

Economic thought of Thinkers in India

A Study Report on:

Economic thought of Thinkers in India

For Project Titled:

**Reviving India's Rich Cultural Heritage:
Exploring Indian Philosophy and
Economy in the Context of NEP 2020**

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1. Introduction

The study of economic thought encompasses a comprehensive exploration of diverse philosophies and theories within the field of economics, spanning from ancient times to the present. Economics is often regarded as more of an art or philosophy and the examination of economic thought provides insights into the intellectual history of fostering the development of ideas and cultivating critical perspectives essential for decision-making.

The scope of economic thought extends to the origin and evolution of economic ideas, exploring their interconnectedness. It involves a historical examination of economic doctrines, shedding light on the progression of economic thinking over time. It delves into a myriad of opinions and ideologies on economic subjects, with a particular emphasis on the public policies prevalent in different historical periods and geographic locations. Economic thought, therefore, serves as a valuable tool for understanding economics and contributes to the cultivation of analytical skills and a nuanced approach to decision-making. The economic thought of some of these thinkers can be understood as follows.

2. Economic Thought of B.R. Ambedkar

“Ambedkar is my Father in Economics; His contribution to the field of economics is marvelous and will be remembered forever”

- Dr. Amartya Sen.

Ambedkar argued that both the East India Company and Colonial British Rule had excessively exploited India economically in his study book, ‘East India Company's Administration in India and Financial Matters.’ The firm had arrived for business, but it continued to plunder India's financial resources to gradually enslave it. Following the 1857 rebellion, the British Crown took control of the East India Company's administration of India. With its discriminatory practices, the British government system maintained its economic exploitation.

2.1 Democratic State Socialism

A paper titled “Ambedkar—The Forgotten Free-Market Economist” at the Ludwig von Mises Institute sparked a row among the proponents of Ambedkar’s economic thoughts. A response to this was published by Anand Teltumbde, a prolific writer and advocate for Dalit rights. He argued that calling Ambedkar a Free-Market economist was “beyond abuse... an attempt at character assassination.” He noted that Ambedkar was an ardent socialist, and had openly pursued socialist objectives all through his life. His first political party, the Independent Labour Party, was fashioned on the lines of the Labour Party in England, which was a Fabian political outfit. It was admittedly a workers’ party, which had adopted a red flag, inspired by the socialist objective. He also denounces the popular argument lauding capitalism to be the harbinger of economic development for the Dalits.

Even the argument that capitalism being more progressive than caste-feudalism, that it basically freed labour from the feudal bondage, which had impelled Marx to predict that advent of capitalism in India will destroy the caste system, would not hold because Ambedkar saw capitalism and Brahmanism not only coexisting but also cohabiting, mutually complementing. In his presidential address at the G.I.P. Railway Depressed Class Workmen's Conference, Ambedkar proclaimed - "There are in my view two enemies which the workers of this country have to deal with. The two enemies are Brahmanism and Capitalism."

Ambedkar proposed his ideas of state socialism in the Constituent Assembly deliberations in his Memorandum on the Safeguards for the Scheduled Castes submitted to the Constituent Assembly on behalf of the All India Scheduled Castes Federation. He emphasised that while industries notified as 'key industries' must be owned and run by the state, basic industries shall also be owned by the state while allowing corporations established by the state to run it. One such key industry must be Agriculture, with a collectivised method of cultivation.

Insurance shall also be a monopoly of the state, and the state shall compel every adult citizen to take out a life insurance policy commensurate with his wages.

