



Economic Thoughts of Dr. Bhim Rao Ambedkar

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Abstract

Dr. B. R. Ambedkar popularly known as Babasaheb Ambedkar was one of the architects of the Indian Constitution. He was a well-known politician and an eminent jurist. Ambedkar was a keen student of economics. His work "The problem of the Rupee was considered an instructive treatise. He wrote that closing of the mints would prevent inflation and disturbances in the internal price level. He advocated that the standard of value should be gold and the elasticity of currency should come from this source. His economic thoughts about land reforms, currency, decentralization of finance, state management, Labour problem, economics of caste system have impacted on Indian economy.

Dr. Ambedkar denounced that Indian economy as Hindu dominated economy. Dr. Babasaheb Ambedkar concepts of family planning, upliftment of women and human capital and many others are important contribution to the development of the Indian economy. Also as current scenario of Indian economy, inflation, pharma conditions, India's large young Labour force not being fully utilized for the economic development, we need to reconsider the thoughts of Dr. Babasaheb Ambedkar and again frame our economic policies towards better economical growth of India.

Key Words: Economic, Indian economy, Labour

Introduction

Dr Bhim Rao Ambedkar is celebrated as the "Father of Indian Constitution," and found economics closest to his heart. Ambedkar was a keen student of economics. He got his MA for his thesis on 'Ancient Indian Commerce and MSc (London) for his thesis on The Evolution of Provincial Finance in British India' and DSc for his thesis on The Problem of the Rupee'. He was a Professor of Economics in Mumbai's Sydenham College in the early 1930s.

His work "The Problem of the Rupee" was considered an instructive treatise. He wrote that closing of the Mints would prevent inflation and disturbances in the internal price level He advocated that the standard of value should be gold and the elasticity of currency should come from this source. That great scholarship and hard work had gone into this book is evidenced by the rave reviews Ambedkar received from the British Press. The Times (London) described the book as an, "excellent piece of work. English style is easy; and his knowledge of his subject obviously very full..."



The Economist (London): "It is a 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."

Financier: "Ambedkar deals with the problem in a very lucid and praiseworthy manner and puts 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."

On December 5, 1956, he completed writing his book 'Buddha' the next morning his servant found him dead when he went in his room to serve him tea. His death came peacefully in his sleep.

Dr Ambedkar was conferred posthumously the Bharat Ratna, the nation's highest civilian honour, on his 99th birth anniversary in 1990. It was rightly seen as a fitting, though belated, tribute to one of the builders of Modern India.

Ambedkar believed that the fundamental cause of India's backward economy was the delay in changing the land system. The solution was democratic collectivism that entailed economic efficiency, productivity and overhauling the village economy.

He said he would wipe out elements of economic exploitation and social injustice. He did not want landlords, tenants, or landless labour. His idea of economic realism sought both freedom and welfare.

Whenever any country faces difficult situations, challenges, whether it is a political or economical, the intellectuals and politicians at some point or another need to search their own country's history for the solutions. The historical events, its people and their thoughts, that has shaped the country and its people future, proves to be the vital elements for the solving the current challenges of the country.

Dr. Babasaheb Ambedkar is one such great thinker, leader and intellectual of its time in India who has not only changed the life of millions of untouchables but shaped India as a biggest

democratic nation by writing its constitution. What is well known about Dr. Ambedkar are his fights against Caste system in India, But what is not known is how Dr. Babasaheb Ambedkar had also impacted the Indian economy.

Here are some of Dr.Ambedkars thoughts that had great impact on Indian economy.

Agriculture and land reforms

Dr. Babasaheb Ambedkar had made in-depth study of Indian Agriculture, wrote research articles, organised Seminars and Conferences in order to solve the problems of agriculture and farmers, also led farmer's movement. His thoughts on agriculture are found in his article "Small Holdings in Indian and their remedies" (1917) and also in "Status and minorities" (1947).

He mentioned that holdings of lands by few people is an acute problem of Indian agriculture which has various disadvantages, like difficulties in cultivation and utilization and resources, increasing cost, low productivity, inadequate income and low standard of living. According to Dr. Ambedkar Productivity of agriculture is related to not only with the size of holdings of land but also with other factors such as capital, labour and other inputs. Therefore if capital or labour etc is not available in adequate quantity and quality, then even a large size land can



become unproductive. On the other hand small size land become productive if these resources are available in plenty. With this thought the 'Land Ceiling Act' is passed after Independence.

