

Demonetization - a critical analysis

Two years back Government of India demonetized higher denomination notes viz., Rs.500 & Rs.1000 notes.

This subject is close to our heart because we believe that some brainy-babu (oxymoron?) picked up one of our suggestions and messed it up thoroughly. Way back in 2011 we suggested for demonetization of higher denomination notes to check, among other things, black money. Of course, many other 'experts' made similar suggestion. However everyone knew that it was an impossible task considering that such higher denomination notes accounted for more than eighty percent of currency in circulation. To overcome this **we suggested simultaneous demonetization and re-monetization** with new notes - of denomination higher than the ones that were to be demonetized. This is to prevent collapse of economy by quickly filling up the vacuum created due to demonetization. Copy of our letter dated 2/11/2011 is attached. Please click on the link below:

Link : <http://preview.dotweavers.com/sp/proletarianpower.org/i/Black-money12.pdf>

Demonetization should have been both preceded by and taken up along with few other measures. But what happened in 2016 was rash and reckless demonetization. It is a miracle that India survived such a mammoth bungling. It may be observed from our letter that while we did recommend demonetization, we wanted the government/rulers to have a well structured programme so that people would not be put to unnecessary inconvenience. Agreed, smart guys would smell - but government should know how to balance both. It can be observed from our above said letter that we were very cautious about the process of re-monetization. The idea was to create a totally new/innovative instrument that will ensure the demonetization process least disruptive. We also had in our mind that demonetization should not be implemented in isolation.

We believe that mediocre and inefficient bureaucracy mislead the government to go for such a messy demonetization. We also suspect that 'Greedy Rulers' saw pot of gold at the end of it. After two years, we are a little curious to know what they actually found. For sure there was no pot of gold. At the same time we are not sure what government found at the end of the whole process. We have many doubts. We will not go into details at this point of time.

To conclude, we prefer to say demonetization of 2016 was a disaster notwithstanding what the government claim. It was a very very costly exercise. Nation and people paid very heavy price which, according to us, could have been avoided. It is amazing that India survived it. Full credit goes to the proletariat, the common man, who took it on chin.

After two years, we feel, we are back to square one.

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