



ECONOMICS OF DR B.R AMBEDKAR

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ABSTRACT

This paper deals with the economic ideas and economics which was proposed by the father of the Indian Constitution Dr Bhim Rao Ambedkar. His Economics contribution are in the field of Public Finances, Agricultural Economics, Monetary Economics, Development Economics, Labour Economics are discussed in this paper. His Theory in Economics of Caste and how it impacts the Indian Economy are also discussed in this paper. Dr B.R Ambedkar economic thoughts did not get so much popularity because of the reason that his immense and exhaustive contribution in the field of religion, law, social reformer, politician and an eminent jurist. But his contributions in other fields does not reduce his prominent thoughts in the field of Economics. The purpose of this paper is to present as how Dr B.R Ambedkar as an economist looked the socio-political issues dynamically.

Keywords: - upliftment, varna, caste system, minting, poverty, distribution.

INTRODUCTION

Dr Bhim Rao Ambedkar was born on 14 April in 1891 in an untouchable 'Mahar' family at Mhow, near Indore, Madhya Pradesh. His official name in his school register was Bhima Rao Ambavadekar. His Brahmin school teacher with the surname Ambedkar, who somehow had a soft corner for the boy suggested him to adopt his surname so that in future life he faces less discrimination. The name was changed to Bhim Rao Ambedkar.

Dr Ambedkar during his student life was highly intellectual and prolific student. He was the first Indian who obtained PhD in Economics from foreign. He was also the first South Asian to earn double doctorates from both Columbia University and London School of Economics in Economics. He was a very well-trained economist of his time. In 1921, he completes his degree of MSc, and the title of his thesis was "Provincial decentralisation of Imperial Finance in British India". In continuation to this he earned DSc degree from London School of Economics in 1923. He wrote a very famous thesis during this time "The Problem of Rupee- Its Origin and Solution". This thesis was so important and became famous of the fact that it was guiding tool on which RBI ACT, 1934 was based Reserve Bank of India (RBI) was established. In his later life he was honoured with degrees of L.L.D and D.Litt. by Columbia University, New York and Osmania University, Hyderabad respectively. He died on 6 December 1956. In 1990, the Bharat Ratan, which is India's highest civilian award, was conferred on Dr B.R Ambedkar.

This strong background in Economics of Dr Ambedkar, his contributions in the field of economics is not so popular and gets unrecognized as an Economist. The possible reason may be that due to his immense and exhaustive contributions in the field of sociology, law, religion and politics, his contribution in economics has become hidden ^[1]. And his contribution in economics as an economist are find majorly in Indian Administration mechanism.

METHODOLOGY

The research is done with the help of historical empirical method. The sources are of both primary and secondary nature that have been used. The sources are genuine and reliable in nature were consulted. Primary sources include Dr Ambedkar books written by him and speeches which were given by him. Also, Secondary sources which were international research journals, domestic research journal, editorials which were written on him and attended seminars. Data has also been collected from Dr Ambedkar's witing and speeches which were published by Government of India. This paper attempts to investigate and concise the economic contributions of Dr Ambedkar. His Economic theories and thoughts have been compiled in this paper.

ECONOMICS OF CASTE

There are many numbers of institutions for every country. There are many types of institutions based on their responsibilities and duties performed by them which are social, political, religious, economic, legal, cultural and so on and so forth. In traditional ideology of Indian context, caste is a social institution. This notion of treating caste as social institution is existed and dominant as a concept through many years and generation. But the first man who break this notion was Dr B.R Ambedkar who treated caste as an economic institution. He showed that how it can perform the economic functions which are done by economic institution such as production, consumption, distribution, allocation and utilization of real and economic resources and distribution of goods and services among the population of an economy [2].

