

Zuo Cheng and others. — PTI 2012: won by 24,000 votes 2007: won by 9,000 votes 2004: won by 24,000 votes 2001: won by 28,000 votes 2000: won by 80,000 votes 1996: won by 45,000 votes 1991: won by 24,000 votes 1987: won by 43,000 votes 1984: won by 53,000 votes

# Has Unstoppable Modi Met Immutable India?

## The Needle's Eye



CHAITANYA KALBAG

Ernest Hemingway wrote more than once for the Toronto Daily Star on the absurdity and tragedy of German hyper-inflation after the Treaty of Versailles sealed Germany's defeat in World War I. In a September 1922 report he described how he and his wife exchanged 90 US cents for 670 marks on a visit to the German town of Kehl. After a full day of eating and shopping, they still had 120 marks left. On July 1, 1923, the US dollar was worth 120,000 Reichsmarks. By November 20, 1923, the dollar was worth 4,200 billion marks. A month later Hemingway wrote about a street vendor in Toronto trying to sell worthless marks, Austrian crowns and Russian roubles to gullible passers-by who hoped for a future return of value. Only the 'non-profiteer classes' suffered as their life savings turned worthless "Except as pieces of paper for wall papering or soap wrappers." Thankfully, I haven't bought any

soap wrapped in a 500-rupee note, and although non-profiteer Indians do not have to cope with hyper-inflation, they have coped with the demonetisation unleashed by Prime Minister Narendra Modi on November 8 with admirable forbearance. There have been no riots, even if the Supreme Court warned there would be if the government did not replenish cash stocks very quickly. Not a single state-owned bus has been burnt. On the contrary, an overwhelming majority of people responding to a survey on the Narendra Modi app have supported demonetisation, even if you could argue that the questionnaire was designed to yield a massive thumbs-up.

Modi has demonstrated, not for the first time, that a single, charismatic leader in our democratic system can push a personal agenda past noisy opposition in a steamroller bid to win mass support.

The Indira-led Congress party won 283 seats in the 1967 election (Modi's Bharatiya Janata Party won 282 in 2014). Just over two years later, she banned corporate donations to political parties and then nationalised banks and coal mines on a pro-poor platform. Did that truly end poverty and end corruption?

At roughly the same point in his term, Modi has taken his biggest, supposedly pro-poor step with demonetisation.

He has been relentless and unstoppable in pushing his agenda. Gandhi had only All India Radio and a few

newspapers to carry her 'garibi hatao' message. Modi has millions of followers on social media, over a billion mobile subscribers, and countless print outlets and TV channels. Last Sunday during his Mann Ki Baat radio talk he made a passionate appeal to younger Indians to champion a cashless society; it was translated into 19 languages, and millions of Indians were bombarded with e-mails, text messages and video clips.

We have been so preoccupied, debating every twist and turn in the demonetisation drama, that we don't stop to ask ourselves: Was demonetisation really about attacking the demons of black money, terrorism financing and counterfeiting?

The Reserve Bank of India (RBI) said until November 27, a total of ₹8449.8 billion in 500- and 1000-rupee denominations had been exchanged or deposited at banks. This was nearly 57.5% of the value of no-longer-legal banknotes with the public on November 8 when Modi announced the demonetization. It equalled more than \$124 billion. That is one big torrent of cash flooding into banks: bear in mind that India's 2016/17 expenditure was budgeted at ₹19.78 trillion, or about \$290 billion. Will this pace continue in the remaining four weeks? And more importantly, has a lot of black money seen the light of day?

Apparently not. So Modi has pulled off an Indira Gandhi.

