to cash the half yearly dividend warrants. The social function of the capitalist here has been transferred to servants paid by wages; but he continues to pocket, in his dividends, the pay for those functions though he has ceased to perform them… the economical development of our actual society tends more and more to concentrate, to socialise production into immense establishments which cannot any longer be managed

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by single capitalists. All the trash of “the eye of the master”, and the wonders it does, turns into sheer nonsense as soon as an undertaking reaches a certain size. Imagine ‘’the eye of the master” of the London and North Western Railway! But what the master cannot do, the workman, the wages-paid servants of the Company, *can* do, and do it successfully. Thus the capitalist can no longer lay claim to his profits as “wages of supervision”, as he supervises nothing. It is necessary to note that when the defenders ‘of capital drum that hollow phrase into our ears.” If he does no labour, not even supervision, where does he get this ‘white’ money from?

Marx informs that the profit which our ‘good’ owner has accumulated and which he flaunts as ‘white’ money is nothing but unpaid labour; instead of giving the worker the monetary equivalent of the value he has added with his labour, the capitalist pays him only that much which is needed for him to subsist. For example, our worker may have added value worth Rs. 20,000 in a month, but he is given only 10,000 as wages because this is enough for him to subsist. So the profit that our ‘good’ capitalist has accumulated is the sum of all the *surplus values* that he has extracted from every worker in his firm. Hence it turns out that our respected, taxpaying owner is in fact a parasite who lives on the proceeds of workers’ labour. The profit that he has amassed, which the legal apparatus declares as ‘white’ money, is *pitch black*.

Then why is this money, which is the result of naked extortion of the working class, called ‘white’? Only because such an extortion is permitted under capitalism. **Amassing ‘white’ money by paying the worker only a share of what is due to him and pocketing the balance is the allowed form of *legal extortion* under this mode of production. Why is such extortion legal? Precisely because the state is always the *state of and for* the ruling class. The state’s logic and therefore the legal logic is the logic of the ruling class, and now it is the logic of capital.** There has always been extortions which were legal and allowed under every mode of production. Once slavery was perfectly legal, serfdom too was legal in its time and so is surplus value extraction now. These become legal not because they are ‘correct’ but because they are *necessary* for the continued survival of the ruling class and the perpetuation of the system.

In capitalism everything becomes legal which helps directly or indirectly in the *valourisation* of capital and allows our ‘good’ capitalist to live on others’ labour. But he is expected to give a fair cut of the booty to the state as tax. The capitalist need not resent this at all because it is the cost of maintaining the whole superstructure the way capital wants it. The *hard earned* money of our respectable bourgeoisie only becomes ‘black’ if he fails to correctly declare the amount that he has legally extorted and to give the state its due. So we see that the distinction between ‘white’ and ‘black’ money is purely artificial. Every penny with the bourgeoisie is black; the whole booty is the result of naked extortion. This point towards a contract between the state in capitalist system and the bourgeoisie: he may extort as much as he wants from the working class *legally,* declare sincerely what he has extorted and pay tax for it to the state. The state, in return, will make sure that the social relations which prop up this mode of production are preserved, as far as possible by throwing back some crumbs to the working masses to keep them happy(this is called ‘welfare funding’) or if needed, by force.

Source: The Envil journal, #1, Lucknow, 2017

A further concern is that of privacy and laws on data protection.The Attorney General of India has claimed before the Supreme Court that Indians have no constitutional right to privacy! Given the situation, the specter of cashless economy is scary indeed. Most people need the comfort of anonymity that cash provides even while carrying out legitimate and harmless businesses. This calls for an informed debate before the privacy rights of citizens can be properly worked out, and it will definitely be premature to consider becoming cashless before that can happen. The government needs to clearly spell out the technical standards and the legal measures need to ensure the protection of privacy of its citizens even from itself. The possibility of electronic mass surveillance on all cash transactions does not augur well for civil liberty and democracy. [7]

Even a simpleton will see through the warped theory, the 'Survival of the Richest', that the cashless economy entails. "It is obvious that there will be a transfer of income from un-organised sector to the organized – the rich are going to get richer while the poor continue to struggle to survive". According to economic analysts no economy can be wholly cashless; only digital savvy people can quickly learn to use it. Certain transaction will succeed only with cash. Besides, the demonetization exercise showed that even if all hidden outlawed currencies are withdrawn and destroyed, new currencies will be hoarded to evade the tax net (See Part 1 of this publication) with new note-printing machines will come up near and beyond India's borders. "Unless the money hoarded in foreign tax-free banks are seized and turned white, 'black money' will persist and 'benami' assets acquired with it will multiply and India...will return to 'square one', further widening the 'rich-poor divide...".[8]

The rich in India must realize that India is already a cashless economy – people lack cash to buy or pay for the basic necessities of life. The idea of cashless economy is used by 4 percent of the people who own 53 percent of the nation's wealth. The misery of 363 m Indian who survive on less than Rs.40 a day is forgotten. It is therefore outrageous to even think that people who do not have money to buy food will buy a Smartphone and use Paytm. If the Government cannot generate jobs for or basic healthcare for the people, why mock them with "cashless economy", "Digital India", "Startup India" and other such catchphrases? [9] After all what the people need first are basic necessities of life including healthcare and then later perhaps such novelties like Smartphone, etc? In other words, the priority is to first give the people what they need — not the corporate design: "to give what they want"!