He also mentioned about the slavery and exploitation of Labour bounded under caste system is extremely bad for economical development and fought for its abolition.

His other suggestion for solving agriculture problem are collective farming, economic holding of land or equal distribution of land, Large scale Industrialization, Provision of money, water, seeds and fertilizers by the government, cultivation of waste land by allotting waste land to landless labour, minimum wages to labours, control and regulation of private lenders of loan to farmers.

India's Currency Problems

Dr. Babasaheb Ambedkar's thoughts have a great impact on current Indian currency system. Under British rule when India Govt. was struggling with falling value of Indian Rupee, Dr. Babasaheb Ambedkar In 1923 wrote 'The problem of Rupee, its origin and solution. He focused his studies and research on the condition of Indian currency during British India. He wrote

research thesis on it. In his thesis, he argued that the gold exchange standard does not have stability. The developing countries like India cannot afford gold exchange standards, and besides this, it also increases the risk of inflation and price rise. He proved with statistics data and reasons how the Indian Rupee has lost its value and hence the purchasing power of Rupee is falling. He suggested that govt. deficit should be regulated and money should have a circular flow. He also suggested more attention should be given on price stability than exchange rate stability.

This book eventually leads to the establishment of Reserve Bank of India.

Views of Taxation policy

Dr. Ambedkar expressed his views on taxation in the manifesto of 'SwatantraMajdur Party' in 1936. He opposed Land Revenue and its system and their taxes as the burden of these taxes are significant on the poor sections of the society. He suggested some taxes as follows.

Tax should be imposed on payer's capacity and not on income.

Tax should be less on poor and more on rich.

Tax exemption should be given up to certain limit.

There should be equality between different sections in tax imposition.

Tax should not lead to lowering the standard of life of the people.

Land Revenue tax should be more flexible and should not levy on agricultural land.



He suggested that Indian tax system at that time was based on discrimination and inequality.

Nationalization of Industries

Dr. Babasaheb Ambedkar thought that fast development of India is impossible without Industrialization. According to him creating large scale employment produces essential goods for mass consumption. It utilizes raw materials, reduces foreign dependence and increasing security to labour, and ultimately leads to the overall economical development of the country. The private sector industries cannot make big industries for want of large scale investments. So, government should come forward to start large scale industries .The smaller industries should be kept in private sector. The insurance and transport companies should be nationalized. Rights

to strike should be given to labourers. After the independence the industrial policy of the Indian government is in keeping with Dr. Ambedkar's expectations.

Strategy for economic development

Dr. Ambedkar believed that the strategy for India's Economic development should be based on Eradication of property elimination of inequities and ending exploitation of masses. He emphasized exploitation has many dimensions In fact in the India, social or religious exploitation is no less Oppressive than economic exploitation and it should be eliminated.

Democratic state Socialism

Dr. Babasaheb Ambedkar has presented a Democratic State Socialism to the constitution committee. The main points of it are

- 1) All basic industries should be owned and run by the state.
 - 2) Insurance and agriculture should be nationalized and managed by the state.
 - 3) Maintenance of Productive resources by state.
 - 4) Just Distribution of Common produce.
 - 5) Provision for compensation of land or industry acquisition in the form of bonds.
 - 6) The distribution of village and among the families in a village for collective farming
 - 7) No discrimination as landlord, tenants and agriculture labours.
 - 8) All agriculture input like capital, seeds fertilizers etc would be provided to collective farming by the government.
 - 9) Distribution of agriculture income only after payment of land revenue tax.
 - 10) Punishment according to rules who do not follow
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Dr. Ambedkar wanted this state socialism to be included in the constitution so that no legislature could change or reject it. But it could not come into existence as the constitution committee rejected it. It suggests that the conditions of labour, farmers and poor people would have different if this has not been rejected.

Free Enterprises Economy

Surprising enough Dr. Ambedkar had already suggested free economy, globalization, liberalization and privatization as early as in 1923; Recently Indian government has adopted this policy. In this respect Dr. Ambedkar was a century ahead. He had stressed that the value (Price) of a rupee must be kept stable if the policy of free economy is to be successful.

