



## **'Economic ideas' of Dr. B.R. Ambedkar and its relevance for Indian economy**

### **Abstract**

*In this Research paper, I have analyzed economic thoughts of Dr. B. R. Ambedkar, mainly economic ideas reflected in his writings such as, 'The Problem of Rupee: Its origin and its solution', 'The Evolution of Provincial Finance in British India: A Study in the Provincial Decentralization of imperial finance', and 'Problems of Small Holdings in India and their remedies'. It can be said that Indian economy at present is facing many problems similar to that at the time of Dr. B. R. Ambedkar as instability of money leading to inflation, its socioeconomic implications and its unequal effects on various strata of society, uneconomical public expenditure and rising fiscal deficits, increasing inequalities of income and wealth, and so on. Are Ambedkar's economic thoughts relevant to understand these problems as well as to provide its solutions? Analyzing his economic ideology, it can be said that India could have been more inclusive if his ideas had been followed in its true spirit. So we can say that India needs to follow his economic ideology in her short term as well as long term economic planning and policy making to shape Inclusive India.*

**[Key words:** Economic thoughts of Ambedkar, Multidimensional, Relevance, Planning, India's Problems, solutions]

### **Introductory few words about Dr. B. R. Ambedkar**

Very few men in the history of mankind were as dynamic and multidimensional as Dr. B.R. Ambedkar. People know him by many names as 'The father of Indian constitution', 'A true leader of Indian freedom movement', 'A Bharat Ratna', 'A great dalit leader, 'A great Lawyer', 'A great Pioneer in the field of Economics' and so on. Compared to his contributions in the field of Law and Politics, his contributions in the field of Economics are less known. But as a matter of fact, he was primarily trained in Economics at the best places and by the best minds. He achieved various degrees and doctorates from London School of Economics, London University and Columbia University. His degrees include B.A.(Bombay University), MA.(Columbia university), M.Sc.( London School of Economics), PhD (Columbia University), D.Sc.( London School of Economics), L.L.D.(Columbia University), D.Litt.(Osmania University) , Barrister-at Law(Gray's Inn, London).

His teachers include the best minds of that time like John Dewey, James Shotwell, Edwin Seligman, and James Harvey Robinson. His works on Economics and specifically on Indian Economy are greatly insightful and relevant even today. His dissertations and works related to Economics are: The Problem of Rupee: Its origin and its solution, The Present Problem in Indian currency, Statement of Evidence to the Royal Commission on Indian Currency and Finance, 1924-25, Ancient Indian Commerce, The Evolution of Provincial Finance in British India: A Study in the Provincial Decentralization of imperial finance, Administration and Finance of the East India Company, Small Holdings in India and their remedies. Most of the writings and speeches of Dr. B R Ambedkar are published in several volumes by department of education, Govt. of Maharashtra.

## **Introduction**

After Independence of India, The Economic planning was initiated to achieve inclusive growth and development. For this, the aim of socialistic pattern of society was envisaged and incorporated in various plans. From 1947 to 1991, India followed strictly a mixed economy pattern with more emphasis on socialistic pattern of society. And after 1991, the pattern followed had more emphasis on capitalistic market economy, envisaging larger share of private sector. But one underlying factor during the entire planning period is that India is suffering from various socio-economic problems like increasing inequalities of income, wealth, choices, entitlements and opportunities. Moreover, there is a continuous problem of inflation and increasing budget deficits. So in this context, Economic Ideas of Dr. B. R. Ambedkar become so crucial.

