

Economic Thoughts of Dr. B.R. Ambedkar

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Abstract

Bharat Ratna dr. B. R . Ambedkar is known widely as a leader of oppressed classes who fought against caste system and untouchability but his contributions as an economist, humanist, socio-political scientist ,constitutional expert is often ignored which is shocking for our economic fraternity. He wrote three books on economics & suggested many measures for economic development. He holds double doctorate degrees. Dr. Ambedkar recommended the strategy of liberalization, globalization and privatization which was later implemented by the country in the year 1990. He saw caste system as a major impediment on the economic and social development front. He pointed out many loopholes in financial relation between the provincial and the imperial government under book entitled as “Evolution of Provincial finance in British India (1925)”. He showed that fiscal system was defective with destructive taxes and expenditure done by the government was unproductive.”Problem of Rupee: its origin and its solution” copes with the problem of exchange rate and price stability which he used to suggest ways to control inflationary pressure on Indian economy prevalent at that time which I believe can be used by contemporary economist in their area of study. In this paper I have discussed his works in the field of economics under headings like contribution to monetary economics & public finance , his views on Indian currency, economics of caste and untouchability, abolition of Khoti system, his views on public expenditure, contribution to public economics, Ambedkar on economic liberalization etc. This paper also suggests ways in which work of Ambedkar can be incorporated even today in policy making. His works are like guiding factors whose benefit can be reaped of with proper understanding of the subject matter.This paper will be really useful to contemplate his work . I believe this paper will make the researcher curious and will definitely open avenues to research more on Ambedkar’s economic findings. The sole priority of this paper is to present as simple as possible his view and how Ambedkar looked at issues dynamically and from the perspective of an economist.

Keywords- castes, downtrodden, division of labour, marginalised, economic analysis, humanist,upliftment.

"Ambedkar is my father in Economics His contribution in the field of economics is marvellous and will be remembered forever . . . "

[Professor Amartya Sen, 6th Indian Nobel Laureate]

Introduction

Bharat Ratna Dr. B. R. Ambedkar was a dynamic person in India’s history. A prodigy who has the ability to think beyond a common literature. A man whose soul purpose was to liberate the dalits from the clutches of Hindu hegemony & to uplift them from backwardness. Dr. Ambedkar was the first educated Scholar within untouchable community of India who had done his PhD from Columbia University (USA) & undertook his D.Sc degree from London School of Economics. His contributions are immense. He was an economist, humanist, socio-economic scientist, a parliamentarian, a journalist, etc. He was of the view that division of society on the basis of caste system would hamper the overall development of our society and economy. He believed in individual freedom. During his lifetime he was conferred with various responsibilities like he became the first law minister of Independent India, he was the chairperson of the drafting committee on Indian constitution, he published various books and research papers. His initiatives have

influenced various spheres of life and transformed the way India today looks at socio-economic policies, education and affirmative action through socio-economic and legal incentives ¹.

He had image of a great socio-political reformer but his contribution as an economist is often neglected. He published three important books on Indian economy they are-

- (1) Administration and Finance of the East India Company;
- (2) The Evolution of Provincial Finance in British India and
- (3) The Problem of the Rupee: Its origin and its solution.

He advocated liberalization, privatization and globalization whose importance was seen later by the government so they implemented this technique in 1990.

Methodology

Research is done with the help of historical empirical method. Usage of both primary as well as secondary sources are done. Primary sources include the books written by Dr. B.R. Ambedkar and his speeches and in Secondary sources I have referred to articles and books written on him, also referred to major international journals and editorial. Data is also collected from Dr. B.R. Ambedkar writing and speeches published by govt. of india.

This paper is an attempt to investigate the economic thoughts of Dr. B. R. Ambedkar which are neglected by contemporary scholars. His thoughts and important works are compiled in the present paper. For this genuine & reliable sources are consulted. Also the proceedings of various Seminars, Conferences are being utilized.

Contribution to monetary economics & Public finance

Dr. Ambedkar was a multidisciplinary person be it political science, law, economics, constitutional studies etc.

The book published by Dr B R Ambedkar “the evolution of provincial finance in British India’ showcased major loopholes in the financial policy relevant during that time. The book summarises the financial relation between the province and the government of India. The government was under the financial strain due to its biased policy framework. The imperial government used to administer its rule and provincial States has no saying in policy making .

After 1858, it was realized that the central imperial government was not able to administer the country efficiently and country was continuously going into financial burden. Provincial Staes who were able to administer the country pretty well than the central govt enjoyed least power in raising funds and contribute in policy making. This gave opportunity to the imperial govt to interfere in their working which resulted in misusing of funds collected at centre. After situation had become grave , later in 1871, it was decided that provincial government should prepare their own revenue and expenditure budget².

Abolition of khoti system

Khotis were the powerful people who were appointed by the British government to collect taxes from the inferior land holders. They were basically the middlemen between the tax collectors (British government) and the tax payers (inferior land holders). Khotis used to exploit the inferior land holders in a very ruthless and damaging way. In view of this adverse and exploitative situation Ambedkar moved a bill against the “Khoti system in 1957” which was popularly known as “Khoti abolition act”

Ambedkar’s view on public expenditure

Government finances its expenditure through the collection of tax. The revenue that is collected from the public must be spend according to the rules and regulations. People pay taxes with a view that money that they are paying must be used in the betterment of their society and country as a whole. But public investment project has long gestation period. So, government must come unto the expectation and faith that general public must put upon them. They should utilize

¹ Ramesh Krishna Vipparthi: *Dr. B R Ambedkar economic Thoughts: A Study*, IJMER, Sept 2016

² *ibid*¹

those revenues in construction go roads, providing medical facilities, maintaining law and order and provide them public goods.

