

Full Length Research

Significance of Keynesian multiplier and Values of ethics: Idea of Prof. V.K.R.V. Rao

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Prof.V.K.R.V. Rao was a great economist among the contemporary Indian economists. Prof. Rao is one of the foremost Indian economists who was also a policy maker. He wrote extensively on national income, keynesian multiplier, and related topics apart from other fields. Prof. Rao said that Keynes did not consider the problem of underdeveloped countries like India where disguised unemployment (not aware that they are unemployed) is the main problem. His contributions are remarkable and still relevant in today's world. His idea on social values and ethics are also important. He highlighted human values and ethics in the economic discipline. Economic philosophy of V.K.R.V. Rao inspired all. Prof. Rao was a democratic socialist. Equity and social justice were the right objective of him. This present paper attempts to examine his contributions to the applicability of Keynesian multiplier in underdeveloped economy like India and also the importance of values and ethics in a person's life and also the implications in social aspects.

Key words: Keynesian multiplier, social values, ethics, underdeveloped economy

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INTRODUCTION

Prof. V.K.R.V.Rao was a great economist. He was born in 1908. He was a great teacher of Economics, a researcher. His first work was his master's thesis to the Bombay University under the supervision of Prof. C.N. Vakil. This was published with the title, 'Taxation of Income in India.' That work was based on the history of Income Tax from 1860 to 1929 (Income Tax was amended). After obtaining an M. A degree from University of Bombay, Dr. Rao went to Cambridge from where he obtained his Ph.D. degree. After doing his Ph.D. degree Rao joined as Assistant Professor of Economics and History at Wilson College, Bombay. His most significant work was his Ph.D. contribution which was published under the title 'National Income of the British India 1931-32'. He also worked with the trends in growth of national income between 1950 and 1980. He was the Vice- Chancellor of Delhi University for three years (1957-60). He was also a policy maker and institution builder. He was the member of the first National Income Committee under the Chairmanship of Prof. P.C. Mahalanobis. Dr. V.K.R.V. Rao was also the member of the Planning Commission from 1963 to 1969. He was also the Cabinet Minister of the Indian Government for Transport and Shipping (1967-69) and then for education (1969-71). Dr. Rao was awarded Padmavibhushan in 1974. The academic contributions of Prof. Rao in various fields are remarkable. He wrote various articles and books and also delivered speeches on different topics in economics. So, it is impossible to represent his whole contribution in a space-constrained article. Therefore, the present research paper focuses on the ideas of Prof. V.K.R.V.Rao in the context of applicability of Keynesian multiplier in underdeveloped economy and his ideas on ethics and values.

Dr. V.K.R.V. Rao in his writings 'Investment, Income and the Multiplier in an underdeveloped economy', talked about the Keynesian multiplier theory which is mainly applicable in case of involuntary unemployment in the richer countries. Keynes was always concerned about reaching full employment.

He was a follower of Gandhian principle of non-violence and Vedantic teaching of Ramakrishna and Vivekananda.

According to Dr. Rao, positive secularism means universality of basic spiritual values among all the regions. The essence of Swamiji's teaching is: respect and understanding of equality of all the religions. Dr. Rao believed that spiritual light of India spreads all over the world.

Main objectives of the study:

- To examine the idea of Prof. Rao on the applicability of Keynesian multiplier in underdeveloped economy and the significance of it in present day. (Perception 1)
- To represent the idea of values and ethics of Dr. Rao and relevance of it in present scenario.(Perception 2)

Literature Review:

Perception 1

Ratan Kumar Ghosal in his literature 'Keynesian Theory of Multiplier and Employment Situation in India' explained about the applicability of Keynesian multiplier in the context of present critical employment situation of the economy. Indian economic situation was changed. He also pointed out that active state intervention is necessary. He also pointed out that massive public investment can give solutions to the problem of unemployment. Investment in different infrastructural facilities also can create employment.

S.P. Bharadwaj (2004), also explained about the opinion of Dr.V.K.R.V. Rao towards economic development. The author represented Keynesian precondition for multiplier to work. It was told by him that Prof. Rao did not agree on export led growth for developing countries. According to Prof. Rao, human health is more important than industrialization. To him, growth is not more important than improving social condition like better health facilities, education, restricting family size etc. Prof. Rao was also concerned with the ecological balance. In this literature, it can be said that an increase in investment leads to deficit financing and also creates inflationary situation in the economy.

Manjushri Gupta (2004) in her writings, wanted to show the economic ideas of Dr.Rao on the applicability of the Keynesian multiplier to Indian employment situation. To represent that, she introduced a brief account of Prof. Rao's concept of Keynesian multiplier and Rao's idea on that. She also explained about the Keynesian view and Prof. Rao's view towards income and employment and applicability of it in Indian economy. According to her, Keynes's prescription to the problem of involuntary unemployment and to reach full employment is cheap money, deficit financing, and public investment.

Prof. V.K.R.V. Rao in his writings 'Investment, Income and the Multiplier in an underdeveloped economy,' explained about the applicability of Keynesian multiplier. He told in his literature that Keynes was basically concerned with the problem of involuntary unemployment in developed countries. Keynes wanted to maintain full employment in these types of countries. He also pointed out in poor countries mpc is high and multiplier is also high. According to him, Keynes did not consider the problem of underdeveloped countries like India. India has not enough capital. Technical knowledge is low also. In India disguised unemployment is a normal feature. Involuntary unemployment is not applicable in a country like India.