## **Dr. B. R. Ambedkar's some important Economic Thoughts**

### **His ideas in the field of monetary economics and Public Finance**

In his D.Sc Dissertation 'The Problem of Rupee: Its origin and its solution (History of Indian Currency and Finance)' submitted at London School of Economics, and his subsequent statement and evidence before the Royal Commission on Indian Currency and Finance, Dr. B R Ambedkar meticulously analyzed the evolution of currency in India using historical perspective even during the most neglected period of Indian currency extending from 1800 to 1893, analyzed the problems related to Indian currency in the first quarter of twentieth century, and even offered solutions to deal with the instability of rupee and concerned inflation in India. In his D.Sc Dissertation, he analyzed how rupee evolved from a double standard to a silver standard and how the evils of instability concerned with it led to its evolution towards a gold standard and again in to gold exchange standard. He also analyzed the merits and the demerits of the pure gold standard vis-a-vis the gold exchange standard. In this regard, Ambedkar preferred the gold standard over gold exchange standard and criticized Prof. Keynes who was in favour of the gold exchange standard. In fact, Ambedkar was in favour of the gold standard of modified form. In pure gold standard, gold in some form, especially coins is used as a medium of exchange. In its modified form, paper money is also issued in addition to gold coins, and is pledged to be redeemable in gold. In contrast to this, under the gold exchange standard only paper money which can be exchanged at fixed rate with gold, is used as a medium of exchange. Here authorities back it up with foreign currency reserves of such countries which are on the gold standards. According to him, gold standard is more stable than gold exchange standard as in the former due to its intrinsic characteristics; money supply is more stable compared to the later. He provided empirical evidence in the context of India, to show that prices are more stable under the gold standard than under the gold exchange standard. Prof. Keynes, one of the supporters of the gold exchange standard, believed that the gold standard is a hard standard as it ties mankind to the wheel of nature and on the other hand the gold exchange standard allows an escape from this frigidity. But according to Ambedkar, the gold exchange standard allows an unregulated discretion to the issuer that must be regulated. He also criticizes the argument that the gold exchange standard economizes on gold, as according to him it raises its supply thereby lowering its value and becoming as a depreciating commodity, and to that extent becomes unfit to function as a standard of value. He suggested stopping all further coinage of the rupee, minting of suitable gold coins, fixing ratio between gold coin and the rupee by law and keeping them mutually unconvertible. He stated that as the ratio between rupee and gold coin would be fixed under the law and the supply of gold would be stable, the issue of currency would be regulated leading to stable prices and hence a stable currency standard.

In his research paper, 'Neglected Economic Thought of Babasaheb Ambedkar', Dr. Narendra Jadhav very rightly stated that, "The context in which these currency reforms were suggested by Ambedkar

has completely changed. The Indian economy has an altogether different institutional set-up now. Yet the essential message of Ambedkar has remained surprisingly timeless. The basic contention of Ambedkar was that there should be some regulator by which the discretion left to the issuer of currency is regulated. In the present economic milieu with unbridled growth of government deficits and their automatic monetization, the need for an effective restraint on liquidity creation is as imperative today as it was then.”

In this context, in her research paper, “The Practice of Economics by Dr. Ambedkar and its Relevance in Contemporary India”, Dr. Padmaja Saxena Bagga states that, “Till the 1990s, the Indian government paid no heed to Ambedkar’s warning about the **“reckless issue of rupee currency,” under the Managed Currency System**, leading to higher money supply and greater aggregate demand for goods and services, without corresponding increase in supply of the same, causing inflationary pressures in the economy, which in turn led to an unstable currency.” She further states that, “Ambedkar took the position that an unstable currency could lead to further uncontrolled inflation; since a “managed currency system” allowed the government to indulge in fiscal extravagance and wasteful government expenditure. Years later, this point was noted by Chakraborty Committee (1991), in its findings that government’s reckless borrowing from RBI was majorly responsible for the continuously high inflation rates, and not the increasing demand from a growing population as the government would have us believe. Hence the committee recommended a statutory restraint on such liquidity creation through an automatic mechanism, presently followed by RBI, under the Fiscal Responsibility and Budget Management (FRBM) Act.”

In his PhD dissertation submitted at the Columbia University, “The Evolution of Provincial Finance in British India”, Ambedkar meticulously analyzes centre-province financial relationship in the British India using historical perspective during the period 1833 to 1921. According to Dr. Narendra Jadhav, former member of planning commission, “Ambedkar’s book on economic relations between Provinces (now states) and central government of the country during the British rule is still a reference book for all economists and the main inspirational source for finance commissions in the country”.

In her research paper, “The Practice of Economics by Dr. Ambedkar and its Relevance in Contemporary India”, Dr. Padmaja Saxena Bagga states that, ‘Another astonishing theme of Ambedkar’s analysis of issues in Public Finance, is the way he has developed Canons of Public Expenditure’. In this context, Dr. Ambedkar, while discussing the functions of the Comptroller and Auditor General, during the framing of our Constitution in 1949, said that “governments should spend the resources garnered from the public not only as per rules, laws and regulations, but also see that “faithfulness, wisdom and economy” have gone into the acts of expenditure by public authorities”

Talking about the contemporary relevance of Ambedkar’s contribution in the field of public finance, Dr. Narendra Jadhav, in his research paper, ‘Neglected Economic Thought of Babasaheb Ambedkar’, states that, “First, it is a piece of pioneering work. As his guide, Seligman wrote in the foreword to Ambedkar’s book, it presents “the objective recitation of the facts and impartial analysis” of the Centre-State financial relations in British India, which has a great historical significance. Second, and perhaps more importantly, it provides the invaluable ground-work on which rests the edifice of the Centre-State financial relationship in modern India. Seligman had conceded that “...nowhere to my knowledge, has such a detailed study of the underlying principles been made”. The set of principles, no doubt, have been the guiding spirit behind the reports of successive Finance Commissions in independent India.”

