

“Justice is itself the great standing policy of civil society; and any eminent departure from it, under any circumstances, lies under the suspicion of being no policy at all.”
– Edmund Burke

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FROM THE NCAS DESK

A Case Study of Poor Governance



Cartoonist Surendra (*The Hindu*), 12th November, 2016

Source: <http://www.thehindu.com/specials/the-hindu-cartoonist-surendra-picks-his-10-personal-favourites/article18391385.ece>

This cartoon wittingly depicts the irony in the fact that the common man was targeted instead of “black money” which was the stated objective of demonetization.

Do write to us with your feedback and suggestions at interface@ncasindia.org

In solidarity

Team NCAS

A Case Study of Poor Governance

The drastic move that was supposed to help the government remove the problem of black money and reduce the funding of terrorist activities has effectively failed to do both. Since the eve of demonetization, goal posts have been suitably shifted to make a less cash-dependent economy the objective of demonetization.

The prominent stated goals of this policy were 1) removal of black money from circulation, 2) reduce anti-national activities by stopping the use of counterfeit money, 3) form a less-cash dependent economy. The RBI's annual report from 2017 points out that 99% of the scrapped notes were returned to banks which proved that black money was hardly in circulation as economists like Arun Kumar had argued earlier. Instead, the larger problem was black wealth and not money which formed just 1% of black wealth. Assuming that the 1% of the notes not returned could be the black money in circulation, it still begs the question if impacting the whole economy and its people for the sake of 1% of the now illegal tender was worth the cost.

The argument that anti-national activities have reduced due to demonetization has also been disproven. Finance Minister Arun Jaitley had argued that one of the first impacts was the reduction in stone-pelting in Kashmir. But an answer from the Lok Sabha with regard to stone-pelting has thrown light on the drop of such activities. The fact is that stone-pelting had been dropping at a fast pace since August 2016. The pace of the drop did not increase after demonetization either; instead it rather dropped till the stone pelting again began to rise from February onwards. The number of civilians and terrorists killed in terrorist violence is already higher in November 2017 than it was for the whole year of 2016. These facts point to the second goal not being achieved. While the third goal, which was added after almost a month of demonetization, has been partly successful, it has also failed to actually reduce the cash in circulation from pre-demonetization figures. The number of digital transactions has increased and so has the volume being transacted. But by September 2017, the currency in circulation was back to pre-demonetization figures.

The adverse impact of demonetization was multifarious with several sections of the population being affected. Due to the cash crunch caused by demonetization, the demand in the market reduced drastically which made even daily transactions hard for common people and hit businesses, both small and large-scale. The GDP has been impacted too with it dropping much below the expected rate for 2016. Its impact on the informal economy will go by unmeasured even though over 85% of the workforce is a part of it. It is possible that in the long-term, demonetization might help improve the tax base, but it is clear that demonetization was a roundabout method of achieving this. There were several alternatives which could have been less harmful for the population but would have successfully achieved this nonetheless.

The government needs to be honest about the failures of demonetization instead of heaping undeserved praise on it. Its adverse impact on the common man has not led to substantial gains for the economy as hoped for by the government. The importance of evidence-based policies cannot be undermined and neither can the role of pilot studies before a crucial policy decision of this large a scale. Demonetization has proven to be a harsh case study of poor policy design and implementation.

UPDATES



1. Capacity Building Workshop on People Centred Advocacy, Bhubaneswar-

NCAS conducted a Training Programme on People Centered Advocacy in Bhubaneswar, Odisha 15th-17th November 2017.

2. Community Learning Movement–Workshop on Bio-diversity, Maswan, Palghar, 24th-25th November.

3. Workshop for Sruti Fellows on village development planning with People’s Participation, Raipur, 8th-9th November

Upcoming Events and Publications

Events

- 1) 6th of December-Understanding Budget: The Adivasi Perspective in collaboration with Government College of Arts, Science and Commerce, Quepem.

Publications

1. Maharashtra’s Commitment to SDG 2 and SDG 3: Rhetoric and Reality



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