

12:53 PM   10 NOV <b>MARKET STATS</b> ▼	SENSEX <b>27,679</b> ▲ 426.20	NIFTY 50 <b>8,578</b> ▲ 145.75	GOLD (MCX) (Rs/10g.) <b>30,106</b> ▲ 229.00	USD/INR <b>66.39</b> ▼ -0.04	<b>CREATE PORTFOLIO</b>	<b>Download ET MARKETS APP</b>	CHOOSE LANGUAGE ENG
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# Rs 500 and Rs 1000 ban: Modi repeats history

By TNN | Updated: Nov 09, 2016, 02:29 PM IST

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NEW DELHI: This is not the first time high value currency notes have been demonetised. In January 1978, the Morarji Desai-led [Janata Party](#) government had demonetised Rs 1,000, Rs 5,000 and Rs 10,000 notes to curb [black money](#). This was less than a year after the Emergency was lifted.

Old-timers remember that the decision then too had taken the public by surprise, leading to panic and a rush to banks although people were given time to exchange old notes.

To put things in perspective, a Rs 1,000 note in 1978 could buy 5 sq ft of real estate space in south Mumbai. In 2016, a Rs 500 note would not even be worth 100th of a square foot.

Senior advocate Anil Harish said people with unaccounted money were reluctant to deposit their high denomination currency in banks because of fear of income tax sleuths. "At places like Crawford Market and Zaveri Bazar, people were selling Rs 1,000 notes for as little as Rs 300," he said.

At banks, people were asked to fill in a form when they came to exchange old notes. The banks would inform the I-T cell if people walked in with unusually large amounts. "If they were unable to explain the source of income, the I-T wing would levy the prevalent tax, which was as high as 90% in those days," he added.

Said advocate Nishith Desai, "I remember 1978, when people had to go with bags full of cash to the bank. It is an excellent step, but the idea is old."

A senior chartered accountant with Kalyaniwala & Mistry said, "If you want to flush out black money, it is a good step. In 1978 there was no great disruption, however, since the notes were not with common people. Then they had demonetised Rs 1,000 notes which had a huge monetary value. The 500 and 1,000 rupee notes do not have the same value today; even the average man on the street will have these notes."



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