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Revisiting the Economic Thought of K. N. Raj

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> *Alex M. Thomas makes a case for revisiting the life and work of K. N. Raj, a development economist who played a formative role in shaping India's early planning process, and the idea of the 'Kerala model'.*

Alex M. Thomas

In economics, there are classic texts which are frequently mentioned but seldom read. The subfield of history of economic thought (HET hereafter) is one arena where these path-breaking texts are systematically studied. A close study of the classic works of Adam Smith, Karl

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MONTH-WISE

- June 2020 (3)
- May 2020 (3)
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- March 2020 (3)
- February 2020 (3)
- January 2020 (2)
- December 2019 (2)
- November 2019 (3)
- October 2019 (2)
- September 2019 (3)
- August 2019 (3)
- July 2019 (3)
- June 2019 (3)

Prof. K. N. Raj. Image credit: Fotokannan (via Malayalam Wikipedia Commons)

Marx, Alfred Marshall, and John Maynard Keynes will make it abundantly clear that economic ideas do not evolve in a linear manner whatsoever, and that the work of Smith cannot be viewed as an inferior version of Marshall's as is generally believed. While there exists some interest in systematically studying the works of Smith, Ricardo, Marx, and Keynes, the same cannot be said for the work of Indian economists such as B. R. Ambedkar, Krishna Bharadwaj, Kanta Ranadive, and V. K. R. V. Rao, to name a few. It is in this spirit that I wish to engage with the work of K. N. Raj.

Overview of K. N. Raj's Academic Life [1]

Kakkadan Nandanath Raj was born in Thrissur on 13th May 1924. After graduating from Madras Christian College (MCC), Chennai, with a BA (Hons.) in Economics in 1944, Raj enrolled for an MSc in Economics at the London School of Economics (LSE). At LSE, he was taught by Joan Robinson and Harold Laski, among others. Upon reading his MSc dissertation, his supervisor, Frank Paish, suggested that he spend a few more months working on it so that he can submit it for the award of a PhD degree.[2] And so, by the age of 23, Raj was awarded a PhD from LSE for his work on the monetary policy of the Reserve Bank of India (RBI).[3]

- May 2019 (4)
- April 2019 (3)
- March 2019 (3)
- February 2019 (2)
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- December 2018 (2)
- November 2018 (8)

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Subsequently, he worked as a journalist in Colombo and at the RBI. Jawaharlal Nehru, the then Prime Minister of India, invited Raj, at the suggestion of Laski (who was Nehru's mentor) to help draft India's First Five Year Plan (1951-6). In 1953, Raj was appointed as a professor of monetary economics to the Delhi School of Economics (DSE) by V. K. R. V. Rao. When Raj became the director of DSE, he reinvigorated the PhD programme and revised the MA syllabus. He also appointed Jadgish Bhagwati, Sukhamoy Chakravarty, and Amartya Sen as professors.

Raj set up the Centre for Development Studies (CDS) in Thiruvananthapuram in 1971 at the invitation and support of C. Achuta Menon, the then Chief Minister of Kerala. The credit for researching the nature of economic development in Kerala, popularly known as the 'Kerala Model' of development, goes to a CDS-team-study led by Raj.[4] Owing to Raj's friendship with Robinson, she visited CDS every December, until her death.[5] Raj died on 10th February 2010.

Raj on Economic Planning

Raj, especially at CDS, conducted and inspired work in applied economics on a wide range of topics: inter-cropping, health, nutrition, fisheries, education, livestock, and alternative energy sources (Kannan 2010, 74). Broadly, his contributions can be classified as falling under the sub-field of development economics, with particular emphasis on labour, agrarian issues (with a focus on the village economy), and the role of economic planning (at the national, state, and local levels) in developing economies.