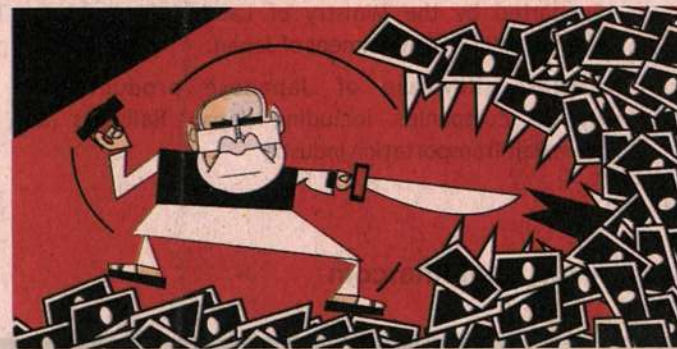
On November 28 he launched the

Pradhan Mantri Garib Kalyan Yojana (PMGKY) — the prime minister's poverty relief programme. A government announcement said "instead of allowing people to find illegal ways of converting their black money into black again" — an admission of failure — the dishonest would be rewarded with the third amnesty scheme since Modi took power. The dishonest will pay 30% income tax and a 10% penalty. A further 10% will be confiscated as a PMGKY 'cess'.

## ELECTION REFORMS NEXT



The next step should be poll reforms. This is the mother of all corruption



ANIRBAN BORA

Another 25% will be parked for four years in an interest-free PMGKY 'deposit scheme', the funds to be used "for the schemes of irrigation, housing, toilets, infrastructure, primary education, primary health, livelihood, etc., so that there is justice and equality". Effectively, tax evaders will get away with a penalty of only 20%, since honest taxpayers pay 30% anyway. And the dishonest will not be asked for the sources of their money.

Sound socialist enough? Not really. The last amnesty scheme, with a total of 45% tax and penalties, ended on September 30 with only ₹652.5 billion (\$9.6 billion) unearthed. So, try, try and try again. A senior BJP politician told me the latest amnesty was thought up on the hoof as an "advance defence mechanism" just three weeks into a seven-week demonetisation because the government could

not afford more egg on its face.

Meanwhile Modi's cathartic social-transformation experiment is bubbling away in his retort flask. The Centre for the Monitoring of the Indian Economy (CMIE) estimates the transaction cost of demonetisation will be ₹1.28 trillion. Nearly half of that will be borne by enterprises. Unless the government actually unearths black money totalling over ₹3 trillion, the entire exercise will have been in vain. Households alone will suffer foregone wages of over ₹150 billion because so many people are standing in line to pull out ever-shrinking withdrawal limits as fresh banknote supplies trickle in.

This week a triple whammy of salary earners trying to get money out of their bank accounts, farmers unable to plant their winter crops in time, and the peak of the Hindu marriage season, will hit Modi's scheme.

The black-money monster is hydra-headed. Every time the government chops one off, the monster grows a new one. Over-the-counter exchanges of banknotes were barred from November 25; a few days later withdrawals from Jan Dhan bank accounts set up by the government for the poor were restricted to ₹10,000 in a month.

Modi ordered all BJP MPs and MLAs to declare all their bank transactions during the 50-day period to party president Amit Shah. But things are not going to change until the politician-bureaucrat nexus is broken. The

government must publish details of all bureaucrats who declare disproportionate assets. Unless there is an 'outing' of some big names in corruption, a senior international economist told me, the public's faith in Modi's dragon-slaying abilities will not endure.

There has been much debate about cleaning up political funding, but the BJP has been a party-pooper. 'Donations' of under ₹20,000 need not be disclosed; one estimate I saw said between 2013 and 2015 the BJP had unexplained sources of income totalling ₹977.25 crore; Congress was not far behind with ₹969.21 crore.

Justice Ajit Prakash Shah, a former Supreme Court judge under whose chairmanship the Law Commission issued a comprehensive report on electoral reforms in March 2015, told me the BJP had not cooperated with him during his investigations. "If the government is serious about this (black money) the next step should be electoral reforms. This is the mother of all corruption."

He said it was not going to be enough for politicians to declare their bank balances. The main culprit is cash: 70 to 80% of money in politics is in cash. "Cash is coming from the liquor mafia, the education mafia, mining... it comes in jute sacks and in trucks. Voter bribery is a very serious issue; now it is brazen." With popular sentiment so strongly against black money, Shah said, this was the time for Modi to strike at the roots of political corruption. Will he?