According to Ambedkar it is very important that public spending must go in a planned and systematic way. He emphasized on optimally utilizing the public funds for their own welfare³.

Contribution to agricultural economics

In the early 19th century, the major problem of Indian agriculture was low productivity. Ambedkar owe this to possession of small land holding by majority of farmers. He was of the opinion that instead of owing small land holdings, the land must be consolidated and farming must be done on bigger scale. The consolidated land must be owned by the state.

In 1917, a committee was formed which suggested that state should acquire the land holding from private players, owners, tenants and mortgagers and pay them the required compensation and then distribute the acquired land to original cultivators in right size.

But Ambedkar criticized about what can be the right size. As land is only a single factor, there are other factors of production as well such as labour and capital that contributes towards the low productivity of land. Because of insufficient amount of capital, surplus labour leading to diminishing returns and deficient irrigation there is low productivity in Agriculture⁴. Ambedkar in his paper "Small holdings in India and remedies (1918)" he suggested some remedial measures they are as follows:

- 1) Industrialization that will absorb the surplus labour (disguised unemployment)
- 2) state owned co-operative farming that will ensure the productivity of land and will also reduce the cost of production.

The same model was presented by Nobel laureate, Arthur Lewis in 1950 which involves transfer of surplus labour whose marginal productivity is zero to capitalist sector which will absorb them. But baba saheb has given this idea long before Lewis in the year 1918.

Ambedkar's view on Indian currency

Dr. B.R. Ambedkar published his book "problem of rupee: its origin and its solution (1923)". This book analyses the problem of Indian currency at the time when there was clash between British colonial government and Indian business interests. He presented this book at his doctoral thesis in London. Under this book he argued for the stability in exchange rate and prices. During that time Britishers had overvalued the currency so that they can sell their goods in Indian market and earn a hell lot of money. This situation created the problem of inflation in Indian economy.

That's why Ambedkar came with the idea of price stability instead of exchange rate stability. His idea also led to setting up of reserve bank of India. His views and ideologies are so insightful that everyone especially today's world economist must go through his work. Ambedkar argued in favour of a gold standard as opposed to the suggestion by John Maynard Keynes that India should embrace a gold exchange standard⁵.

Ambedkar on Marxism

Ambedkar studied in great depth the works of Karl Marx. He considered him as the father of modern socialism or communism. Karl Marx believed in labour theory of value as the economic basis of class struggle under capitalism and it is on the basis of his theory of surplus value that he builds the superstructure of his analysis of economic development⁶. So at the end bourgeois will be exploited by the proletariat if we switch on to capitalist economy. Ambedkar didn't favour capitalist economy much instead he was in favour of mixed economy structure and state socialism.

³ Vasant moon: Dr. Babasaheb Ambedkar, National Book Trust, Govt of India, New Delhi, 2006

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

⁵ Niranjan Rajadhyaksha: Ambedkar, rupee & our current troubles, Mint, April 2015.

⁶ Kumar Sunil, Ambedkar's economic ideas & Contributions, www.iosrjournals.org, 2019

Economics of caste system and untouchability

Ambedkar was a relentless critic of the pernicious caste system. According to him, hindu civilisation was a “diabolical contrivance to suppress & enslave humanity & its proper name would be infamy”. He argued that caste system is the most vicious system.

Traditionally, the Hindu society is based on “Chaturvarna” that is division into four classes namely ‘Brahmins’ who should cultivate knowledge, ‘Kshatriya’ should bear arms, ‘Vaishyas’ should involve themselves in trade and at last ‘Shudras’ who are meant to serve the upper three varnas. Babasaheb felt caste based distinction as major impediment in the growth and development of our economy. He says “The caste maintained the occupation, and as there was no permission to adjust occupations, caste becomes a direct cause of unemployment we see in the country⁷.”

Ambedkar on economic liberalization

Here with economic liberalization ambedkar refers to the state refraining intervention into private affairs. Dr. Ambedkar says: "It is true that where the state refrains from intervention what remains is liberty. But according to ambedkar this liberty is liberty to landlords to increase rents, to increase hours of work and reduce wages. For the overall working of market there must be someone who can make laws and on whom direction wheels of business must go on. In other words, it was again the dictatorship of private employers from the earlier state monopoly. He was of the view that some entities must be governed by public sector like the basic amenities and rest should begin in the hands of private players.

Neo liberal reforms of 1990 showed no significant increase in economic growth and no decrease in people below poverty line. Rate of employment fell drastically. Agriculture sector shown no signs of improvement. He was against complete nationalisation of economy & state monopoly⁸.

Conclusion

From the research findings it can be concluded that Ambedkar’s work was prolific . Initiatives of Ambedkar have influenced various spheres of life and transformed the way India today looks at socio-economic policies and legal incentives. His notion was to remove poverty and allow equitable access of resources for all. His theories are now incorporated in many sectors of economy. His work can serve as a guidance document. He included employed and unemployed, men and women, formal and informal sector, technicians and engineers in his area of study. To him a society grows when all sections move together irrespective of their caste, creed or religion. His economic findings are phenomenal. Babasaheb supported modified gold standard to curb the inflationary pressure, discussed the evolution of provincial finance under the British rule. He mentioned public has immense faith in govt so it should wisely use the public funds given to them in the form of taxes, in order to increase productivity there should be consolidated land holdings, he advocated state socialism. Caste system according to him was a major barrier in the economic growth and development of the country, women empowerment etc.

⁷ Raj kumar: *Economic Thought of BR Ambedkar, Commonwealth , New Delhi, 2011.*

⁸ W.N. Kuber: *Dr. BR Ambedkar, Publication Division, Govt. of India, New Delhi, 2001.*

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