Perception 2

Dr. V.K.R.V. Rao wrote in 'Ethical Pattern of Life' extracted from the Gandhian Alternative to Socialism, Bharatiya Vidya Bhawan stated that Gandhiji did not distinguish between economics and ethics. Gandhiji's economic norms attracted Prof. Rao. According to Gandhi, true economics implied social justice and remove inequality. Prof. Rao was attracted Gandhii's non-violence movement, human activity, and equality.

According to Abdul Azim Islahi, Prof. V.K.R.V.Rao was a great man and scholars such as M.G.Ranade, Gandhiji who considered the human values and ethics in the discipline of economics. He expressed his view in 'Economic Philosophy of Professor V.K.R.V.Rao. he told in his writings that without the value system different objectives like social justice, welfare can not be achieved. The author also pointed out that future of the people will be disrupted if there will be no social ethical norms. It was also mentioned in that literature that corruption is indeed an important problem in Asian countries. But World Bank neglected that. According to World Development Report 1977, corruption was regarded as an economic disaster.

P.V. Shenoj in his writings 'Contributions to Dr. V.K.R.V. Rao to Economics' expressed the idea of socialism of V.K.R.V. Rao. The author explained that Dr. Rao felt the importance of values in public life and in economic decision making. Dr. Rao was influenced by the ideals of Swami Vivekananda. It was told by the author that Dr. V.K.R.V.Rao also

believed that abolition of poverty, removal of illiteracy can make can improve the position of backward classes as Swamiji said.

Prof. Santanu Ghosh (2004), in his writings, explained about the values and human factor in economic and social development. Prof. Rao understood a long back that human resource and environment play for a country's overall development. This human resource must have ethical values. He always dreamed for a better future having idealism and sense of values. Dr. Rao's opinion to work culture of public sector, the condition of backward classes, prevalence of Hindu caste system were explained by the author. Being an Education Minister, Dr. V.K.R.V.Rao wanted to spread education to each and every area of the country. Since, he thought that education helps to restore values.

METHODOLOGY

To do this study different related works are taken. Descriptive studies and historical analysis are used.

DISCUSSION

By examining different studies on Keynesian multiplier, it can be said that Keynes was always concerned about reaching full employment. To reach full employment, he mentioned about some remedies like cheap money, deficit financing, redistributive taxation, and public investment etc. Prof. Rao said that Keynes did not consider the problem of underdeveloped countries like India where disguised unemployment (not aware that they are unemployed) is the main problem. India is mainly an agriculture-based country, and is not a capital abundant country. It is a poor country where labour is abundant. Technical knowledge is not enough in that country. Poor underdeveloped countries have not enough resources. Production is mainly for self-consumption. In that type of countries marginal propensity to consume is high. Here marketable surplus is not enough. Multiplier is higher in agriculturally based countries than in industrialised countries. But Keynesian multiplier is not working and applicable in case of underdeveloped countries like India.

According to Dr. V.K.R.V. Rao, based on deficit financing, if there was an increase in investment, then this will lead to rise in price, i.e., inflation. But there was not remarkable rise in output and employment. Dr. Rao also told that supply curve of the underdeveloped countries is more inelastic than that of industrialised countries. He also explained that multiplier mechanism does not increase national income in underdeveloped countries as Keynes's said. In developed countries production is not for self-consumption only.

Prof. Rao was a democratic socialist. Equity and social justice were the right objective of him. He accepted Mahatma Gandhi and Swami Vivekananda as his spiritual mentors. He was a follower of Gandhian principle of non-violence and Vedantic teaching of Ramakrishna and Vivekananda. According to Dr. Rao, positive secularism means universality of basic spiritual values among all the regions. The essence of Swamiji's teaching is: respect and understanding of equality of all the religions. Dr. Rao believed that spiritual light of India spreads all over the world. State should play a role to enable fundamental rights and religious freedom of all communities. His mentor in positive secularism was also Swami Vivekananda. According to Prof. Rao country had inherited the value system from ancient times from Swami Vivekananda and Mahatma Gandhi. He also believed that spiritual light of India spreads all over the world. To him the values and human factor in economic and social development play a great role (Ghosh.S, 2004).

CONCLUSIONS

Perception 1 and Perception 2 are two different ideas of Prof. V.K.R.V. Rao. These two perceptions are not correlated and not contradicting. These two are two different subjects. But these two ideas have relevance i.e some significance in today's world also.

In present times total unemployment is not disguised unemployment. Now, share of agriculture is no longer dominant. Since with the agricultural sector now there are flourishing industrial sectors also. Infrastructural facilities like power, transport, irrigation increase. After the structural reform 1991, there was huge investment in different sectors. So, this can be said that now Keynesian multiplier is partially true.

In today's life education standard of the people increases, illiteracy diminishes, but there is deterioration in value system. Crime and corruptions are increasing at an alarming rate. There must be need for consciousness of every people of the society. So, social value system and ethics must play a great role. Participation of the people is necessary to maintain the value system. The Central government and also the State government both should work together to establish ethics and value system in our daily life in every segment of the life.

This can be said that Prof. V.K. R.V. Rao foresighted all that which is still true today. This is the excellence of his studies.

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