

Retrospection of Ambedkar's Ideas on Economy and Development: Deciphering its Contemporary Appositeness

Suratha Kumar Malik

Assistant Professor and Teacher-in-Charge
Department of Political Science, Vidyasagar University, Midnapore

Santi Sarkar

Assistant Professor
Department of Political Science, DDE, Vidyasagar University, Midnapore

Abstract

The Indian economy is a mixed economy that has been affected by social, political and economic changes before and after independence. After India's independence, economic planning for achieving inclusive growth and improvement began. For this, the goal of a socialist style of society was envisioned and integrated into various plans. India strictly followed the mixed economic system from 1947 to 1991 and valued the spirit of socialist society. After 1991, more emphasis was placed on the neo-liberal capitalist economy, which envisioned a larger share of the private sector. But an underlying reason for the whole plan was that India was suffering from various socio-economic problems such as increasing inequality of income, resources, preferences, rights and opportunities. There were also endless problems with rising inflation and budget deficits. The economists and policy formulators under such situation with the typical Hindu rate of growth (very low growth rate around 3.5%) have crossed the rubicon and adopted the New Economic Policy. Though India somehow saved its economy at that time, the problems still continued and the country is still struggling to find a way out where the Modi government has adopted demonitisation and other measures which are not free from debates and criticisms. In this context, Dr. B. R. Ambedkar become important and his economic ideas become relevant for the present time where this article tries to explore some of his ideas on economy, rupee and development which have remained unexplored and need more attention.

Keywords: Ambedkar, economic ideas, public finance, caste economy, contemporary relevance.

1. Introduction

Before India's independence, the country's economy was influenced by social, political, and economic conditions and historical developments. Economic planning for inclusive growth and progress started in post-independence period. The objective of a socialist-style society was envisioned and incorporated into many programmes to achieve this. From 1947 until 1991, India closely maintained the mixed economic system and valued the spirit of a socialist society following the USSR model of planning and development. After 1991, the capitalist market economy, which envisioned a higher role of the private sector, received increasing attention due to different reasons. However, the fundamental grounds for the new economic

strategy plan were that India was facing a slew of socio-economic issues, including rising income, resources, and development disparities. There were also constant difficulties with growing inflation and budget deficits, forcing Indian economists to embrace the neoliberal economic model, which saved India in many ways, though some of these issues persist today. In this environment, Dr. B. R. Ambedkar's economic and development ideas have become important for today's circumstances, whether its about demonetisation, currency depreciation, or other developmental measures. His theories on economics and development, which have received little attention, are extremely relevant to present times. Hence, this paper is a humble attempt to explore and highlight some of Ambedkar's ideas on economy and development and retrospectively his economic thought as far as the financial problems of India in the present time are concerned.

2. Ambedkar's Notion on Public Finance

Ambedkar in his monumental book *The Problem of the Rupee: Its Origin and its Evolution* discusses the evolution of the Indian currency as a medium of exchange and its equivalence in terms of precious metals such as gold and silver (Ambedkar, 1923). He traces the history of the Indian currency between 1800 and 1893 and brings the crisis of the currency that existed in the 1920s. He studied the relative effectiveness of the pure gold standard vis-a-vis the gold exchange standard and endorsed a kind of gold standard against the views offered by John Maynard Keynes where Keynes suggested that India must accept a gold exchange standard. In contrary to Keynes views, Ambedkar argued that it will permitted greater freedom for the issuer and that will lead to manipulate the supply of money and will endanger the stability and solidity of the monetary unit. His Ph.D. dissertation, *The Evolution of Provincial Finance in British India* elaborates on the centre-province financial relations. He affirms that the prevailing taxation procedure is complex for a poor country like India where the taxation burden was shouldered by the poor and marginalised in lieu of the affluent, and maximum public money were spent to maintain the privileges of the officials and zamindars and public welfare were not given attention. To a great extent, he professes that the centralisation of government finance was a failure as there exist an administrative dichotomy between the imperial and provincial government. He argued that, 'justice' was nowhere during the British rule and its fiscal policies were based on injustice and exploitation. He argued for a healthy and sound administrative system, where the political unit will be able to finance and maintain its expenditure through generating its own resources without depending on other. His principles regarding fiscal responsibilities and price stability still find apposite when we consider today's economic problems.

