DR. AMBEDKAR: AN ECONOMIST PAR EXCELLENCE

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ABSTRACT

Dr. Ambedkar was much more than a mere leader of dalits and an architect of Indian Constitution. He was a great economist with insights in almost all the economic aspects of people's life. What made him a great economist was his humanitarian and well-balanced approach on various economic issues. He believed in socialist philosophy but at the same time recognized the role of private sector. He strongly believed that agricultural productivity depended to a large extent on the progress of industrialization.

The range of his work in economics was indeed very extensive. He has contributions in many areas like public finance, monetary economics, labour economics, agricultural economics etc.

There are three major works of Ambedkar in Economics. “Administration and Finance of East India Company”, “The Evolution of Provincial Finance in British India” and “The Problem of Rupee: Its origin and its solution”. In the first work, he has evaluated finance policy of the East India Company between 1792 to 1858 in India. In his second book, he had evaluated centre-state relations in British India between 1833-1921. His third book relates to monetary and macro economics.

The main objective of this paper is to review the contributions of Dr. Ambedkar in the area of economics and evaluate whether his understanding, predictions and suggested economic policies are relevant to the Indian economy in the present scenario or not.

The paper is divided into three parts. The first section describes the works of Dr. Ambedkar in the field of economics. The second section illustrates the economic thoughts of Dr. Ambedkar and their relevance for modern Indian economy. The final section sums up the paper with concluding remarks on lessons to be learnt from Dr. Ambedkar’s economic philosophy.

Key Words: Ambedkar, Welfare, Economics, Indian Economy, Socialism, Monetary Policy, Labour Economics, Agricultural reforms, Balanced Growth

1. Introduction:

Ambedkar has always been known as a great “Dalit-Leader” and an "Architect of Indian Constitution”. However, he was also a great economist with strong opinions and views on various economic issues. The distinguishing feature of his economic philosophy was that it was completely people and welfare oriented. He popularized the phrase “Bahujan Hitay,
Bahujan Sukhay” which in Sanskrit means “Welfare and Happiness of as Many People as Possible”. He was of the opinion that all the economic policies must be people-oriented and should ensure highest welfare of the people especially that of the vulnerable.

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2. Economic Thoughts of Dr. Ambedkar and Their Relevance for Modern Indian Economy

A. Democratic State Socialism:

Ambedkar was a strong advocate of Political Democracy. He suggested that India should have a Mixed Economy with greater role of the State especially in the initial stages of the development. He strongly believed that unless the government played an active role in a newly independent India, the productivity would remain low and the equity would not be possible. He observed that “there is an obligation on the state to plan the economic life of the people on lines which would lead to highest point of productivity without closing every avenue to private enterprise and also provide for the equitable distribution of wealth”1.

He has rightly observed that a minimum benchmark of socio-economic equality is necessary; else those who suffer from inequality will blow up the structure of political democracy created so meticulously.2

The Indian economic system has been designed on the same lines. The concept of “welfare state” adopted by India was actually based on Ambedkar’s philosophy. Unfortunately the philosophy was adopted only in theory and not in practice. The violent naxalite movement in many parts of the country is a manifestation of the fact that the people in these regions remained excluded from the gains of development which the rest of the nation experienced.

B. Monetary Policy:

Ambedkar was a believer in the quantity theory of money. That’s why he was against removing of the link between money supply and gold reserves of the country. This removal of the link between the money supply and gold reserves, according to him, provides enormous power to the government to expand money supply and indulge in wasteful expenditure and fiscal extravagance.

As the policy makers in India did not take his warning seriously, India has faced the problems of inflation and fiscal deficit almost throughout its post-independent history.

Many years later in 1991, the Chakravorty Committee reiterated the same concern, blaming the Government for causing high inflation by excessively borrowing from the RBI.
The Fiscal Responsibility and Budget Management (FRBM) Act is the outcome of this concern.

C. Public Expenditure:
Ambedkar believed that the government is accountable to the people for spending the public money judiciously so as to ensure maximum social welfare. He suggested that while taking expenditure decisions, government should not just consider the visible and immediate costs and benefits but should also take into account the external costs and benefits. Only spending the money mechanically as per the rules is not enough, it should also be spent judiciously with minimum wastage.

