Dr. K.N. Raj

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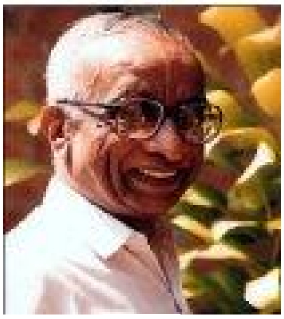

K.N. Raj
(1924 - 2010)

For students of my generation, Dr. K.N. Raj, who passed away recently, was a truly iconic figure. The earlier generation of economists, V.K.R.V. Rao, Bhabatosh Datta and A.K. Dasgupta were temporally distant from us; his illustrious Bengali contemporaries were spatially distant from us. Dr. Raj was centre stage, brilliant and inspiring. His precise speech, his robust socialism, his thoughtful writings and his absolute command over empirical data left us spell-bound.

Within days of my joining the Delhi University for an Economics Honours degree, Dr. Raj came to my college for an after-dinner talk on the Chinese Communes. His argument was that it was essential for the means of production in society to be collectivized, but not the means of consumption (as the Chinese Communes were trying to do). Its impact on a 16-year old (as I then was) was a lasting one.

We thronged to all his public lectures and we read every word he wrote. The texts of his lectures used to be available at the Delhi School library before they were published; the queue of readers who signed up to read them was so long that it would often take days to get them. And Dr. Raj was absolutely prolific in the decade of the sixties: his Nalanda lectures, his Cairo lectures on employment and unemployment which were truly path-breaking, and his work on growth models in Indian planning, culminating in the famous Raj-Sen model, which carried the logic of the Mahalanobis argument a step further, were products of this period.

At the M.A. level he taught us Macroeconomics, and while giving us bread-and-butter Keynesian economics, also introduced us to Michael Kalecki, to Chapter 17 of Keynes's General Theory, and to Oskar Lange's Price Flexibility and Employment which had anticipated by more than a decade the much-celebrated argument of Don Patinkin in Money, Interest and Prices about the so-called "real balance effect". He was fascinated by Keynes's suggestion in Chapter 17 that in certain societies excessive land preference could have played the same role as excessive liquidity preference did in the advanced capitalist societies, in keeping down productive investment. He thought that this had been true in the case of India and wanted to write a book on it. The book never materialized, but the basic direction of his thought can be discerned from an article he wrote where he argued, in opposition to Kaldor and Reddaway who had denied the possibility of land ever playing this role (since the rise in land price they thought would always bring down the rate of return on land sufficiently to eliminate excessive land preference), that the "subjective rate of return" on land (arising from considerations such as safety and prestige) was downward inflexible with respect to changes in land price.

Even a brief and cursory discussion of Dr. Raj's intellectual output, however, will require several specialized articles and is beyond the scope of the present one. But one particular shift in his overall trend of thought must be mentioned here, both because it has gone largely unremarked, and also because it underlies what I think is one of his most outstanding, though little-known, contributions. This shift relates to the fact that while in his earlier writings on the Indian economy the problem of demand scarcely makes an appearance, his later writings on the subject are dominated by considerations of demand.

The fact that his earlier writings on India scarcely mention the demand side, despite his being steeped in the Keynesian tradition, should cause no surprise. Since the Indian economy was a "planned economy", not exactly comparable of course to the Soviet Union but with a significant public sector nevertheless, it was taken for granted that the question of the "stimulus for investment" that had so occupied economists from Rosa Luxemburg to Michael Kalecki had little relevance for India. True, there might be fluctuations in the level of activity arising from fluctuations in the level of public investment, caused for instance by harvest fluctuations, but these happened even in centrally-planned socialist economies. The question of the overall growth of demand setting a limit of some kind on the growth rate of the economy as a whole could never arise. After all, with Keynesian demand management, it was a moot point if it could even arise any longer in the advanced capitalist economies (the Kaldor-Mirrlees growth model had argued it could not). But where there was planning, with a substantial public sector, it was certainly irrelevant.

Accordingly, one finds in Dr. Raj's writings through the fifties, sixties and even the early seventies, an emphasis on constraints on the supply side: the foreign exchange constraint (as in the Raj-Sen model), or the savings constraint (as in his numerous excellent writings on the savings rate in the Indian economy), or the foodgrain constraint (as in his statistical analysis of inflation in India published in the mid-sixties). Starting from the mid-seventies, however, there is a discernible shift. His celebrated article in the Economic and Political Weekly during the Emergency critiqued the devaluation-cum-import liberalization package adopted by the Indian government in 1966 under US pressure, on the grounds that, unlike what the US-World Bank economists had been saying, the unutilized industrial capacity at the time of devaluation was caused by a shortage of demand and not of current inputs (and hence not, indirectly, of foreign exchange); from this it followed that the import liberalization that accompanied devaluation was uncalled for.

