

Understanding demonetisation

'Prime Minister managed to sell his idea that he means well'

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Save for an occasional news piece ever since he quit as editor of Economic & Political Weekly (EPW) last year, C. Rammanohar Reddy was enjoying his retirement here with his wife and school-going son. Writing a book was not even the last thing on his mind.

"Everyone kept asking me when I was going to write a book, but for a journalist, who is used to writing about 800 to 1,000 words, it is tough, though some think otherwise! I didn't know if I had anything to say," says the soft-spoken and venerable former economics editor of *The Hindu*, in a free-wheeling conversation on why he bit the bullet.

That was when the demonetisation happened! "It was new, sudden and the scale of the event was huge," he points out. He later had several conversations with former Reserve Bank of India (RBI) Governor Y.V. Reddy on the issue and wanted to collaborate on a book before the latter advised him to do it alone since he was busy with his memoirs.

"I was taken aback. We had different perspectives when the idea of book had come about. It has been a joint effort and he went through the manu-

script and made several suggestions," recalls Dr. Reddy, an alumnus of IIM (Kolkata) and Centre for Development Studies,

Thiruvananthapuram, about his first and just launched *Demonetisation and Black Money* published by Orient BlackSwan.

In his own words: "I have been careful not to make any predictions. We do not know how it is going to pan out, but we know it has caused great distress to different strata of society and don't know if another such step is in the offing. Though it's not my area of expertise, there were too many opinions, misconceptions and analysis being bandied about."

Financial inclusion

His book is an effort to explain what demonetisation was about, its objectives in controlling black money, counterfeit currency, windfall to the RBI, money into Jan Dhan accounts and the likes. "We already know it's not going to control black money, we do not

know how it will lead to financial inclusion as the government has been silent about it."

The RBI may not be in for a

windfall as was talked about as "there could be more money than expected coming into the system". He is not only puzzled about people bearing with the hardships without any protest, but also about the government not forthcoming about the next step to tackle the parallel economy.

"It's interesting how people did not react and put up with the difficulty - whether it was a political decision or an economic one, Prime Minister Narendra Modi managed to sell his idea that he means well," avers Dr. Reddy.

Giving the circumstances, he thinks the banks managed the crises fairly well. "They seemed to have coped up well, working overtime and on weekends even if there have been aberrations of a few officers getting exposed when huge amounts of new notes were seized or when they avoided putting money in ATMs preferring to disburse to prime customers," he says. But Dr. Reddy is as curious as anyone about the huge database generated through deposits and with the tax authorities. "They already had a lot of data on high transactions, but what will they do with more data coming in, we have to see if it leads to harassment," is his pithy comment. Even while accepting that large sections of the society wish to avoid tax payment, he urges people to look at the scenario of a

honest taxpayer being worried about "paying tax and being hounded". Also, he wonders why nothing has been done to tackle illegal stash in the financial sector through shell companies

where it was much more than it is in real estate, cash or gold. The best part of demonetisation is that banks have huge amount of money that they have to lend even if they are scared of vigilance probes as that's what the banking sector is about, he adds.

Former EPW editor C. Rammanohar Reddy in an interview to *The Hindu*.

■ K.V.S. GIRI