[1] Kumar, S. (2019): *Ambedkar's Economic Ideas & Contributions*. IOSR Journal of Humanities and Social Science (IOSR-JHSS) Volume 24, Issue 3, Ser. 1, p 50-54

[2] Dr B.R Ambedkar On Economic Analysis of the Caste -Prof Dr P.S Kamble

Caste System as economic institution is based on the ground that it enables the division of labours in the production or economic activities and provide all the advantages, majorly economies of scale. This division of labours is based on the fact that their occupations are held permanent for the same generations of family forever. The occupations are named as JATIS which are covered by a domain as 'VARNA'. The initial thinking was that, by fixing occupations to same family will increase both their efficiency and productivity by further generations. But according to Dr Ambedkar, the facility of division of labour, on the contrary, it is the division of the labourers. This division only promotes social division and creates social discrimination based on occupation of the people. This division and discrimination though look like economies of scale occurs from an upper view, but it is not at inner level. At inner level, economies of scale are not achieved. This division of labours cannot promote education, productivity and efficiency of the productive activities and productive sectors of the economy. Hence, caste system cannot be justified on the grounds on division of labours and its economic advantages. Caste System provided the graded division of labours of the economy.

The fixation of occupations by the birth is the great hurdle for the growth and development for the economy. Stratification of occupations leads to economic activities will remain stagnant, and employment will not be generated in the economy. Also, due to stratification of occupations and rules of varna system make labour immobile and discrimination increase. Because of this economic growth and development will decline steadily. Individuals should have the freedom of getting its occupation, otherwise the occupational development will be affected badly, and it will also affect the standard of living of people as well as economic development.

Dr Ambedkar says that Caste System is not a division based on own choice, individual preference and sentiment has no place in it. Therefore, there exist many occupations in India which on account of the fact that they are degraded by Hindu provoke those who are engaged in them to aversion [3].

CONTRIBUTION TO PUBLIC ECONOMICS**a) Public Finance**

Dr Ambedkar wrote a book "The Evolution of Provincial Finance in British India" in 1925. In which he written about the origin, development and the mechanism responsible for the Provincial Finances in British India. In this book, he covered the range of period from 1833 to 1921 and he also discuss the problem of Unification of government finances in India from the period of 1833 to 1871. In this book he proved that the fiscal policy implemented for fiscal system for British India has many defects because of adopted tax system which was destructive in nature and expenditure done by the government was very unproductive in nature. As of which government was running under huge fiscal deficits. After 1858, the Imperial government has power to make laws but did not administer the country, whereas Provincial government who administered the country do not have the power to make laws. Provincial has the power to make budgets and Imperial government had the right to finance these budgets in British India. It was a type of Diarchy system, in which financial powers were divided among Provincial government and Imperial Government.

Dr Ambedkar analysed this kind of system which led of high taxes finances was very dangerous for the economy. The period ranges from 1877 to 1881, Provincial government prepared budgets from the given budget by the Imperial Government. The period from 1881 to 1921, Provincial Finance was based on share revenues between Imperial government and Provincial government. As per Dr Ambedkar, this type of system did not produce a mechanism for the expansion of revenue. After 1921, the new fiscal reform was introduced.

This book was considered as an important source Finance Commission of India (FCI). Some idea for formation of this institution and its working was based on this book.

b) Abolition of Khoti System

British government appointed powerful people called 'khots' who used to collect taxes from the inferior land holder. They were the middlemen who collected tax for the Britishers. Dr Ambedkar criticized this concept because they freely exploit and abuse the inferior land holders severely. This kind of system was prominent in Ratnagiri district, Kolaba district and Thana district. For this system, Dr Ambedkar moved a bill against this system in 1937 which was popularly known as "The Khoti Abolition Act" and wanted that this anti Khoti bill should be enacted in the complete Bombay presidency.

c) Public Expenditure

The principles of spending the public funds are known as Ambedkar's Canon of Public Expenditure. In 1945, while he was mentioning about the powers and functioning of Comptroller and Auditor General of India (CAG), he pointed out how government should responsibly spend its

collected funds. The revenue which was collected must be and should be spend according to the rules and regulations and due respect should be given to faithfulness, wisdom and economy. From wisdom he was indicating about the knowledge and experience which should be used while spending the public money (revenue of government).

money to social optimum level of distribution. By economy he meant, that the public money should be used optimally.

