

# B.R. Ambedkar: Socio- economic Thought

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**Abstract:** Dr. Babasaheb Ambedkar is one of the great leader, economist and intellect, who changed the life of millions of untouchables along with shaping the Indian democracy by writing the constitution. Dr. Ambedkar is well known for the fight against the caste system in India, but few is known about his contribution and knowledge of economics, and impact on Indian economy due to his ideas. His fight against the social injustice and exploitation in favour of suppressed people of the society make it evitable to study the Ambedkar's socio- economic view and thought.

Keywords: economist, untouchables, contribution, social injustice.

**“Ambedkar is my Father in Economics. He is true celebrated champion of the underprivileged. He observes 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..!”**

**Amartya Sen  
(Noble Prize winner)**

## Introduction

Dr. Babasaheb Ambedkar is one of the great leader, economist and intellect, who changed the life of millions of untouchables along with shaping the Indian democracy by writing the constitution. Dr. Ambedkar is well known for the fight against the caste system in India, but few is known about his contribution and knowledge of economics, and impact on Indian economy due to his ideas. He is celebrated as the “Father of Indian Constitution”. He was the student of economics and got his MA on the thesis “Ancient Indian Commerce”. He got his DSc for the thesis on “The Problem of the Rupee”. The thesis was considered as the masterpiece where he explained that closing of Mints would prevent inflation and disturbances in the internal price level. His work received very positive reviews from the British Press; some of them are as follows:

According to Times (London), it was a, “excellent piece of work, English style is easy; and his knowledge of his subject is obviously very full.”

According to Economist (London), “it is clear and ably written book. Certainly, none of the other numerous works on one or the other aspect of the monetary problem have anything like the readability of this tract”.

According to Financer, “Ambedkar deals with the problem in a very lucid and praiseworthy manner and put forward not merely its origin, but also valuable proposals for a solution, which should be studied by bankers and those merchants whose business depends upon the exchange”.

He was against the social injustice and economic exploitation of the deprived sections of the society. He was in favour that, that the society should be abandoned from landlords, tenants and landless labour from the society for freedom and welfare of the deprived sections of the society. According to the

fundamental reason behind the backwardness of Indian economy was due to the delay in land reforms. He believed that development was possible through increasing economic efficiency, productivity and encouragement of village and cottage industry. The ideas and thoughts of Dr. Ambedkar had great impact on Indian economy, which is discussed below.

## 1. Currency

Dr. Ambedkar recommended issuing currency in a fixed limit which could be full- managed inconvertible currency by linking rupee with gold. In contrast to gold standard where the medium of exchange comprised only of paper currency at fixed rates backed by authorities, Ambedkar suggested that as the gold standard should comprise of gold in some convertible form in addition with paper money, which would be pledged to be redeemable in gold. According to Ambedkar, "It is much better to introduce a currency system which will do away with the exchange standard and also the gold standard reserve". Ambedkar was in favour of modifying the gold standard and criticized Keyene's and his supporters of the gold exchange rate.

Ambedkar proposed some of the steps before Royal Commission on Indian currency which are as follows:

- a) Stop the coinage of rupees by absolutely closing the mints to the government as they are to public.
- b) Open a gold mint for the coinage of the suitable gold coin.
- c) Fix a rate between the gold coin and the rupee.
- d) Rupee not to be convertible in gold, and gold not to be convertible in rupees, but both circulate as unlimited legal tender as the ratio will be fixed by law.

Ambedkar was in favour of closing down the mint as he believed that it will eradicate the money inflation and imbalances in the economy related to the payments. He regarded gold as a suitable measure for the flexibility of money.

## 2. Land Reforms

Ambedkar regarded delay in land reforms as the major factor of economic backwardness in the country. The major concern of Ambedkar was regarding the fragmentation of agricultural lands, which were unproductive and unstructured due to tradition of inheritance and division. He defined economic holding in terms of consumption rather than the definition which was based on the terms of production. He said, "any definition, therefore, that leans on consumption mistakes the nature of an economic holding which is essentially an enterprise in production. What is more important for the purpose of production is the process of combining the factors of production". Due to fragmentation in the holdings of land, Indian agriculture was unable to generate surplus in production which ultimately led to scarcity of capital. The scarcity of capital resulted in inefficient use of resources, surplus labour having very low marginal productivity and superfluous employment which led to the increase in cost of production. These combined to result in low productivity in the agricultural sector. Therefore, the process of economic growth gets adversely affected, due to low productivity in agriculture, as agriculture in India is a primary sector being the major occupation of most of the population. He advocated eradicating the fragmentation and uneconomic holdings of the land for the development in agriculture. Ambedkar was in favour of industrialisation, as he believed that industrialisation would have its positive impact on agriculture and improving the condition of the sector. According to him, "Industrialisation facilitates consolidation. It is a barrier against future subdivision and consolidation".

