

The numbers don't add up

A journalist explains why the demonetisation drive hasn't quite helped in unearthing black money as expected

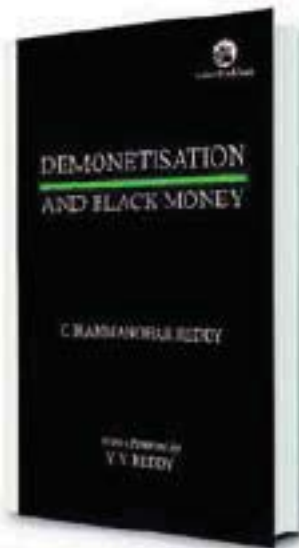
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We were puzzled over the objectives of demonetisation which changed from time to time. Debates among analysts turned too bitter and contentious. Against this scenario, we have a book by Rammanohar Reddy which is a model of restraint and lucid analysis.

The introductory part sets out the broad contours encompassing the demonetisation process and successive chapters unfold them in fuller detail.

It begins with a survey of the phenomenon of black money in India and explains the difficulties in identifying and estimating it. It observes that in recent years black money is generated in real estate, financial market transactions and has led to corruption.

While cash plays a small and intermediating (white washing) role, black money is mostly held as assets. Thus, a one-off attack on cash would be of no avail in unearthing it. On the contrary, it hurt millions of people, especially in rural areas, who are engaged in the informal sector in India which,



- **Demonetisation and Black Money**
C. Rammanohar Reddy
Orient Blackswan
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unlike in advanced countries, is not illegal. It is wholly dependent on cash for wages and sustenance. The writer narrates their travails in detail drawing on media reports. He laments, "In the eagerness to snare the holders of black money, deep pain was inflicted on the much larger population of honest citizens."

The book studies the stated objectives with clinical precision and narrates how they changed quickly. For instance, the Prime Minister's speech of November 8 included black

money, corruption and counterfeit currency. The gazette notification issued did not include corruption. Later, the stance shifted from 'no cash' to 'less cash' and, soon enough, moved to one of driving the informal economy into the 'formal' thorough digitalisation.

The treatment of 'black money and politics' captures the nexus between them which results in our failure to curb it. As he adds, ".....political parties have a stake in the status quo."

There are two contributions which deserve special mention: one is about the RBI's financial strength; and the other is over its reputation. Reddy feels that the RBI would get weakened with an extended balance sheet and low cash reserves as the gains of monetisation, if any, would be appropriated by the government. Many independent observers critiqued that the RBI's reputation was dented. Reddy feels that though it may be dented, it's 'not beyond repair.'

This book can serve as a primer for graduate students and a guide for future policymakers.