Given the limitations of space, as well as the expulsion of 'economic planning' from both economics syllabi and the central government's policy repertoire in recent years, I shall focus on Raj's views on economic planning, drawing significantly upon Kannan (2011). I would like to point out that accessing many of Raj's

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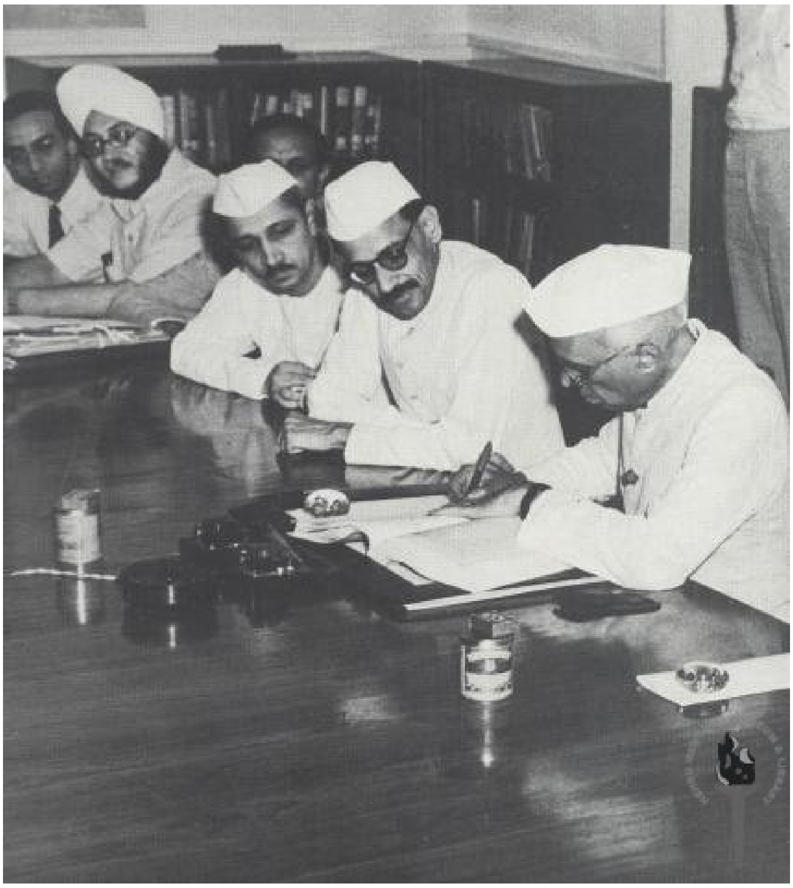
books is rather difficult.[6] It is sadly ironic that we are unable to easily access the work of the person who established such a remarkable library for social scientists at CDS.



Jawaharlal Nehru signing the report of the Planning Commission on the First Five Year Plan, New Delhi, 7 July,1951. Also seen, from left: K.N. Raj, Tarlok Singh, R.K. Patil and G.L. Nanda. Source: NMML Archive/Wikicommons.

Why is planning important? The answer is to be found in the first chapter Raj wrote for the First Five Year Plan: planning is necessary for the 'development of human faculties and the building up of an institutional framework adequate to the needs and aspirations of people' (Raj cited in Kannan 2011, 368). Moreover, Raj recognized the social embeddedness of the economy and envisaged the following policies to improve the social setting in the First Five Year Plan: 'the right to work, the right to adequate income, the right to education and to a measure of insurance against old age, sickness and other disabilities' (Raj cited in Kannan 2011, 368). It ought to be clear that these are fundamental rights whose provision cannot be entrusted to the market forces.

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The drawbacks in the implementation of the First and Second Five Year Plans were also pointed out by Raj (369). In particular, he criticized the lack of attention accorded to agriculture, and therefore to the production of wage-goods (chiefly, food) in the Second Five Year Plan. Raj was concerned not only about the availability of food but also its accessibility (369). It is interesting to note that Raj's emphasis on the production of wage-goods or necessaries is similar to that of William Petty, the founder of classical political economy, who also viewed the production of necessaries as the foremost *responsibility* of any society.[7]

Raj on Understanding Unemployment

Today, the economic study of unemployment is primarily conducted by utilising the concept of the supply and demand for labour, and underlying it is the idea of the marginal product of labour—the addition to total output when an additional worker is employed, assuming other factors remain the same. Raj (1957), in his Cairo Lectures, highlights the pitfalls of the uncritical application of such concepts to a post-colonial agrarian economy like India. The lectures also strongly point to the need for other social scientists to be engaged in the study of (un)employment and in the formulation of labour policies. Indeed, Raj begins his lecture noting that employment should 'be regarded as an end in itself' (2).