CONTRIBUTION TO MONETARY ECONOMICS

Before 1835, multiple Indian coins of different rulers and dynasties were in circulation which was very confusing, and maintenance of the economy costed in huge amount. East India Company (EIC) was the first organisation to first to solve this problem by unification of all currencies by providing a common currency. For this an act was passed to introduce the bimetalism currency. These metallic currencies were Gold and Silver which were also being circulated in Britain during that time. In 1853, EIC stopped receiving currency in gold coins and tried to demonetise it because during that time gold was discovered in various parts of Australia and California, gold coins were overvalued [3] Pg48, Ambedkar, B.R (1936) *Annihilation of Caste*, in *Dr Ambedkar Writings and Speeches, Volume No 1, Government of Maharashtra*.

and drove silver currency out of the market. This led to monetary liquidity crisis and at the same time silver coins demand were increased. During that Imperial Government of India was in favour of producing paper currency rather than gold coins to improve the situation of inflation and unemployment generating in the economy. For this, an act was passed in 1861 for the introduction of paper currency and paper currency was made a legal tender. But these paper and silver currencies supply were not enough to cope with the increasing monetary demand of gold which were overvalued. Also, that time in 1870's, in South America and Mexico silver metal was discovered due to which the value of silver drastically fell against gold. This came to notice in 1873. Simultaneously, there was a fall in exchange rate, and which led to expensiveness of British imports. By large scale minting of Rupee resulted in very high inflation and suggestions were adopted for the implementation of gold standard and minting of silver coins was stopped immediately in effect. In 1893, Indian Rupee was accepted as a legal tender. In period 1898 to 1916, the system of gold exchange was adopted, and more attention and focus were put on exchange rate stability. In 1914-15, the exchange rate got weak, and India was running out of gold to pay for its remittances and this lead to increase in the demand of Rupee and as result Government started to mint Rupee. This created the problem of high inflation.

Dr Ambedkar studied this matter in great depth and written on that what will be better for Indian Economy to curb inflation in the economy whether gold standard or gold exchange standard. Dr Ambedkar published his thesis "The Problem of Rupee: Its Origin and its Solution" in 1923. The book talks about that problem of Indian Currency when both Indian Business interest and British Colonial had a clash. Ambedkar argued in favour of gold exchange standard and opposed the suggestion proposed by John Maynard Keynes for gold exchange standard and India should embrace in future. He argued in this book for the stability of exchange rate and prices. During British rule India, British government had overvalued the currency to achieve their motive of selling British produced goods and services in Indian market and earn surplus from it and send it back to England. This situation created both inflation and unemployment simultaneously in the India Economy. Dr Ambedkar mentioned the excess importance of price stability rather than exchange rate stability. As price stability will benefit the poorer sections of the country and the exchange rate stability will benefit the trading class. So, he favoured price stability. Dr Ambedkar was greatly in the favour of quantity theory of money. He wanted currency should be stable as per the commodities it can buy rather than in terms of gold. He was not in favour to link currency with gold and, he did not like the concept of government in which they manage the flow of currency in the economy.

CONTRIBUTION TO AGRICULTURAL ECONOMICS

In 19th and early 20th century, India was facing a major problem in Agriculture sector which was low productivity and increase disguised employment in the sector. Dr Ambedkar was of the view that the disguised employment in this sector resulted in small land holdings by majority of the farmers. This small land holdings resulted in low productivity of the sector. He has the opinion that instead of having small land holdings, the land must be consolidated to bigger land and then its productivity will increase in future. For this, he suggested that the land should be own by the state.

A committee was set up in 1917 to review the land holding system and to increase land productivity. The committee suggested that state should acquire the land holding from private players, small farmers, tenants and mortgages and pay them the compensation for it and then distribute this land to their original cultivator in right size in ethical way.

Dr Ambedkar criticize the right size concept of land which was given by the committee. Since land is only a single factor, there are other factors of production as well as labour and capital that contributes towards the low productivity of land. Because of insufficient capital, surplus labour leading to diminishing returns and deficient irrigation there is low productivity in Agriculture [4]

Dr Ambedkar published a paper in 1918 "Small holdings and its remedies" in which he suggested the below measures:

1) Industrialization that will absorb surplus labour from Agriculture

In Indian Agriculture sector, disguised employment existed in it. This surplus labour can be extracted from this sector and used for productive activities in Industrial Sectors where employment was required. This will result in low production coast in Agriculture and from this profits can be earned by farmers. Also, Industrial sector which is very dynamic will also create employment further and can also earn profits. This will be very beneficial for the Indian Economy.