Ambedkar believed that the lands shall be taken from tenants, mortgages and landlords, and pay them the compensation equal to the value of land. Then the government should divide the land in standard size and provide to villages and farmers for cultivation for maximum utilization, and unstructured land should not be there making in unproductive.

### 3. Decentralization of Finance

Fiscal system of India, during the period of 1833- 71 failed due to high taxes and unproductive expenditures by the government. The system of Imperial Finance started in 1833, where no province had any separate power for legislating any financial resources. The distribution of responsibilities was confusing. For example, provincial government had the responsibility of country but no involvement in the working of law, whereas, imperial government has involvement in law but no responsibility of country. Budgets under such systems were prepared by provincial government, but the ways to finance it was the responsibility of Government of India. Due to such system, Government of India got an opportunity to interfere in provincial administration, leading to demands for which they often have to yield.

Financial condition came under stress and Government of India realised that provincial governments should manage their own revenue and expenditure budgets, and find ways to finance it. So, according to Ambedkar, provincial finance came into existence during the period of 1871- 77. It distributed the financial responsibilities and resulted in a regime where taxes were even higher.

The second phase of provincial finance evolution assigned sources whose yield mainly depended upon the good governance, managing the growing needs of provincial service. According to Ambedkar, earlier provinces had very little scope of development as the source of revenue was very little. But the new system of shared revenue allowed specific revenues to be collected by the imperial government of the province of which the portion of the proceeds was allotted.

### 4. Taxation Policy

Ambedkar was against the taxation on land and opposed Land Revenue system, as it was believed that the burden of these taxes were significant on the poor and deprived sections of the society. His views regarding taxation were expressed in the manifesto of 'Swatantra Majdur Party' in 1936. According to him taxes should be based on the ability one can pay the taxes which should be different for different sections of the society due to inequality prevailing in the society. Some of the suggestions are as follows:

- a) Tax should be imposed on payer's capacity and not on income.
- b) Tax should be distorted in such a way that, more tax on rich and less on the poor.
- c) There should be tax exemption up to a certain limit.
- d) Equality in tax imposition between different sections of the society.
- e) Tax should not be such that, it reduces the standard of living.
- f) Land Revenue tax should not be imposed on agricultural land and should be more flexible.

### 5. Democratic State Socialism

He presented the democratic state socialism to the constitution committee. The main points of are:

- a) All basic industries should be owned by the state.
- b) Insurance sector and agriculture should be nationalised.
- c) Productive resources should be maintained by the state.
- d) There should be the equal distribution of the common produce.
- e) There should be no discrimination between landlords, tenants and agricultural labour.
- f) There should be the provision of compensation for the acquisition of land for industry in the form of bonds.
- g) Agricultural inputs like seeds, fertilizers should be provided by the government.

## 6. Socio- economic Thought

Dr. Ambedkar is known for the economic progress of the untouchables. His view indicates his concern regarding the upliftment of his people both socially and economically. He suggests the mutual dependence in socio- economic relationship between the touchable and the untouchables. According to him, "The relationship is purely mutual. However, it is also true that this mutual relationship is not of equal strength because one party is having stronger leverage against the other. The weaker party is always in dilemma that if he has to struggle, how long it would be able to sustain. As a result, sometimes it has to abandon even the most important cause for creating some permanent system for protecting its dignity".

He believed that wealth should not be used for exploitation or to enslave the poor, but shall be used for the progress of the nation. In his speech at Sholapur, he said, "Wealth is an effective tool for the progress of any nation. For this, it is essential that it should be accumulated. But if the same wealth is used to enslave the poor population or to dwarf their growth and when the wealthy people use their wealth to show off their status and superiority then such wealth becomes devil's wealth".

## 7. Indian economy

Dr. Ambedkar regarding the economy was in favour of free economy as early as 1923, which was being followed now. He favoured liberalisation, globalisation and privatisation as an important tool for the development of an economy like India. He said that for the success of the economy, it is necessary to keep the value of money stable. So, he advocated free enterprise in Indian economy.

Regarding population, his view was that, the development of economy is not possible without controlling of population. He suggested family planning as the national policy of India and strongly recommended population control and family planning in India. He also considered contribution of women in economy as an important factor for its development. He wanted that women shall also participate in the economic development of the country, but it was not possible without developing their social status, dignity and importance in the society. He believed that the economic progress of India is also hampered due to backwardness of women in the country who are not equally treated and give equal opportunity for their own development.

Human capital is an important factor of development of any economy. However, Ambedkar believed that economic development in India was not possible through human capital till, the poor and untouchable dalits were not recognised by other classes of society with equality and opportunity. He always raised the issue of weaker sections of the society, especially, farmers, labours, women and untouchables. While being the Labour Minister in the Viceroy's council, he proposed several reforms for labour welfare. In one of the speeches in New Delhi, he said, "Under the stress of the war, the Government of India was called upon in increasing degree to deal with industrial problem of Labour Welfare and I am glad to be able to say that it did not hesitate to take the very bold line of action. Government took the task of converting unskilled men by giving them technical training and establishing numerous training schools. It introduced two new principles in the prevailing Labour Code which are so far- reaching importance and which mark a significant departure from tradition. It took upon itself as its duty and responsibility to compel employers and employees to submit their disputes to arbitration. This is not all. The Government of India undertook the responsibility for ensuring the Welfare of Labour, not merely by directing what should be done for the well- being of the workers but also by appointing an agency of its own to see if the direction issued by it is carried out or not". Ambedkar as a Labour Minister since 1942 believed that industrial development was not possible without the welfare of labours.