3. Views on Inflation and the Depreciation of Rupee

In his written thesis he argued that gold exchange prices do not have durability. Developing countries like India in particular cannot have the capability for gold exchange rates and at the same time, it augments the risk of reflation and price rise. He evidences with statistics and causes how the Indian rupee has lost its value and so, the buying power of the rupee is reduced. He advised that the government deficiencies should be controlled and there should be a circular flow of money. He proposed that more focusing should be paid to price durability than exchange rate stability.

Ambedkar argued in optimums of gold-quality because the supply of money in this system is not so easy and it improves the price durability and so that the impoverished division get redemption. Although Ambedkar's advice was not accepted by the imperialist government, his purpose to defend the interests of the poor was clear. On 5 December 1925, Ambedkar adduced attractive proof to the Royal Commission on Indian Currency and Finance. This contribution went a long way in establishing the Reserve Bank of India. Not a single point of his identity as an economist was dispositional because he was involved in different activities throughout his life. Ambedkar was fully aware that India was primarily an agricultural economy, with around 80% of the population living in villages, farming as their primary occupation, and most of them being poor. He believed that poverty should be eradicated in rural areas. To this end, he organised big mass movements and acquire reasonable success. Although the circumstances were different at the time, Ambedkar's solution to the dilemma is still relevant today: should the Reserve Bank of India endeavour to safeguard the rupee, and if so, to what standard? Finally, Ambedkar pushed for a limited depreciation of the currency. Two rival groups prefer somewhere in the barter rate: a colonial government representing British business interests that wants to sustain the rife exchange rate and Congress speaking in favour of Indian business interests. The inexpensive rupee helped Indian exporters towards the end of the nineteenth century. It was reasonable for him to settle such an agreement, as it saw the separator upshot of exchange rate management. According to Ambedkar, limited underestimation would help both the business class and earning class. As the time will pass, a sharp depreciation will occur since they are harmed by high inflation, the rupee's decline will be of utmost significance. However, in reality, he argued that when it comes to the rupee's value, the interests of the two classes should be balanced, as further owing to inflation depreciation, the income class's actual salaries would be diminished.

He knew that the coin problem was ultimately linked to the issues of domestic inflation. However, some of his general view points on the rupee problem remain relevant: the ease of devaluation in an open economy, a need to consider the distribution of income outcomes, the need to maintain worth durability in the national market, and the rules for limited undervaluation would benefit both the business and earning classes. Among the economists of his time, he was firmly bound by the theory of the amount of money and the standard of gold. His views have also changed over the years, and he moved intimate to socialism.

4. Views on Land, Revenue and Agriculture

It may be surprise for many to know that Dr Ambedkar was an economist and received a doctorate for a thesis on *The Problem of the Rupee*. In the early 1930s, he was an economics lecturer at Sydenham College in Mumbai. In his view, the fundamental reason for India's economic backwardness was the country's delay in changing its land system. Mixed economy was the basis of his economic ideas and his brain child. Freedom and welfare were two of his economic realities. His rejection of radical theories such as laissez-faire and scientific socialism was an unavoidable characteristic of his approach to economic issues. He argued for an end to the capitalist system's social and economic disparities. His important contribution to the discussion of the currency problem in India was his evidence before the Hilton-Young Commission. He expressed his views on issues such as small-scale occupation, collective farming, land revenue and the abolition of land grabbing. It spanned nearly four important decades (1917 to 1956) and touched on all major political and economic events. He understood that the solution to the problem of untouchable landless workers depended on the solution of Indian agricultural problems including land problems. He drew attention to the

inequity in the assessment of land revenue on the basis of income and proposed putting land revenue under income tax. He wrote that closing the mint would prevent disruption to inflation and internal price levels. He suggested that the price should be gold and the resilience of the currency should come from this source.

His important thoughts on agriculture are evident in his two notable works *Small Holdings in India and their Remedies* and *State and Minorities* where he expresses his views on agriculture. He stated that land grabbing by a small group of individuals is a serious problem in Indian agriculture, with a variety of negative consequences, including challenges in plantations and usage, growing costs, low productivity, inadequate revenue, and a low level of living.