Population Control - Family Planning

Dr. Babasaheb Ambedkar said that the control of the country's economy is impossible if the population is not controlled. Hence he forcefully argued for population control and family planning in India. Later on in keeping with his views the government of India has adopted family planning as a national policy.

Labour problem

Ambedkar supported trade union movement and right to strike against capitalism. He wanted participation of labourers in industrial management. He paid attention to joint councils employment exchanges and earned leave for permanent workers, welfare activities, conciliation, trade disputes. According to him industrial peace would prevail if it is based on social justice. He introduced 5% to 6% reservation for Schedule castes in Central government. He helped the untouchable students wishing to take technical education in foreign countries.

In his inaugural address to the conference of the regional Labour Commission Ambedkar stated "three things are necessary to mitigate or prevent industrial disorder - Machinery for Conciliation, amendment in the Trade Disputes Act and Minimum Wage Legislation. According to him, the industrial peace could be realised if it was based on social justice."

Ambedkar, while discussing the labour problem, had in his mind not only industrial labour but also agricultural labour. According to him, similar condition of work provident fund employer's liability, workmen's compensation, health insurance including invalidity pensions should be open to all sorts of labour whether it was Industrial labour or agricultural labour.[14]

Economics of Caste System

According to Ambedkar the caste system in India was a major obstacle to economic growth and development. The caste system didn't allow people to teach their professional skills to any person belonging to other caste. Only the members of their own caste were allowed to learn the profession. Thus if a person had the skill necessary for a particular job he would not accept the profession of a caste lower than his own. In a dynamic industrial set up the individual must be free to choose his occupation. But due to social religious restriction on



inter occupational mobility has following consequences: Firstly, by not permitting readjustment of occupation, caste become a direct cause of much of the unemployment in various groups, as a religious Hindu would prefer to be unemployed rather than getting employed in profession not assigned to his caste. Second, individual justice and economic efficiency demand that competition exists in factor market. Due to the restriction on inter-occupational mobility of labour, capital and entrepreneurship across caste groups the caste system creates segregation in each of these markets. Labour and capital thus does not flow from one occupation to another even if the wage rate or rates of return on investments are higher in the alternative occupations. This brings about a high level of inefficiency in resource allocation. [15]

The division of occupation is not based on individual choice. Some of the occupations are socially degrading, and people are forced in these occupations on account of their caste origin. Such people cannot derive job satisfaction. As economic organization caste is therefore a harmful institution in as much as it involves the subordination of man's natural powers and inclination to the exigencies of social rules. This also results in disassociation of intelligence from work. The dignity of labour is nearly absent in the general scheme of theory of caste.

The practice of untouchability has ruined the nation and the economy as a whole. Those belonged to the lower strata of society or the untouchables were not allowed to mix with others and denied basic civil right. They had no access to sources of income. They had no right to education. They had no right to property and were prohibited from acquiring wealth. They could not use their labour for their own upliftment. The Caste system has crippled the untouchable as it denied them economic security and independence.

In the opinion of Ambedkar the economics of the caste system had six types of consequences:1) it divided labour ii) it disassociated work from interest iii) it disconnected intelligence from the manual labourer iv) it devitalized persons by denying them right to cultivate vital interest v) it prevented mobilization vi) it deprived Sudras of all economic avenues of employment and took them nearly to the position of a slave [16]

Economic Upliftment of Indian Women.

Dr.BabasahebAmbedkars contribution to economic development and progress of women is significant. According to him, participation of women in the economic development is impossible without developing their social status and equality. But due to bad economic conditions of women in India, India's economic progress is hampered. So, it is important to improve the economic condition of women and give them equal rights and freedom of occupation.