MYTH: Digital-India will close the gap between the rich and the poor

FACT: On the contrary! The gap will only be widened!

Till date, all available data on the vast economic gap between the rich and the poor in India fails to go away even with the creation of an information super-highway or by making digital technology available to one and all. To illustrate: the US. The digital revolution in USA progressed in leaps and bounds than the rest of the world – both in its spread and depth. Yet, the country has not only failed to reduce the gap between the poor Americans and the rich but has even widened the gap further! [10]

In 2011, the US mean income was $63,000 whereas the medium household income was only $50,054; and more and more Americans have been falling behind. Decreasing income means availability of fewer resources for everything, including education and healthcare, the essential perquisites for closing the digital divide. According to a related study, up to 50 per cent of US households are now living a in an unenviable situation: if an emergency struck they could not come up even with $2,000 within 30 days. [10]

Unlike the rise in the number of people who keep falling into the depressing side of the divide, a tiny minority of highly educated workers tend to disproportionately benefit from the digital revolution. This is simply because the digital economy is highly skill-biased and does not treat people with low level of education well. The growing income inequality among Americans with college degree and above vis-à-vis workers without such an education is a mirror of this reality. In the digital era earnings of workers with higher education have been surpassing those without a college degree.

In the Indian context, the miserable status and level of education especially higher education in India it is farfetched to believe that India will skyrocket in to the driver's seat in the knowledge economy simply because of its Indian Institutes of Technology?

As the American data show, the digital economy has less demand for people without higher education. The wage gap between the works with graduate degrees and above has been increasing compared to those who do not have college degrees and who are school dropouts. According to the Indian Labor Bureau SURVEY 2014, the unemployment rate among those with training from ITIs is as high as 14.5 per cent against the overall average of 2.6 percent. By shifting the focus from IITs to it is will end up exacerbating the country's misery.

It is important to recognize that in the skill-biased digital economy knowledge per se is important. What matters is high-end knowledge capable of performing complex technical and cognitive tasks. The digital transformation requires a greater pool of skilled STEM-proficient (science, technology, engineering and technology) workers. Creating mere degree granting institutions for providing commoditized knowledge is certainly not a solution. The knowledge-era education system must be based on economy's requirement for inquisitive mindsets and creative problem-solving skills. The "end" of education cannot be reduced to only acquisition of a fixed body of knowledge or a degree.

MYTH: Digitization of the economy is for public good and it will rob the black money of its informal, invisible power and this will make human economic behavior more honest

FACT: The assumption behind this myth is that by digesting the economy it would enable a complete record of transactions that will take away black economy's invisible power.

Basically, there are 5 moves of digital payments that the government is promoting. These are

* Unified Payment Interface (UPI) * Mobile Wallets * Unstructured Supplementary Service Data (USSD), * Debit Card and * Aadhaar Card.

Among these, UPI, USSD and AEPS are introduced and implemented only by the Government.[12] Digital money needs access to a bank account and a mobile phone, together with an availability of bandwitdth. All this involve substantial cost to the user and also calls for all kinds of "processes" to complete the loop for the transaction to happen that need active participation of the banking and the telecom sectors, the inter services providers. This translates to the increasing the size of the market and higher profits for private sector banks and telecom operators implicit in the proposal of digitalization, but the absence of any concrete gains for the ordinary citizen.

Digitalisation hardly appears to be a public good for which the Indian state is responsible. And let alone its use, even fewer Indians are aware of the idea of digital cash. The Financial Inclusion Insights Survey (FII 2016) reports that only 10% of the total adults in the population were aware of the concept of mobile money in 2015, and the usage was low at 0.5%. According to the Census of India, 26% of the population was illiterate in 2011. Mere improvement in the basic literacy and awareness of mobile money does not automatically ensure widespread usage". There are issues of acquiring digital knowledge, knowledge of English the operational language for most of these digital instruameants. For an illiterate person, the cumbersomeness of creating a virtual payment address, etc., has the effect limiting her access to digital mode of payments.

GLOSSARY

"Uber" is a US based MNC, Uber Technologies Inc. "Uber" refers to the German word "uber" meaning "above". It is a global transportation hub operating worldwide and markets and operates the Uber cars. Its drivers use their own cars. In Delhi Uber is only allowed to employ a limited number of drivers. The MNC is often the subject of widespread protests and legal actions from taxi drivers as it bypasses local licensing and safety laws. It is also often accused of sexual harassment of passengers. On January 29, 2015 a young woman in Delhi accused the Uber driver, S.K. Yadav of rape and filed a case against him and the Uber company in the US. In February 2017 a former employee, Susan Fowler accused Uber of sexual harassment.

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Next Issue:

Triple Talaq & Gender

Facts against Myths is a bi-monthly bulletin of factual information on a number of development myths and fallacies, etc, including information against alien development models, paradigms and false concepts on caste, creed and gender.

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