According to Dr Ambedkar, boosting agricultural output is dependent on a variety of elements, including land area, capital, labour, and other resources. As a result, if resources or labourer are scarce, insufficient in quantity and quality, then even a big size of land can become barren. On the other hand, if these resources are available in large quantities, then the small size of land increases productivity.

He also explicitly mentions slavery and exploitation of labour under the caste system, which is extremely bad for economic improvement and he has fought hard for its repeal. His unique advice on collective farming, economic occupation of land or equal distribution of land, large scale industrialisation, government funding, water, seeds and fertilizers, allocation of land to landless workers, the minimum wage for workers, control of farmers from private donors have importance even today. Dr. Ambedkar was a staunch supporter of land reform and was instrumental in the growth of the state's economy. He strongly emphasises the need for land reform, he explained that the size or scope of agricultural holdings is determined not only by their physical dimensions but also by the intensity of ploughing, which represents the amount of productive capital invested in land as well as all other inputs, including labour. He also emphasised the requirement for industrialisation, so that surpluses labour from agriculture could be diverted to another productive profession, as well as capital increased by investing in agriculture to increase production.

According to him, there is a very significant role for the state in transforming the agriculture and advocates for the nationalisation of land and to distribute it to a group of farmers who are inclined to form cooperatives to develop agriculture. On October 10, 1927, in Bombay Legislative Council, Ambedkar said that the solution to the agricultural problem was "not in increasing the size of farmlands, but in having intensive cultivation by employing more labour and capital on the farms that we have" (Moon, 1982). Further, he says: "the better method is to introduce cooperative agriculture and to compel owners of small strips to joint in cultivation" (Moon, 1982).

5. Economics of Caste System and Untouchability

Traditionally, Hindu society was based on the so-called '*chaturvarnya*', a division into four *varnas*, i e, *Brahmin*, *Kshatriya*, *Vaishya* and *Shudra*. Ambedkar believed that the multitude of castes in India was created as a result of mixed unions between the four *varnas*. The holy scriptures had regarded the division into four *varnas* as the ideal form of social organisation. Renewed justification and rationalisation were provided for them in the times of Ambedkar. One common argument in support of *chaturvarnya* and the caste system was that it was in accordance with the time-honoured economic principle of division of labour. Even people

like Mahatma Gandhi were sympathetic to this viewpoint. At the same time, contemporary scholars like Nesfield had propounded an occupational theory of castes which argued that superiority or inferiority of occupations eventually led to the hierarchy in the caste system (Nesfield, 1885).

Ambedkar in his book *Annihilation of Caste* came out with a hard-hitting critique of these rationalisations and demonstrated logical flows therein (Ambedkar, 2016). He emphasised that what was implicit in the caste system was not merely the division of labour but also a division of labourers. Furthermore, this division of labourers was founded on the concept of predestination rather than natural aptitudes or learned talents. While there is nothing wrong with the notion of the division of labour, no civilised society in the world has a division of labour along with such unnatural division of labourers! As to the theory by Nesfield, Ambedkar argued that caste is the natural outcome of certain religious beliefs which have the sanction of the 'Shastras' (Nesfield, 1885). As a result, it is not an occupation that causes castes, but rather the caste system that was used to allocate vocations. The caste system, according to Ambedkar, was a fundamental impediment to India's economic growth and progress. The caste system generally did not allow people to teach their professional skills to any other than their own caste members. Even if an individual does possess the skills necessary for a job, he would be reluctant to take up a profession of a caste lower than his own. In a caste-minded society, there is no willingness on the part of individuals to seek employment where they may be best suited. This inevitably reduces the mobility of labour. Because caste determines profession, the caste system restricts capital mobility. An individual entrepreneur must put his money into his own profession, which is decided by his ancestors. Capital immobility, in turn, obstructs the most efficient use of investible resources. According to Ambedkar, the caste system restricts labour and capital mobility, resulting in inefficiencies in production and stifling economic growth (Jadav, 1991). Change is the essence of the economic development process in a broader sense; it necessitates constant changes in socio-economic patterns. On the other side, the caste system promotes the continuation of the conventional socio-economic structure, which is adverse to economic development.

