‘COMMENTARAO’ in “the Telegraph” of December 9 2016-“Much more needs to be done to eliminate black money” by S L Rao

Demonetization presumably means that something ceases to be money. It is a word created by bureaucrats and as a word, is a dreadful creation. It is more appropriate to say that a currency note is mno longer legal tender and so is not money. Apart frp, neing a dreadful word, is it also a dreadful idea? It is my case that it was an essential step in India, but it is only one among many other steps that must be taken to codniderably reduce corruption and the generation fo unaccounted wealth and money.

Paper currency notes have value because there are strong agencies, usually governments, that back them. When the governments are weakened by war or economic or other disasters, their value falls. More paper currency is needed to biy goods and services than before. There have been many instances whrn in some countries (for example Zimbabwe in recent months), when large quantities of paper currency are required to buy even a loaf of bread. In such situations, a more stable currency, for examplw the U.S. dollar, is introduced as legal tender. The country then introduces many reforms to establish its own legal tender.