However, a pragmatic visionary, Ambedkar stressed on consensual policymaking for the national economic policy. He states -

"What should be the policy of the State, how the Society should be organised in its social and economic side are matters, which must be decided by the people themselves according to time and circumstances. It cannot be laid down in the Constitution itself, because that is destroying democracy altogether. If you state in the Constitution that the social organisation of the State shall take a particular form, you are, in my judgment, taking away the liberty of the people to decide what should be the social organisation in which they wish to live. It is perfectly possible today for the majority of people to hold that the Socialist organisation of society is better than the Capitalist organisation of society. But it would be perfectly possible for thinking people to devise some other form of social organisation which might be better than the socialist organisation of today or of tomorrow. I do not see therefore why the Constitution should tie down the people to live in a particular form and not leave it to the people themselves to decide it for themselves." [Dr Babasaheb Ambedkar, Writings and Speeches, Vol. 13, p. 326]

According to Dr. Ambedkar, State Socialism is essential for radical change in society. Each person shall have the right to hold any public office or exercise without any discrimination like caste, creed, religion, sex or social status. His motive behind putting an obligation on the State to plan the economic life of the people on lines which would lead to the highest point of productivity without closing every avenue to private enterprise, and also provide for the equitable distribution of wealth.

2.2 Indian currency and the Reserve Bank of India

Dr. Ambedkar was the first Indian to pursue a doctorate in Economics abroad. His doctoral thesis on 'The Indian Rupee', written in 1922-23 was later published as 'The Problem of Rupee : Its Origin and its Solution'. Going against the views of John Maynard Keynes and other orthodox economists, Ambedkar emphasized the volatility of the gold exchange rate at a time

when the value of the rupee was declining. going against the views of John Maynard Keynes and other orthodox economists. He stated that because of the government's economic irresponsibility, which disproportionately hits the poorer strata of society through ensuing price increases, unstable currency could result in unchecked inflation. Gold exchange standards are expensive for developing nations like India, and on top of that, they increase the danger of inflation and price hikes. He provided facts, data, and explanations to demonstrate how the Indian Rupee has lost value and is consequently losing purchasing power. He advocated regulating the government deficit and creating a circular flow of money. He also suggested more attention should be given on price stability than exchange rate stability. One of the lesser-known facts about Ambedkar's economic prowess is the conceptualisation of the Reserve Bank of India (RBI). The body is said to be based on the guidelines that Ambedkar presented to the Hilton Young Commission (also known as the Royal Commission on Indian Currency and Finance).

2.3 Detriments to Economic Development

- Caste

Ambedkar postulated that the caste system was a major roadblock to India's economic growth. Disallowing social mobility of skills, the system prohibited development of a large number of skilled professionals. Denouncing the Indian economy as a Hindu-dominated economy, Ambedkar lashed out on the popular argument stating the caste system to be an economic division of labour. 'Caste System Is not merely the division of labour but a division of labourers also', he affirmed.

Lack of freedom of occupation amounted to the problem of unemployment, as Hindus would choose unemployment over taking up a profession not assigned to their caste. Individual justice and economic efficiency demand that competition exists in the factor market. Due to the restriction on inter-occupational mobility of labour, capital, and entrepreneurship across caste groups, segregations were created in each of these markets. Labour and capital thus did not flow from one occupation to another even when the wage rate or rates of return on investments were higher in the alternative occupations. Thus, he argued that the concept of human capital in India is useless if the poor and downtrodden untouchable dalits are not recognized by other classes as human beings with equal social prestige. It was therefore impossible to use this human capital in the economic development of India.

- Economic Upliftment of Women

Another detriment to India's economic progress, according to Ambedkar, was the impoverished economic conditions of women. He affirmed that the economic status of India cannot flourish without improving the social status of women, empowering them with equal rights and freedom of occupation. Ambedkar was a proponent of Maternity Benefits and Equal Remuneration. As a Labour Minister in the Viceroy executive council between 1942 and 1946, he was instrumental in bringing the Mines Maternity Benefit Bill for women in all over India. Under this act, a woman working in the mine is entitled to maternity benefit for a period of 8 weeks. "I believe that it is in the interests of the nation that the mother ought to get a certain amount of rest during the pre-natal period and also subsequently." he stated. He was the first person who brought

“Equal pay for equal work irrespective of the sex” in India in terms of Industrial workers. He also visualised the role of population control policy in the development of the country further maintaining the economic balance of the state. He considered that the economic independence of women has nothing to do with family planning as women working on fields still have many children. Ambedkar emphasised on the multidimensional impacts of exploitation on India’s economic growth. Thus, the eradication of exploitation was central to Ambedkar’s proposals on India’s economic strategy.