In the same article he made a scathing critique of the argument, articulated at the time by Union Cabinet Minister Siddhartha Shankar Ray, that a "liberal" economic policy which allowed the growth of output to cater to the demands of the affluent consumers (who, though small relative to population, were large in absolute numbers), would both stimulate the growth-rate of the economy and keep the "middle class" satisfied, even while having a "trickle down" effect on the poor. In critiquing Siddhartha Ray's position, Dr. Raj was in effect critiquing what was later to become the official policy of the government in the era of neoliberalism.

But what did he suggest in lieu of this "liberalization" strategy? This is an issue which he addressed in his speech to a plenary session of the Golden Jubilee Conference of the Indian Statistical Institute at Calcutta. He was talking about both China and India. He saw the growth process in these countries in the context of an exchange of products between the agricultural and non-agricultural (industrial) sectors. The rate of growth of the latter, and hence by implication of the economy as a whole, depended upon the rate of growth of the agricultural sector, which provided the market for the latter. If the growth of the economy was less than what the growth rate of agriculture warranted, then the government could step in to push it up to the ceiling; but it could not raise it beyond the ceiling without causing inflation. The growth process in economies like China and India therefore had necessarily got to be agriculture-led.

Dr. Raj's argument here, arrived at on the basis of his own understanding of the growth process in China and India, echoed strongly the argument that Nicholas Kaldor had been advancing in some of his later writings, namely that while growth had to be "export-led", these exports did not necessarily mean exports to other countries; they could mean, and in the context of the world economy as a whole they could only mean, exports to the agricultural (primary commodity-producing) sector.

It followed from Dr. Raj's perception that the real route to India's development was through stepping up the rate of growth of agriculture, and for this it was essential not just to make more inputs available to agriculture, but, above all, to undertake land reforms. The one consistent theme that ran through all his writings was the necessity of land reforms. Right from the mid-fifties when his support for the Mahalanobis strategy was predicated upon the presumption that increasing investment allocation in favour of the investment goods sector must be counterbalanced through "institutional changes" in agriculture to ensure that the availability of consumer goods did not suffer as a consequence, until his ISI address, Dr. Raj remained a consistent votary of land reforms.

Curiously, his argument that a more vigorous and broad-based growth of the economy can be ensured only through the implementation of land reforms, echoed the similar argument advanced by Lenin in the context of Russia, which later formed the basis of the demands of the Communist movement all over the third world. This is ironical since Dr. Raj, despite being influenced by Marxism, was a strong critic of Lenin. His political position was perhaps close to what he himself attributed to Nehru in the special obituary issue of the Economic Weekly on Nehru, namely that Nehru was a believer in the Marxist theory of class and class struggle, but not in the Marxist theory of the State.

To describe Dr. Raj as a "Nehruvian", however, would also be an oversimplification. At the time of the First Five Year Plan when Nehru wanted an ambitious Soviet-style plan, Dr. Raj, all of twenty-six years old, who was an architect of the plan, had opposed him on the grounds that the high rate of investment required for his ambitious plan would be incompatible with democracy, as it would place too heavy a burden upon the people. On the other hand, he remained a consistent votary of land reforms, even though Nehru, after the mid-fifties, had perhaps given up on them.

Dr. Raj's opposition to Lenin was reflected in his generally critical attitude towards the organized Left. He had close friendships with individuals within the organized Left, including a warm and cordial relationship with E.M.S. Namboodiripad. But towards the organized Left movement as a whole his attitude was deeply sceptical. I have myself faced his ire on many occasions for some supposed transgression made by the CPI(M) in Kerala which had angered him. After giving me a dressing down for such transgressions (of which I would be completely unaware), he would, however, give me a fond embrace and say that he could take such liberties with me because I was his student. Through all such admonitions and disagreements, Dr. Raj always remained for me an iconic figure, a giant of a person both in terms of intellect and humanity.

The last word must lie with Joan Robinson, a close friend of Dr. Raj. On what might have been her last visit to India, she asked me, after we had talked for a while about India's

Extended Facility loan from the IMF, what Dr. Raj thought about it, to which I replied that Dr. Raj had not written about it and was perhaps not keeping well at the time. She asked me with her customary directness, “Oh, if Raj isn’t well, then who is the moral voice of the country at present?” Dr. Raj was for long the “moral voice” of the country. He contributed much to the making of modern India.