

'Demonetisation was a political gamble than an economic decision'

OUR BUREAU

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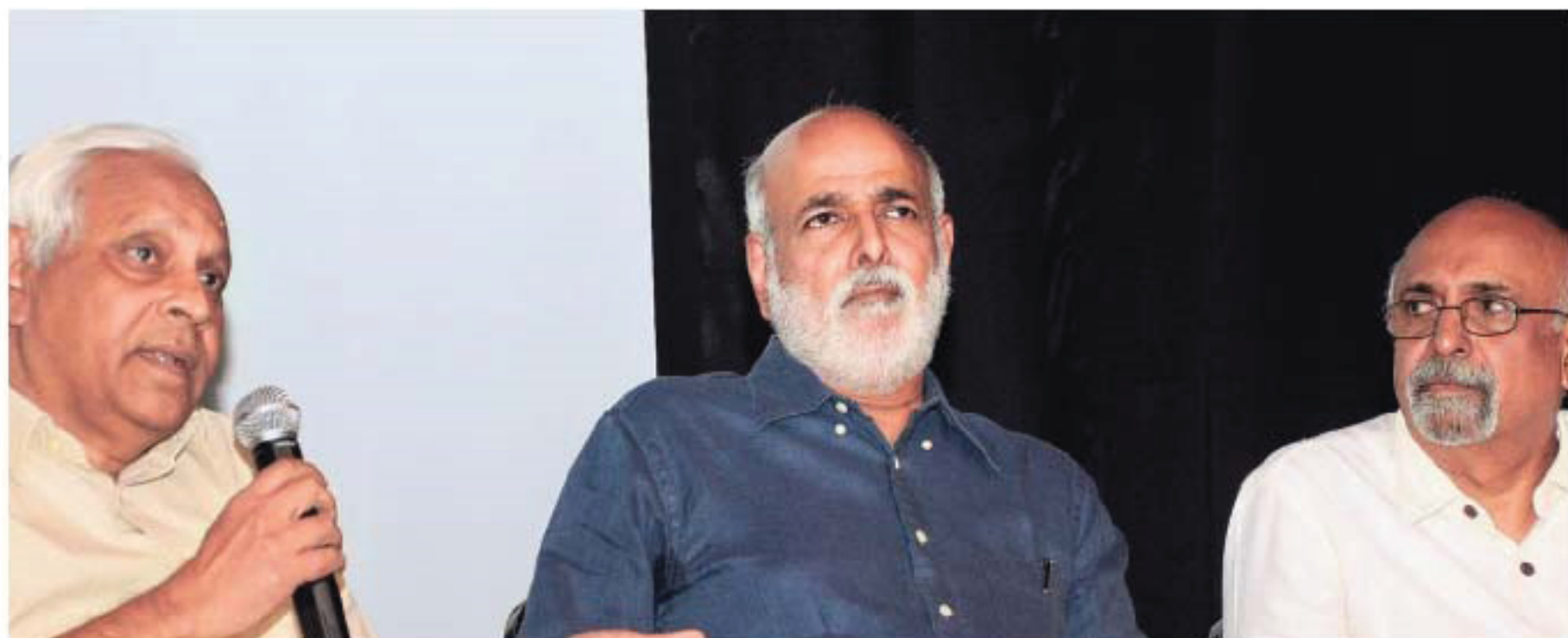
Given the lesser-than-anticipated benefits, the Central government's demonetisation move was more of a political gamble than an economic policy decision, felt C Rammanohar Reddy, an economist and author of the book *Demonetisation and Black Money*.

"Demonetisation was a master stroke by Prime Minister Narendra Modi. With one action, he turned the narrative around that he was doing it on behalf of the poor. He succeeded too," he said during a panel discussion on demonetisation and black money, organised by The Hindu Centre for Politics and Public Policy.

"Modi did that because his government was under attack as 'suit boot ki sarkar', (a friend of top industrialists). "Was demonetisation a political gamble or economic policy decision with a political risk? It was more of a political decision," he pointed out.

He highlighted that there were no significant economic outcomes as a consequence of demonetisation.

"It is fairly certain that the amount that has been neutralised is very, very small. As against expectations of ₹3-4 lakh crore, it will be probably



(from left) Economist S Subramanian, a former National Fellow, Indian Council of Social Science Research; Sashi Kumar, Chairman, Media Development Foundation, and C Rammanohar Reddy, Author, *Demonetisation and Black Money*, at a public discussion on 'Demonetisation and Black Money' organised by The Hindu Centre for Politics and Public Policy and Asian College of Journalism in Chennai on Thursday BIJOY GHOSH

be less than a lakh crore. Most of the money has been laundered into the banking system," he added.

Despite the severe impact of currency ban on the population, Modi government got away with it and emerged unscathed. There is a concern. Because, there could be more such drastic measures without careful thought. Also, public institutions are being weakened all around at the same time, he observed.

"Just because there wasn't huge public anger or protest against demonetisation, we shouldn't stop discussing the

subject. Because, something even crazier could come up in a year or two. There may be a view that people supported it. But actually the government didn't achieve what it wanted to," he said.

S Subramanian, former Indian council of Social Science Research (ICSSR) National Fellow, felt that the scheme might have resulted in net injection of black money into the system.

"This is reminiscent of old bearer bond scheme in the early 1980s. But that was in such a minor scale. This is major one and completely differ-

ent," he added. Raghavan Srinivasan, Editor, *Business Line*, said the results of demonetisation were mixed. Despite the hardships people faced, economic activity continued, growth happened, corporate profits grew and people were not showing any anger.

"One is unable to understand this puzzle. While at the ground level people talk of real hardships, evidences and government data are pointing to other direction," he observed.

Sashi Kumar, Chairman, Media Development Foundation, moderated the discussions.