Taxation

Ambedkar's independent study on India's tax structure, public spending, and public debt under the Crown system, the East India Company, and British colonialism between 1833 and 1919 served as a model and was crucial for the development of the country's federal finance system, both theoretically and practically. He provided the impetus for the creation of the Indian Finance Commission. Dr. Ambedkar expressed his views on taxation in the manifesto of 'Swatantra Majdur Party'(Independence Labour Party) in 1936. He opposed Land Revenue, its system, and its taxes since they place a heavy load on the society's most vulnerable groups. He believed that taxes should contribute to relative equity between various groups of people. He proposed that :

- i. A personal tax should be based on the taxable capacity of the individual and not on his gross income.
- ii. The rates should be progressive, meaning the rich should be taxed more and the poor less.
- iii. There should be exemptions subject to a limit of income tax for taxpayers

Conclusion

Ambedkar’s economic prowess has often been overshadowed by his contributions as the chairman of the Drafting Committee and a powerful proponent of social justice. However, more recently, his economic thoughts have come to the fore. “Ambedkar’s economic thought, vision is not fully understood” “the more we recall Ambedkar’s thought, in the context of issues currently faced by India, the more we come to respect his vision and his approach to inclusiveness.” said our Prime Minister Narendra Modi.

3. Economic Thought of Mahatma Gandhi

3.1 Introduction:

Gandhi was renowned for his pragmatic approach to various aspects of life, including economics. While not typically seen as an economist, his perspectives on life deeply influenced his economic theories, which were further shaped by the ideas of influential thinkers such as Ruskin and Tolstoy.

Gandhian economics, as articulated by Kumarappa in 1951, is deeply rooted in the spiritual and socio-economic principles championed by Mahatma Gandhi. It diverges significantly from the Western economic perspective, which portrays humans as rational actors driven primarily by the pursuit of material self-interests. Instead, Gandhi's framework places a strong emphasis on fulfilling human needs, encompassing not only material well-being but also emphasising the significance of community and a sense of purpose. Central to Gandhian economic thought are the principles of truth, non-violence, dignity of labour, and simplicity (Sahoo and Pattnaik, 2015)

3.2 *Key ideas propagated:*

This economic philosophy encompasses several key ideas, including the formulation of economic laws in alignment with the laws of nature, advocating for a non-violent economic model, and promoting a decentralised economy. Gandhi believed that economic principles should harmonise with the universal laws of nature, emphasising a pragmatic approach over the imposition of universal rules. He rejected any potential conflicts between economic laws and natural laws, striving for coherence between the two.

The principle of ahimsa, or non-violence, is a cornerstone of Gandhi's economic philosophy. He critiqued industrial practices for perpetuating violence, particularly through the exploitation of labourers under capitalist systems. Gandhi's non-violent economic ideology revolves around reducing the prevalence of industries, thereby addressing the socio-economic disparities and injustices they perpetuate.

Furthermore, Gandhi advocated for a decentralised economy, leveraging India's abundant labour resources and limited capital resources. He argued that embracing a labour-intensive system would facilitate job creation. Consequently, Gandhi proposed the establishment of numerous small-scale production centres across the country. His vision extended beyond alleviating poverty and reducing unemployment; he aimed to foster self-sufficiency within villages, transforming them into economically autonomous entities.

Some of the essential features of Gandhiji's economic philosophy include:

3.2.1 **The Concept of Swadeshi**

Swadeshi, according to Gandhi, is "the spirit within us which restricts us to the use and service of our immediate surroundings to the exclusion of the more remote." Gandhi started the Swadeshi movement in the 1930s in response to the handicraft industry's apparent demise which led to rural Indian poverty. By opposing European products and advocating the use of Khadi (home-spun cloth) as a symbol of moral opposition, the movement intended to revitalise rural businesses.

Gandhiji's Swadeshi notion served as the cornerstone of his economic philosophy, underlining the need to safeguard local crafts from invasion and exploitation by outsiders. However, he opposed the creation of a society that was entirely centred on agriculture or handicrafts.