“Governments should spend the resources garnered from the public not only as per the rules, laws and regulations, but also see that faithfulness, wisdom and economy have gone into the acts of expenditure by the public authorities”

D. Labour Economics:
Ambedkar gave lot of importance to strong industrial relations for successful economic development of the country. He recommended that the labour unions should not only fight for the rights of workers, they should also fight for the rights of untouchable workers as human beings.

An Act to prevent the atrocities against the socially backward people is the outcome of this philosophy.

Ambedkar believed that the productivity of labour can be increased only by providing it job security. He was against the belief that the job-security would make the labour complacent and reduce its efficiency. On the contrary, he believed that the job-insecurity will create stress and unrest reducing not just the labour productivity but will reduce economic justice and fairness as well. Criticizing the growing job-insecurity for the labour in private sector, he observed that “Liberty from state control is another name for the dictatorship of the private employer and economic exploitation of common man”.

E. Irrigation Policy:
Ambedkar believed that water resources and management should not exclusively be a state subject. He suggested that water related projects should come under the central government. This will help in avoiding the problem of water disputes between various states and ensure fair distribution and sharing of the water. Damodar Valley Project, Hirakud and Sone River Valley projects are the examples of Ambedkar’s initiatives.

F. Strategy of Balanced Growth:
Just like Ragnar Nurkse, Ambedkar believed that the overall economic development of the country will be possible only through the strategy of balanced growth. He suggested that India should give equal importance to both the agricultural as well as industrial sector. He asserted that the development of the two sectors is not mutually exclusive but is very much complementary. He said that the soundest remedy for the agricultural problems of India is its Industrialization. Nothing can open the possibilities of making agriculture profitable except a serious drive in favour of Industrialization.
He recommended a shift from primary to secondary sector for three reasons. One, it will reduce disguised unemployment and under-employment in rural areas. Two, it will result into increase in agricultural productivity and profitability due to decrease in the burden of population on agriculture. And three, Industrialization will help in rapid economic development, self sufficiency and employment generation.

He felt that more than required population is employed in agriculture. Unless and until this surplus labour from agriculture is not gainfully employed in industries, the agricultural productivity and profits cannot be increased.

6. Agricultural Reforms:

He observed that the agricultural productivity of an agricultural holding does not depend merely on the physical size of the land but also on the intensity of cultivation. Intensive cultivation in turn would require huge amount of productive investment and employment of the other factors of production in right proportion.

It is the right or wrong proportion of other factors of production to a unit of land that renders the latter economic or uneconomic.5

He argued that there can be no such thing as a correct size of agricultural holding. Land is only one of the many factors of production and the productivity of one factor of production is dependent on the proportion in which the other factors of production are combined.

He believed that the agricultural productivity was low not just because of the small size of the land holdings but due to over-employment of labour and under-employment of capital on the land.

This does not mean that he was against the consolidation of small land holdings. In fact, he had recommended cooperative farming and joint cultivation by consolidating small lands.

During the framing of the constitution, Ambedkar had visualized agriculture as a state industry. He advocated nationalization of land and the leasing out of land to groups of cultivators, who were to be encouraged to form cooperatives in order to promote agriculture. The state should take-over all the land and lease it out for cultivation in suitable standard sizes to residents of the villages to be cultivated as collective farms. He further believed that the state had responsibility to supply capital necessary for agriculture as well as industry.6

3. Conclusion:

Thus besides being an architect of Indian Constitution and a great leader of the downtrodden, Dr. Ambedkar was an eminent economist with tremendous understanding of the economic concepts and policy. What makes Dr. Ambedkar a great economist is the fact that his economic philosophy revolved around the well-being of the poor and downtrodden.

On the basis of the above opinions of Dr. Ambedkar, it can be said that he made some key predictions about the Indian economy. Wherever his concerns were addressed, it has
brought benefits for the economy. The areas where his warnings were not taken seriously, the country has faced difficulties.

It is high-time that the modern Indian policy-makers revisit the suggestions of the great leader. Instead of labeling his thoughts to be out-dated and obsolete, the policy makers must understand the need for humanitarian element in all economic policies as propagated by Ambedkar.

The fact that despite rapid economic growth; the problems of unemployment and poverty could not be solved effectively shows that somewhere we have missed the key message of Dr. Ambedkar while formulating our economic policies.

References:

1. “States and Minorities”, Memorandum to British Government, 1947


