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**Title of the Ph. D thesis- Some Aspects of Corruption and Crime in India: A Macro –
Theoretic Study**

ADDENDUM

Responses to the General Comments

1. Indian economy is characterized by large scale unemployment and underemployment of labour. This unemployment also varies with changes in the scales of economic activities. This unemployment also differs widely from the natural rate of unemployment of the Walrasian General Equilibrium Framework. For these reasons we have chosen the Keynes-Kalecki framework where prices and wages do not adjust to remove unemployment. Only the price of the output of the unorganized sector varies to clear its market.
2. Of course, an analysis of the effect of tax evasion in a Walrasian General Equilibrium Framework may be quite interesting. However, such a framework, in our view, is not suitable for India for reasons cited above.
3. A static model belonging to the tradition of Keynes and Kalecki captures an economy in a given short period. A comparative static exercise involving real GDP (Y) and the price level (P) give us the growth rate of Y and the rate of inflation in P from the given short period to the next. This is the kind of growth rate and inflation rate we were interested in.
4. The purpose of this dissertation was to examine the impact of tax evasion and not to investigate how the people have become divided into different classes. It will definitely be interesting and seminal to inquire into how the people have become divided into different classes. In my view, the class division is permanent. The capitalists wield the State Power, as in all likelihood, they own the political parties. They also own all the large production entities and the financial institutions. Using all of these, they will make sure that no one else enters into their class. The poor consisting of the low-skilled workers and small producers cannot afford the cost of education. Hence, they can never become high-skilled workers. As the organized sector grows without generating much employment, people get engaged in the unorganized sector as casual labour or self-employed and cling on to whatever morsel of land and capital they have in their possession. Hence, the unorganized sector is also likely to be a permanent feature of the Indian economy.

Responses to Chapter Wise Comments

Chapter 2

1. Recent References using Keynes-Kalecki Framework

Noemi Levy-Orlik (2023). “The role of money and financial institutions in Kalecki and Keynes”, *Journal of Post-Keynesian Economics*, 46(4), pp.527-544.

Hein, A. (2020). “General Issues in Kaleckian Distribution and Growth Models: On the Macroeconomics of Gender Wage Gap” *Review of Political Economy*, 32(4)

2. If the tax collectors are fully efficient, there cannot be any tax evasion. Tax evasion is, therefore, an index of the efficiency of the tax collection system.

3. In the Keynesian theory, which is the basis of all the three chapters of the dissertation, there is no distinction between the short run and the long run. The comparative static exercises, therefore, give the growth rates from one given period to the next.

In the neoclassical macroeconomics, there is a distinction between the short-run and the long-run based on the natural rate hypothesis.

4. It should be noted that the model regards the unorganized sector as the net buyer of the organized sector products.

5. We definitely make note of this point.

Chapter 3

1. I concede the point that the equation is too lengthy. However, given the problem at hand, I could not make it simpler.

2. It is true that the small borrowers are rationed. However, that issue has not been considered here. This is because the focus of this paper is on how the capitalists rob the public sector banks by giving donations to the highly placed government and bank officials.

3. Bank officials have to abide by certain lending norms. This takes care of the moral hazard problem. However, here, the capitalists bribe government and bank officials at the highest level to borrow in order to steal a part of it. That is the reason why the issues of moral hazard and adverse selection have not been considered here.

4. The lengthy algebra of pages 45 – 48 simply show how much loan the banks extend to the small investors and how it shrinks with the increase in the stock of non-performing assets due to loan default by the large borrowers.

5. Proposition 3.3 states that the capitalists give donations to the government officials at the highest level so that the Reserve Bank of India (RBI) becomes a party to the conspiracy to discredit the public sector banks. Therefore, the only solution to the problem is to get rid of the capitalists so that the government officials become true representative of the masses and work in the interest of the masses.

Chapter 4

1. I accept this point.

2. I thank the reviewer.

3. The evidence should have been given. However, involvement of criminal elements and extortion of the small producers are widely talked about.

4. I should discuss why the unorganized sector is still there despite extortion. I accept this point.