3.2.2. Views on Industrialisation and Technology

Gandhiji decried the social upheaval and labour exploitation of the Industrial Revolution and was adamantly opposed to industrialisation. He thought that industrialisation undermined the dignity of the villages and resulted in passive or active exploitation of them. While he acknowledged that some heavy industries were necessary for the survival of the country, he cautioned that they should only make up a small portion of the country's overall activity, which should be primarily based on the villages. Gandhiji promoted the use of appropriate technology that did not replace work and improved society as a whole. Gandhi's objection to machinery was related to his conviction for ensuring efficient utilization of resources even in the face of industrialization. He believed that labour was a precious resource that risked being exploited and depleted by unchecked industrialization.

3.3.3. Primacy to Village Republics

Gandhi's vision of democratic decentralization is deeply rooted in his unwavering commitment to non-violence, truth, and individual freedom. Termed Panchayati Raj or village Swaraj, this concept envisions each village as a self-contained republic, independently meeting its essential needs. Gandhi envisioned these villages as interconnected entities, organized in a non-hierarchical manner with the broader spatial bodies, allowing them to enjoy maximum autonomy in local decision-making.

Gandhi advocated for the distribution of political power among the villages in India, striving for a system where each village operates as a self-sufficient and organic community. He favoured the term 'Swaraj' to encapsulate his vision of true democracy, grounded in freedom. According to Gandhi, individual freedom finds its true expression in autonomous and self-reliant communities, facilitating the fullest participation of the people. Gandhi's concept promotes a democratic framework where local affairs are determined by the community, aligning with his principles of non-violence, truth, and individual liberty.

Mahatma Gandhi's extensive travels throughout the country solidified his conviction that India would prosper under the governance of Village Panchayats, guided by the principle of "simple living and high thinking." These village republics, envisioned by Gandhi, were self-contained, self-reliant communities designed to fulfill all the essential needs of their inhabitants.

Gandhi believed that these institutions were capable of providing a minimum standard of living for all individuals. Within these village republics, people would experience maximum freedom and opportunities to develop their personalities to the fullest. Gandhi's vision aimed at reducing the role of the state, fostering a decentralization of power, and deepening the roots of democracy.

According to him, centralization as a system could not be sustained without resorting to adequate force. In contrast, Gandhi advocated for the empowerment of local Village Panchayats, promoting a system that prioritized self-sufficiency, simplicity, and the well-being of all individuals within these community-driven republics.

3.3.4 Dignity of Labour

According to Gandhi, the good of each person is tied to the good of all. He recognised that all occupations—whether that of a lawyer or a barber—hold equal importance since everyone has the right to a dignified means of subsistence. He understood the inherent value of a worker, a soil tiller, or a craftsman, giving them a life worth living. Gandhi was moved by this realisation to put these ideas into practise, which resulted in the founding of the Phoenix farm near Durban, where everyone worked and received the same pay.

These ideas also served as the foundation for his emphasis on the "Dignity of Labour," his specific treatment of India's Untouchables, and the development of his idea of sarvodaya, or universal welfare. Gandhi had a broad conception of labour, but he was aware that the term "labour" was frequently employed in a more restricted sense. He was adamant that while a country could survive without millionaires and business moguls, it could never survive without its labour force. Gandhi's commitment to protecting the well and dignity of all people, regardless of their occupation, is reflected in this idea of trusteeship, which he espoused and which later became a key component of Gandhianism. Gandhi's economic revitalization plan gave village crafts a high priority because he admired the dignity of physical labour. He opposed wage employment and advocated independent work and self-employment instead, believing these to be morally preferable career paths.

This viewpoint was strongly related to his mistrust of urbanisation, which he perceived as an inevitable byproduct of industrialization. Gandhi viewed cities as robbing the villages of their skill and resources while doing little to help the rural economy. He urged people to head back to their hometowns, stressing the need for spiritual growth and a more modest way of life over consumerism. Gandhi's emphasis on independence and support for local crafts shows his dedication to environmentally friendly methods and people's well-being. His opposition to urbanisation was a reflection of his wish to protect the rural way of life and the harmony between human wellbeing and the natural world. Overall, Gandhi's economic theory was an extension of his ethical and moral principles and aimed to create a society where everyone could live with dignity and fulfilment.