As a champion of human rights, Ambedkar also denounced untouchability. According to him, untouchability was not only a religious system but also an economic system that was worse than slavery. In slavery, at the very least, the owner was responsible for feeding, clothing, and housing the slave and keeping him in excellent shape, lest the slave's market worth plummet. In contrast, under the system of untouchability, the upper castes take no responsibility for the maintenance of the untouchables. Ambedkar observes in his *What Congress and M. K. Gandhi Have Done to the Untouchables* that "as an economic system, it [the caste system] permits exploitation without obligation. Untouchability is not only a system of unmitigated economic exploitation but is also a system of uncontrolled economic exploitation" (Ambedkar, 2016). In another book, *The Untouchables*, Ambedkar argued that the caste system was a "diabolical contrivance to suppress and enslave humanity. Its proper name would be infamy" (Ambedkar, 2014).

6. Vision for Economic Development

Ambedkar believed that the thrust of strategy for the sake of economic development plan should be on eradicating poverty, eliminating disparities, and ending mass exploitation. He agreed with Karl Marx that there is exploitation in the world, that the wealthy exploit the poor, and that the privileged few subjugate the masses and that resulted in poverty and misery

of the masses. But Ambedkar, on the other hand, was not a fan of the Marxist development paradigm. In his article *Buddhism and Communism*, Ambedkar expresses his thoughts on communism. Unlike Marx, Ambedkar did not consider that economic interactions were the be-all and end-all of human life, and that the economic drive was the driving force behind all human activity. He highlighted that oppression can take numerous forms, including economic, social, religious, and political. In India, societal servitude is just as brutal as economic exploitation.

According to Ambedkar, socialism represents revolution rather than reform. He stated that communism recommends revolutionary measures for defeating capitalist resistance to the installation of a proletariat dictatorship. Any action that advances the proletarian revolution is ethical, but humanity is ignored. As an advocate of human rights and democracy, Ambedkar was opposed to authoritarianism in any form. He disliked violent methods of change and believed that constitutional provisions and democratic means should be relied upon for the desired reformation.

Ambedkar opposed Marx's totalitarian approach, which advocated absolute control over all means of production. He rejected Marx's claim that abolishing private property ownership would relieve poverty and misery among the poor. He also did not accept the Marxian prognosis that the state is a temporary institution that will 'wither away' in course of time.

Ambedkar advocated for a classless society, but not one without a state. He was adamant that the state would persist as long as human civilisation existed. Indeed, in his book *State and Minorities*, he has entrusted; "an obligation on the state to plan the economic life of the people on line which would lead to highest point of productivity without closing every avenue to private enterprise, and also provide for equitable distribution of wealth" (Ambedkar,1970).

In other words, Ambedkar sought active involvement of the government in economic development deviating him from the Marxian concept of totalitarianism and state monopoly. In his book, *States and Minorities*, Ambedkar has advocated state-ownership of agricultural land with democratic collectivised method of cultivation and limited control of industries (i.e. heavy industries and large public utilities). State Socialism, as defined by Ambedkar, is founded on three key tenets:(i) governmental control of agricultural land and important industries to address the needs of society's poorest segments; (ii) maintenance of productive resources by the state; and (iii) a just distribution of the common produce among the different people without any distinction of castes or creed.

Ambedkar perceived an active but well-defined role for the state in the economic affairs of the country. He did not favour the imposition of arbitrary restraint on the economic processes. He was not prepared to forsake individual incentives for economic welfare. Given recent events in the former Soviet Union, China, and East-European countries, particularly their increased emphasis on individual incentives, Ambedkar's apprehensions regarding the evils of totalitarianism have indeed turned out to be almost prophetic.

7. Contemporary Appositeness

Ambedkar was a pioneer of modern India as the chief architect of the Indian Constitution and also popular as the champion of the interests of the depressed classes and marginalised sections of India including tribals and women but his economic ideas are not as well-known as is found in various writings. Ambedkar's economic philosophy is concerned with social, theological, and moral issues. The purpose of his thought and ideology was to give life to

those who have been abandoned, to uplift those who have been oppressed, and to provide freedom, equality, and justice to all people, regardless of their background, caste and creed. The essence of Ambedkar's philosophy was to establish a democratic society with liberty, equality and fraternity based on wisdom (intellect), virtue (character) and *karuna* (compassion).

