

Examrace

India's Black Economy, Various Committees on Corruption, Lokpal Bill

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India's Black Economy

- In late 2010 and early 2011 there was a huge outcry regarding India's black economy as news about secret foreign bank accounts of Indians started pouring in.
- In addition, the Global Financial Integrity Report claimed that independent India had lost \$ 462 bn due to illegal financial outflow
- The government was pulled up by the SC to disclose the names of individuals who had funds stacked away in foreign banks

INDIA'S CRACKDOWN ON BLACK ECONOMY



- To deal with the issue, India inked **Tax Information Exchange Agreement (TIEA)** with five 'tax-havens' by March 2011. These are: Bahamas, Isle of Man, British Virgin Islands, Caymen Islands and Bermuda
 - Purpose of TIEA is to promote international cooperation in tax matters through exchange of information.
- Wanchoo committee
 - 1971
 - Estimated the size of black economy
- Reasons for Black money can divide it into pre liberalisation and post liberalisation
 - Structure of taxation
 - Price control policy
 - Quota and license system
 - Scarcity of commodities
 - General election
 - Share market
 - Real estate
 - International Activities
 - Privatisation
 - Police force
- Impact of black money
 - May remain idle or often gets invested in unproductive activities
 - Deprives govt of the tax revenue
- How to curb it
 - Special courts should be established to dispose the corruption cases
 - Pranab Mukharjee's **five pronged approach**: joining the global crusade against black money; creating an appropriate legislative framework; setting up institutions for dealing with illicit funds; developing systems for implementation; and imparting skills to the manpower for effective action

Devil's advocate

- Some people argue that black economy also generates jobs and production
 - A lot of goods are bought in the market using black incomes, and that leads to increase in production and employment
 - Black economy generates informal sector employment and helps the poor
 - Some argue for bribes as speed money
- There is some truth in these claims but the costs of black economy exceed its benefits.

Counterattack for those who justify black money

- Speed money: In order to extract a bribe, the bureaucracy first slows down work and harasses the public. If work was automatically done, why would anyone pay bribes?

- The administration becomes rundown since rather than devising ways to work efficiently, it is busy thinking of ways to make money by setting up roadblocks to efficient functioning.
- Much of black economy in India is like 'digging holes and filling them'. Activity without productivity.
- Because of the growing black economy, policies fail both at the macro-level and the micro-level.
- The flight of capital lowers the employment potential and the level of output in the economy
- The **direct and indirect costs** are of policy failures, unproductive investments, slower development, higher inequity, environmental destruction and a lower rate of growth of the economy
- At the social level, the cost is a loss of faith in society and its functioning.

Various Committees on Corruption

- 1956: Kaldor Report
- 1964: Santhanam Committee
- 1971: Wanchoo Committee
- 1979: Dagli Committee
- 1985: NIPFP Report
- 2002: Kelkar Committee

Movements Against Corruption

- 1972: Nav Nirman
- 2011: Anna movement

Lokpal Bill

Major differences between the Lokpal and Jan Lokpal drafts

Table 1

	Jan Lokpal	Lokpal
Selection Panel	Two elected politicians, four serving judges and two independent constitutional authorities	Six elected politicians (five from the ruling establishment), two serving judges and two officials.
Search committee this is a body to ensure countrywide search and co-option in a transparent manner of the best talents in the country	10 members: 5 from former senior judiciary, CAG and CEC, and five to be co-opted from the civil society	No such provision for accommodating the representatives from the civil society
Investigation	After a preliminary enquiry the accused is associated for questioning or interrogation as per the law – not prior hearings to share his defence or self-incrimination. He produces his defence before the judicial courts as is under the law.	Enquiry - report to Lokpal -hearing of the accused - investigation - one more hearing before the final chargesheet.

Table of Differences between the Lokpal & Jan Lokpal Drafts

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