One of the criticisms advanced by Raj challenges the dominant definition of unemployment utilised in developing countries like India on the basis of labour productivity (more precisely, the marginal product of labour). In particular, he critically dissects the notion of disguised unemployment which was (and is) said to characterise India. Disguised unemployment is a situation wherein a significant proportion of the employed workers have a zero or negative marginal product. The implication of this is that, even if several of these workers move out of their existing employment, the total output will not reduce. 'To define employment and unemployment in terms of productivity of labour', as Raj rightly points out, 'would be to mix up what is primarily a social phenomenon with a technical fact….' (4). To put it differently, although the notion of labour productivity possesses the technical idea of output per worker, it cannot be understood without reference to concrete historical and social conditions.

Raj is critical of using the popular (both then and now) thesis of Arthur Lewis—that unlimited supplies of labour are available at a subsistence wage—to make sense of India's employment situation. In other words, this thesis assumes the presence of significant disguised unemployment. Raj argues that while Lewis's view might be valid in some instances, 'it is not true of regions in which, for one reason or another, the breakdown [of social organisation] has been slower, and it is totally invalid where alongside the slower breakdown, there has been also corresponding economic development' (13). In the first instance, unlimited supplies of labour would not be forthcoming and in the second, they would not be forthcoming at a subsistence wage (but at a higher wage). So, for example, if the joint family system has remained intact in a region, the workers there would not be willing to migrate to another region which has a large demand for labour.

Consequently, he highlights the need to examine the (colonial and post-colonial) history of different parts of India to comprehend the extant social organisation with respect to: (i) the rights to individual property and the dismantling of the joint family system; (ii) the consequence of a market for land on peasant holdings; and (iii) the impact of technological changes on the displacement of labour (p. 8). Lewis's thesis will have to be reformulated (or rejected) depending on the extent to which the social organisation has transformed on the basis of the above three aspects. And, as Raj reminds us, in tribal societies, 'all the concepts of employment and unemployment that we use make no meaning at all' (7).

The upshot of this discussion is the crucial recognition that the study of unemployment in India cannot be divorced from the social and historical conditions, which, it must not be forgotten, is not uniform across the country.

Raj and Contemporary Economics

After Raj's demise, C. Rangarajan, a former Governor of RBI, had said that "his contributions in the area of developmental economics will always be remembered." Are students of economics reading the works of Raj today? The answer, unfortunately, is (mostly) in the negative. Let me cite two examples in support of my answer. Despite his important contributions to development economics, there are only two mentions of Raj in Debraj Ray's *Development Economics* (1998), a very popular textbook, and neither of those are substantive. Ray's text is one among the several books recommended by Kerala University in the core paper 'Economics of Growth and Development' (20–1) in its 2015 undergraduate syllabus. Moreover, surprisingly, there are no references to the work of Raj in their suggested readings for the courses on 'Indian Economy since Independence' (50) or 'Indian Economic History and Thoughts' (43–5). If Raj's works are not to be found in economics textbooks and syllabi, how will his contributions even be known, let alone remembered?

Undoubtedly, our current mode of learning economics requires a drastic change.[8] Let me reiterate that ideas do not evolve linearly; it is a myth propagated by (most) economics textbooks as well as our almost complete reliance on them. And therefore, it is always beneficial to read the classics closely; and a course on HET ought to partly help in this regard. Raj's 'Employment Aspects of Planning in Under-developed Economies' (1957) and *Organizational Issues in Indian Agriculture* (1990) ought to be treated as classics. I would like to end by stating that a systematic reading of Raj's work on labour, employment, and the village economy will hopefully inspire a study of economics characterized by both conceptual rigour and empirical humility.

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