Indian state has done severe injustice as it has not valued Dr Ambedkar's ideas as an economist. After all, his ideas including economic ideas were not parochial and were always in the best interests of the nation as a whole. It will be an insult to identify Ambedkar only as the leader of the oppressed in India or chairman of the Constitutional drafting committee, neglecting his broad social, political and economic ideas. Ignoring various contributions of Ambedkar's thinking about the Indian economy has already caused irreparable damage to our country, and this is crying need of the hour to correct the mistakes of our past by embracing some of his ideas for the betterment of the society and economy.

8. Conclusion

The relevance of Ambedkar's ideas were somehow reflected in the planning and development of the country, where the present leadership of the country should utilise his ideas for the betterment of the economy of the country. Whenever any country faces difficult situations, challenges, whether it is political or economic, the intellectuals and politicians should look into their own country's past for remedies at some time. Historical events, past leaders, and their ideas, which have moulded the country and its destiny will help in resolving the country's contemporary difficulties, and here Ambedkar's economic ideas on land, public finance, rupee, agriculture, development and other issues may guide the present leadership and generation to large extent.

Through his economic philosophy, Ambedkar comes across not only as an economist of the highest order but also one with unmatched social commitment. He was a champion of human rights who detests exploitation but does not favour violence, or any such extremes to end it; ardent supporter of democracy who warns us that political equality has no meaning unless it is complemented by economic and social equality; a relentless fighter against economic oppression but one who does not favour dictatorship of any kind including that of the proletariat and advocates constitutional provisions and democratic means for eradicating poverty and suffering. It is indeed most unfortunate that Ambedkar's economic thought and ideas have not received their due attention and recognition. In the present study, we have provided the socio-economic analysis of Ambedkar's thoughts and also attempted to uncover the relevance of it in the present context of India. This research adequately explores that his ideas on society and economy are still relevant and useful for contemporary Indian society. We conclude here with the views of a noted economist of the world and the Nobel laureate Amartya Sen, as he aptly remarked;

Ambedkar is my Father in Economics. He is true celebrated champion of the underprivileged. He deserves more than what he has achieved today. However, he was highly controversial figure in his home country, though it was not the reality. His contribution in the field of economics is marvellous and will be remembered forever (Singariya, 2013).

References:

- Ambedkar, B.R. (1923). *The Problem of The Rupee: Its Origin and Its Solution*. P. S. King & Son, Ltd: London
- Ambedkar, B.R. (1948). *The Untouchables: Who Were They and Why They Became Untouchables*. New Delhi: Kalpaz Publication.
- Ambedkar, B. R. (1970). *States and Minorities: What are Their Rights and how to Secure Them in the Constitution of Free India*. India: Baba SahebDr. Ambedkar Memorial Society.
- Ambedkar, B. R.(2016). *Annihilation of Caste: The Annotated Critical Edition*. United Kingdom: Verso Books.
- Moon, V. (ed). (1982). *Dr. Babasaheb Ambedkar Writings and Speeches Vol. 2*. Education Department, Govt. of Maharashtra: India
- Narendra, J. (1991). Neglected Economic Thought of Babasaheb Ambedkar. *Economic and Political Weekly*, 26(15), 980–982. <http://www.jstor.org/stable/4397927>
- Nesfield, J. C. (1885). *Brief View of the Caste System of the North-Western Provinces and Oudh: Together with an Examination of the Names and Figures Shown in the Census Report, 1882, Being an Attempt to Classify on a Functional Basis All the Main Castes of the United Provinces, and to Explain Their Gradations of Rank and the Process of Their Formation*. India: North-Western Provinces and Oudh Government Press.
- Singariay M. R. (2013). Dr. B.R. Ambedkar: As an Economist. *International Journal of Humanities and Social Science Invention*, Volume 2, Issue 3 (March 2013), pp. 24-27.