2) State owned co-operative farming will ensure the productivity of land and will also reduce the cost of production

If state owned co-operative farming, they would utilise the land for better production from it and by providing subsidies of inputs to the producers. This will reduce the cost of production of goods of agriculture.

This same model was presented by Nobel Laureate, Arthur Lewis in 1950 that explains the transfer of surplus labour from agriculture whose marginal productivity is zero to industrial (capital intensive) sector which will absorb them. The ideas was early presented by Dr Ambedkar in 1918 , but formally organised by Arthur Lewis in his model in 1950.

CONTRIBUTION TO LABOUR ECONOMICS

In his time, Dr Ambedkar brought many labour reforms. His profound knowledge of labour matters was universally acknowledged and demonstrated during his term as Labour member of the Viceroy's Executive Council from 1942 to 1946. He supported to establish the employment exchanges and to collect statistical data for labours under Industrial Statistics Act, 1942. He initiated to reduce factory work hours from 12 to 8 in the 7th session of Indian Labour Conference, 1942. Simultaneous to that year, Ambedkar at Tripartite Labour Conference was involved in setting up Plenary Conference and Standing Advisory Committee for the settlement of Industrial disputes between employees and employers.

[4] L.C. Mallaiah : *The relevance of Dr B.R Ambedkar's views on Indian Agriculture Development*, Abhijeet Publication, Delhi, 2006.

CONTRIBUTION TO ECONOMIC DEVELOPMENT OF INDIA

Dr Ambedkar was the Minister of Public Works in British government from 1942 to 1946. During this time, he initiated New Water and Power Policy for India. The main purpose for this policy implementation was to use water resources in the country available in an optimal way. The vision of these projects was based on Valley Scheme which was implemented for USA. He knew that the problem faced by the country of flood, famines, power shortage, irrigation and droughts could only be solved by multipurpose projects. The first multipurpose river valley project initiated by him was Damodar Valley Project (DVC) in Bengal and Bihar (Jharkhand was a part of Bihar during that time). The main objectives for the implementation of New Water Policy were to control floods, transfer water to drought prone regions, to make irrigation facility available, to control famines and to solve the problem of power supply. There were other projects which were implemented by him Bhakra-Nagal Dam, Hirakud dam and Sone River valley projects. Dr Ambedkar wanted that the water resource and their management should be done by the Central Government to reduce the problem of water disputes between states otherwise it would lead water starving of some states due to disputes. To prevent this problem, he proposed two acts which implemented later on: "Inter-State Water Disputes Act" (1956) and "River Boards Act" (1956). The former was to settle the disputes of water between the states and the second one is all about how to regulate and develop the interstate valley projects. Dr Ambedkar was the man behind the idea for the development of National Power Grid^[5].

CONCLUSION

Dr B.R Ambedkar was one of the eminent and prominent economists of his time. He was highly trained economist, but his contribution is not recognised as mainstream in economics because he stopped practicing as economist after his student life and got more devoted towards politics, law field and social reforming movements. Through which he was more popular as a great leader rather than an economist Dr Ambedkar worked hard constantly to lay foundations of socio-political system and economic structure that permits the full use and development of human potential. His notion was to remove poverty and to diminish the caste system in India that was prevailing during that time. He wanted that there should be equal access to resources for the population of the country irrespective of their caste, gender, sex or race. The theories of Dr Ambedkar are incorporated in many sectors of economy. Caste system according to him created a major hurdle in the economic growth and development of the country. He wanted social status and access to resources should be provided equal to both men and women. Dr Ambedkar talked on improving the quality of life for both men and women. He was of the belief knowledge of economics is beneficial for creative and appropriate policy decision. His economic ideas remained scattered which need to be refreshed not because to acknowledge him, but to use his economic thinking and knowledge for betterment of the human wellbeing and country.

[5] Kumar, S. (2019): *Ambedkar's Economic Ideas & Contributions*. IOSR Journal of Humanities and Social Science (IOSR-JHSS) Volume 24, Issue 3, Ser. 1, p 50-54

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