3.3.5. Limitation of Wants

Gandhi's idea of economic development placed more emphasis on spiritual development than on the proliferation of commercial goods. He prioritised asceticism and frugality while advocating the conscious and voluntary restraint of desires. Gandhiji opposed the profit motive and suggested "trusteeship" as a compromise, in contrast to capitalism and Marxist ideologies that emphasized capital accumulation. Capital would be owned and managed by trustees for the common good rather than for personal gain. Gandhiji advocated for world peace and financial equality without engaging in violent class warfare. Gandhi's economic theories were firmly based on moral and ethical principles. He placed a strong emphasis on the welfare of the underprivileged and downtrodden, seeking to improve their lot through reviving local enterprises and encouraging self-sufficiency. His hostility to technology and industrialization was motivated by his worries about the mistreatment of workers and the erosion of human dignity. Gandhiji's concept of economic growth put less emphasis on materialistic goals and more on simplicity, independence, and the larger benefit of society.

3.4 Relevance of Gandhi's Economic Thought

Three principles of Gandhi's economic formulation that hold relevance today are the emphasis on plain living, the concept of village Sarvodaya, and the theory of trusteeship. (Saikai, et al., 2023)

Gandhi's first principle of simple living advocates for limiting expenses and fostering self-reliance. He vehemently opposed Western materialism, contending that industrialization had exacerbated human desires. Gandhi maintained that true happiness lies not in the accumulation of possessions but in the reduction of wants (Hind Swaraj, 1909). A distinction can therefore be made in the standard of living and standard of life. While the standard of living focuses on materialistic and quantitative aspects such as housing, clothing, and food, Gandhi argued that a higher standard of life could only be achieved through a concerted effort to embrace cultural and spiritual values and virtues alongside material progress.

The second principle involves advocating for village Sarvodaya, emphasising the welfare of all individuals over the interests of a select few. Gandhi's focus here was on using local resources to meet local needs and enhance the quality of life. He advocated for a revitalization of ancient village communities and a reduced reliance on machine-produced goods in favour of locally sourced products. Gandhi believed this approach was crucial for maintaining a balanced equilibrium between production, consumption, and distribution while also minimising harm to nature. A contemporary manifestation of this ideology can be seen in initiatives like the Atmanirbhar Bharat scheme, which aims to boost local production and reduce dependence on imports.

One of Gandhi's most significant formulations is the theory of trusteeship, which offers an alternative to socialist theory (Nayak, 2005). According to this concept, inherited wealth is considered the collective property of society and future generations, and as such, it should be utilised for the benefit of all. Gandhi posited that the ownership of wealth is not absolute but rather transferable. He further argued that while individuals are entitled to earn a living through their endeavours, the accumulation of wealth beyond a certain point is detrimental. Gandhi's fundamental proposition is that adherence to three main principles can lead to the attainment of social and economic equality as well as Sarvodaya.

4. Conclusion

The economic ideologies of both Ambedkar and Gandhi hold heightened relevance in contemporary times, as the present-day government consciously integrates their concepts of decentralization and self-sufficiency. This deliberate incorporation aligns with the evolving needs and challenges of the nation.

Ambedkar and Gandhi's emphasis on decentralization resonates with the current trend of empowering local governance structures, allowing communities to address their unique challenges effectively. The promotion of self-sufficiency also finds resonance in policies geared towards fostering economic independence at the grassroots level.

In the context of globalization, revisiting the economic thoughts of Ambedkar and Gandhi could potentially expedite India's journey towards becoming a global leader. Their emphasis on local empowerment and self-sufficiency provides a counterbalance to the potential pitfalls of unchecked globalization. By incorporating aspects of their economic philosophies, the nation can navigate the complexities of global interactions while preserving its cultural identity and ensuring inclusive development.

In summary, the economic thoughts of Ambedkar and Gandhi offer valuable insights that align with contemporary policy directions. Embracing decentralization and self-sufficiency can contribute to a more resilient and globally competitive India, striking a balance between globalization and the preservation of indigenous values

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