

## Book Review

**Arun Kumar** (2017) has been the country's leading authority on the black economy for nearly four decades. He taught economics at Jawaharlal Nehru University for three decades. He is the Malcolm Adiseshiah Chair Professor at the Institute of Social Sciences, New Delhi. **Demonetization and the Black Economy**, Language in English, Publisher: India Portfolio; Penguin Random House India Private Limited, New Delhi, India, Hard Cover: 240 pages, ISBN: 978-0670090075, **Price:** IRs 499.

Demonetization is the term widely used for the denotification of high-denomination notes. There were high-denomination notes issued as legal tender in India. If those high-denomination notes are to be removed from the valid legal tender, that has to be denotified. In this regard, on 8<sup>th</sup> November 2016, the Prime Minister immediately canceled all INRs. 500 and 1000 denomination notes, wiping out 86 percent of the currency in circulation. From now on, these notes will no longer be legal tender. Overnight, people in India realized that the cash in their pockets had no value. A window of fifty days was granted to 1.3 billion people to convert their old notes into new notes. India's well-functioning economy went into a tailspin. It was claimed that the step was made to wipe out corruption, deter the generation of black money, weed out fake Indian currency notes, and curb terrorism. It was a bold step that no one had envisioned. This step was appreciated worldwide, including by the common man in India. The most upset and vocal class was an Indian politician in opposition and a section of Indian media. They tried to create a social revolt by inciting people against the government but failed miserably.

The media was full of stories about the adverse impact of demonetization on society. India is a huge country with a corrupt political and bureaucratic system and deficient banking infrastructure. There were so many disruptions in the Indian economy that the focus shifted to the elections of Uttar Pradesh in the second week of February. Removal of black money from the system was a part of the BJP Manifesto. In hindsight, from the time the BJP Government came to power, in a way it had started preparing for demonetization, that is, from the time it started Pradhan Mantri Jan-Dhan Yojana (PMJDY) under the national mission for financial inclusion. The effects of demonetization prevailed by nature in the short and long term.

A book written instantly could not have covered the impact properly, and an immediate review of the book would not have allowed one to judge the conclusions drawn. Apart from the introduction to the conclusion, the book has seven chapters. The whole chapter is dedicated to the role of money, followed by criticizing every assumption and argument of the government in power. The book says that there are no effects on terrorism. But as per the records, several

stone-pelting incidents, terror, and Naxal activity were close to nil till a few months after demonetization. The author talks about the long-term negative impact on the economy. However, data shows that sales of automobiles and industrial production, etc., have increased. The issue of non-performing assets (NPA) has been raised, but one has to remember that it was a legacy inherited by the government of the day. Some of the arguments are funny, like - 'People in jail who could not return their currency,' 'Leaving one wondering if he was worried about a politician in jail.'

The social, economic, political, and institutional aspects of demonetization are also important and have been presented in this book. If demonetization had been undertaken with full preparation, it would not have led to the crisis in the society. Even if, after it was realized that demonetization would not help eliminate the black economy, the government had admitted its mistake, reversed its decision, and allowed the use of the existing high-denomination notes, the crisis would have reversed quickly. The long-term impact of demonetization would not have been felt. In the same way, the demonetization in 1978 did not produce any long-term impact in the society.

The author argues that the government kept making new announcements regarding demonetization throughout the period by giving the exchange of currency and seeing it as a pointer to a lack of government planning. The same thing can be seen as an act of responsive government which had ears on the ground and kept taking steps that could make the efforts of its citizens comfortable to cope with the situation. The way the government has won elections gives credence to the fact that people trusted the government's steps. Arguments have also been made that farmers could not cultivate the field due to a cash shortage, while the data shows that food production increased in the country during that period. This contradiction makes one wonder if the book was written in haste. However, demonetization was a landmark event in India and world history that needs to be analyzed. Demonetization was one of the biggest economic events of India for the Fiscal Year 2016-17.

The author has covered the history of demonetization in India, but none of the earlier demonetizations were of the magnitude of what happened in 2016. Prime Minister took the risk of alienating its core vote bank and the citizens in general. Unfortunately, this fact is not appreciated by the critics of demonetization. The massive victory of the BJP in Uttar Pradesh just after the demonetization deprived the opponents of demonetization of calling it a 'Decision which was not supported by the common man.'

Many arguments and counterarguments have been from both sides of demonetization, but they have missed the complete picture. The book, for the first time, lucidly explains the story of demonetization along with its effects on the economy. The book is a relatively simple exposition of socio-economic and

political aspects of demonetization. While some technical aspects need to be understood, the attempt is to present them in simple language while keeping the jargon to a minimum. There is an excessive reputation in the book. The book has meticulously recorded all the notifications and press releases for the period of demonetization. It is an exhaustive, biased critique of demonetization and not an objective assessment of demonetization. The arguments are of a politician and not of an economist. It gives very strong counter views, though most of them lack merits. It could have been a landmark work if written without bias, but still, it should be a good read for any economics student to understand the counter-view. The book is not a neutral analysis of demonetization. There is no dearth of data, references, and bibliography. The language is very simple and fluid.

It becomes clear that the author is not happy with the demonetization. All of this would have been welcome only if the book had suggested some concrete measures to solve the issue of black money, but unfortunately, that is missing. In brief, this book attempts to present demonetization in a more holistic and long-term perspective. The idea that demonetization in 2016 was only a short-term phenomenon is sought to be debunked. The hope is to create a wider debate on ‘Demonetization – 2016’ and its consequences.

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