State management

Br Ambedkar emphasized on the nationalization of economy. He was of the view that state should manage the economy that the production might reach the optimum level and the benefits must not be taken away by the capitalist. The benefits must be distributed equally. He stood for the progressive transformation of society, removing glaring social and economic



inequalities that were due to the capitalist system. [10] BR Ambedkar was a firm believer of socialism. According to him, "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...." [11]

His view on nationalization of industries and life insurance showed his great concern for the economic problems faced by India. The formation of the public sector and the establishment of Life Insurance Corporation showed that he was in agreement with other leading economists. He remarked that industrialization of India was a necessary thing. But side by side the principle of state management and state ownership of industry must be adopted. Amenities like social insurance and control over employment, dismissal were vital to the progress of industry. About these measures the lower middle class must be protected. [12]

He firmly believed that by eliminating exploitation, the industrial harmony can be established through labour welfare and congenial industrial relation. He remarked "we have attained political freedom and equality but without economic and social equality this is quite insufficient". Ambedkar emphasised more on economic and social freedom and equality. his concept of society and socialism aimed for the welfare of the poor classes, ending inequality based on birth eliminating discriminatory practices in social behavior patterns reorganizing the political economy for the benefit of all maintaining full employment and education, providing social security for the weak and the sick[13].

Concept of Human Capital.

Dr. Ambedkar argued that concept of human capital in India is useless if the poorer and down trodden untouchable dalits are not recognized by other classes as human being with equal social prestige and religious basis. It is therefore impossible to use this human capital in the economic development of India.

Decentralization of Imperial Finance

Ambedkar's thesis the evolution of provincial finance in British India dealt with the history of public finance. He discussed in detail about the centre province financial relationship during 1833-1921.

Ambedkar demonstrates how centralization of government finances which prevailed in India during 1833 through 1871, was a failure on account of faulty fiscal system marked by injurious taxes and unproductive or extravagant expenditure. The system of Imperial Finance was started in India in 1833. It became so elaborated not e in 1858 when the crown took over from the East India Company that no province had any separate power for legislating any separate financial resources. The imperial government was responsible in law but did not administer the country whereas the provincial governments administered the country but had no responsibility in law. Under this system budgets were prepared by the provincial government but the responsibility for the finding ways and means for financing them rested on the government of India [7]. There was practically no power of creating or modifying any appointments in service. The restriction involved provided the Government of India with an



opportunity to interfere with all the details of provincial administration." [8] These led to extravagant demands and since the government of India did not possess the necessary machinery to appraise the demands and to control the expenditure, it often had to yield. Government finances came under severe strain and it was realized that the provincial government must draw up their own revenue and expenditure budgets. Accordingly the regime of provincial budgets came into force in 1871. Provincial finance was introduced in the form of budget by assignment (as referred by Ambedkar during 1871-72 through 1876-77. Under this scheme financial responsibilities of certain departments of administration were delegated to the provinces and the receipts accruing from the imperial from those services were handed over to them with fixed lump sum assignment from the treasury. [9] According to Ambedkar this scheme led to high taxes and made taxation more iniquitous.

The next phase in the evolution of provincial finance was the budget by assigned revenue which was operational during the period 1877-78 through 1881-82. It gave the provinces certain sources the yield of which largely depends on good management for the growing needs of the provincial services. The third phase in the process of evolution of provincial administration was the scheme of budget by shared revenues. According to Ambedkar the earlier schemes were deficient as the sources of revenues assigned to provinces had little room for enlargement over the time. But the new scheme of shared revenues specific revenues were collected either by the imperial government of provinces and a portion of the proceeds was allotted to the other. This scheme was most successful and lasted for 38 years and in 1920-21 major fiscal reforms were introduced in 1921 which in the opinion of Ambedkar were not induced by any inherent defects in the system.

Thus Ambedkar dealt in detail with the mechanism of finance of the centre-provincial government under the old phase.

Opposition to Hindu Economy.

Dr. Ambedkar denounced the Indian economy as Hindu dominated economy. He came out with hard hitting critique of this Hindu economy. He showed logical flaws in it. Caste System is not merely the division of labour but a division of labourers also. It is not based on natural aptitudes or skills. It is a major obstacle to economic development. It reduces mobility leading to inefficient production. Untouchability is worse than slavery. It is a system of exploitation.

Conclusion

Hence it is evident that Dr. Babasaheb Ambedkar's concepts of family planning, upliftment of women and human capital and many others are important contribution to the development of the Indian economy. As the existing laws and reforms land ceiling Act, minimum wages Act, Distribution of surplus land etc are not effective it is essential to reconsider them in the context of Dr. Ambedkar's perspective. Also as current scenario of Indian economy, inflation, farmer conditions, India's large young labour force not being fully utilised for the economic development, we need to reconsider the thoughts of Dr. Babasaheb Ambedkar and again frame our economic policies towards better economical growth of India.

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