### **His ideas related to the Economics of caste system in India**

Ambedkar in his book “Annihilation of Castes” presented a strong critique of the caste system in India and its rationalizations and demonstrated logical flows therein. He stated that what was implicit in the caste system was not merely the division of labour but also a division of labourers. And this division of labourers was not based on natural aptitudes rather on the dogma of predestination. Supporting the views of Ambedkar, the scholars like Nesfield states that it is not the occupation which is responsible for the castes but it is the caste system which was the basis of assigning occupations.

According to Ambedkar, the caste system in India was a major obstacle to economic growth and development. He believes that the caste system is responsible for immobility of labour and capital in the country. This can be understood by the fact that people in India invest and employ their skills, labour and capital into the occupations mainly assigned according to the caste system, even if these decisions might be inefficient for them. In this context Dr. Narendra Jadhav, in his research paper, ‘Neglected Economic Thought of Babasaheb Ambedkar’, states that, “In a broader sense, change is the essence of the process of economic development; it calls for continuous changes in socio-economic patterns. The caste system, on the other hand, advocates perpetuation of the traditional socio-economic pattern and as such is detrimental to economic development.” Ambedkar believes that the practice of Untouchability is a curse to the humanism. It is not only a religious system but also an economic system worse than slavery.

### **His ideas related to the strategy for Economic Development**

Ambedkar visualizes a larger role of state and the constitutional methods to bring about inclusive economic growth and development in India. He was a champion of democracy and human rights so was against dictatorship in any form or shape. He disliked violent methods of change and believed that constitutional provisions and democratic means should be relied upon for the desired reformation. In this way, we could derive that though he believes in the greatest good of largest number of people, he disapproves violent methods and transitional dictatorship as accepted in Marxism. So here we can see his great concern for humanism as well as for individual liberty. In his memorandum submitted to the British Government titled “States and Minorities” in 1947, Dr. Ambedkar laid down a strategy for India’s economic development. The strategy placed “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”. Ambedkar believed in a classless society but not in a stateless society. He maintained that the state would continue to exist as long as human society survived.

In this context of strategy for development, Dr. Narendra Jadhav, in his research paper, ‘Neglected Economic Thought of Babasaheb Ambedkar’, states that, “Ambedkar’s concept of State Socialism is based on three basic tenets: (i) state ownership of agricultural land and key industries to meet the demands of the poorer strata of society; (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.”

To suggest the strategy of economic growth and development, Ambedkar analyses the problem of small land holdings in India. He found in his study that more than consolidation and enlargement of land holdings, conversion of them into economic holdings through the use of right proportions of capital and other inputs is required. Moreover, he stated that the progress of industrialization would on the one hand lessen the burden over agricultural sector by shifting the surplus labour from the land and on the other hand, manufacture more capital tools for use in agriculture sector thereby

leading its progress. So his strategy for economic growth and development is an inclusive as well as right growth strategy as per best notions of Economics, whereby economic development starts with the growth of primary sector, surplus labour from it moves to secondary sector employment and simultaneous development of two sectors to reinforce each other. And on the base of proper growth of these two sectors, the tertiary sector grows. He is in favour of 'state socialism of his own kind'; thereby state should take the responsibility of inclusive economic development.

## Conclusion

It can be said that Dr. B. R. Ambedkar's economic thoughts have not been researched much. His economic thoughts reflected in his books as 'The Problem of Rupee: Its origin and its solution' and 'The Evolution of Provincial Finance in British India: A Study in the Provincial Decentralization of imperial finance' have not been researched much. And due to this lacuna, many of his ideas, most important and most appropriate for Indian Economy, are ignored in the policy making in India. It has proved costly to the Nation in terms of many problems which could have been averted if his ideas were followed in its spirit.

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