He believed and advocated for inclusive growth in the economy equal opportunity for all was very essential. In his view, he was in favour of bringing all sections of the society at par which was very encouraging.

## 8. Water as a Resource

Ambedkar even before independence was in favour of developing water sources, as he believed that it plays an important role in the development of the economy. He regarded water management as the integral part of the management in the country. At Kolkata in 1945, he presented the blue print of 'Damodar Valley Project'. He says, "The Damodar river project is the first project along this line. It will be a multi- purpose project. It will have the object of not only preventing floods in the Damodar river but also have the object of irrigation, navigation and the production of electricity and lay the foundation for a regime of prosperity for the poverty stricken million of those country". He also suggested 'Rehabilitation Plans' for the people who will get affected by the project as the major priority.

## 9. Bahujana Hitaya, Bahujana Sukhaya

He advocated that government should follow the philosophy of 'Bahujana Hitaya, Bahujana Sukhaya'. He stated the difference in economic model of our economic model of democracy with that of other governments. At New Delhi in 1945 he said, "The point I am anxious to emphasize is that the need for an accord between the Plan and public opinion can hardly be exaggerated in a country like India which has as its ideal a Parliamentary system of Government. People talk about the success of planning in Russia. But they forget that the success is due to the fact that Russia has no Parliamentary Government. Planning in a Parliamentary Government where those who plan live under the constant threat of no confidence motions and cannot be sure whether they can remain long enough to put their plans through is a very doubtful proposition. Whether Planned economy is inconsistent with Parliamentary democracy and, if it is so, how the two can be reconciled is a very large theme scrapped by our successors, we must take care that they are in accord with what the large majority of people believe to be for the greatest good for the greatest number".

## 10. State management

Ambedkar believed in the nationalization of the economy, where the economy shall be managed by the state. The economy should produce at an optimum level and the benefits of the capitalists should not be taken from him, instead it shall be distributed equally in the society. He was in favour of removing social and economic inequalities from the society which were due to capitalist system. He was in favour of progressive transformation of the economy and said that, "state socialism is essential; for India's industrialization. Private economy cannot do so and if it makes an attempt it would give way to economic disparities, as it can be visualized in the case of Europe. It is a warning bell for India".

He strongly believed that industrial harmony can be established through establishing labour welfare and eliminating exploitation. He said, "we have attained political freedom and equality but without economic and social equality this is quite insufficient".

## 11. Economics of Caste system

Ambedkar for his life time fought against the prevailing caste system in the country. He wanted equal opportunity and equality in social and economical arena for every section of the society. According to him, caste system prevailing in Indian society was one of the major obstacles in the path of economic growth and development. He observed the fact that; Indian caste system didn't allow learning of new professional skills. In the system the specific skills were allowed only to the prescribed castes and the

professional skills were thought to only those belonging to the same caste. Due to 'social restrictions people were not allowed to choose the occupation of their choice. The division of occupation was not on the basis of individual choice, but was the result of the social origin due to which job satisfaction was not derived from the occupation. The practice of untouchability ruined the very nation along with the economy, denying them of minimum social rights like education or accumulation of wealth. According to Ambedkar, caste system has six types of consequences:

- a) It divided labour
- b) It disassociated work from interest.
- c) It disconnected intelligence from the manual labour.
- d) It deviated people from their occupation of interest.
- e) It prevented mobilization.
- f) It deprived Sudras from all economic sources leaving to the position of a slave.

## Conclusion

Dr. Babasaheb Ambedkar was a political leader and an economic student, who worked for the equality of all sections of the society. His views regarding Indian economy was clear and regarded delay in land reforms and prevailing caste system as the major factor of Indian economic backwardness. He advocated that the land distribution was unstructured and fragmented, which resulted the low productivity of land. He advocated that there should be no landlord, tenants and agricultural labour, and the land should be distributed in the way that it could be productive. He was in favour of liberalisation, globalisation and privatisation in the economy for rapid development. He regarded increasing population and human capital as the obstacle to the development of Indian economy. According to him, human capital could not be used for the purpose of development until all the sections of the society especially poor and dalits are not treated with equality and dignity, providing them with equal opportunity to develop. He has major contribution and ideas in the field of water management (Damodar Valley Project), labour reforms, social reforms which ultimately was for the development of the society and economy as a whole. So, we can say that the economic idea of Ambedkar which is recognised and followed is a great contribution towards development of Indian economy.

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