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Ambedkar as an Economist

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Abstract: Ambedkar has made a outstanding contribution in the field of public finance and monetary economics. His ideas regarding administration, provincial autonomy, poverty, unemployment, inequalities, stagnant agriculture, distorted industrialization, nationalization of insurance and privatization are of immense importance. Even after contributing so much in the field of economics, it is an irony that his achievements in this field have been overshadowed by his contribution towards the upliftment of the downtrodden and his socio-cultural philosophy.

Key words: Ambedkar, Economic views, social prejudice, casteism.

Ambedkar was among the first set of Indians who were trained in economics systematically by doing a great deal of research in the field of economics. Ambedkar was an economist by his basic training and practiced it professionally. It is an important aspect of Ambedkar's personality, which does not attain much significance, especially in the light of his contribution towards the field of social justice and drafting of the constitution. Ambedkar earned his PhD in economics from Columbia university, USA, in 1917 and degree of Doctor of Science (D.Sc), from London School of Economics, in 1921. Ambedkar has made a outstanding contribution in the field of public finance and monetary economics. His ideas regarding administration, provincial autonomy, poverty, unemployment, inequalities, stagnant agriculture, distorted industrialization, nationalization of insurance and privatization are of immense importance. Even after contributing so much in the field of economics, it is an irony that his achievements in this field have been overshadowed by his contribution towards the upliftment of the downtrodden and his socio-cultural philosophy. According to Narendra Jadhav, "there is one crucial aspect of the multifarious genius that has remained surprisingly neglected for too long, namely, his phenomenal contribution as an economist" (Jadhav pg.10).

Ambedkar has submitted various memoranda and statements to the government under the British rule as well after independence that indicates his deep insights into India's economic problems. Ambedkar's scholarly books, Administration and Finance of The East India Company and The Evolution of Provincial Finance in British India, are his sustained contributions to the study of administration and public finance. The Problem of The Rupee: It's Origin and Its Solution, is Ambedkar's another magnum opus in monetary economics, where he has examined the events that led to the establishment of the Exchange Standard. Ambedkar was a strong proponent of land reforms and recognized the inequities of an unfettered capitalist economy. His views on these issues are found in his essays, Small Holdings in India and Their Remedies and an article, States and Minorities. These contribution of Ambedkar towards economics shows that, Ambedkar's thoughts were not confined only to the emancipation of the Dalits, he always wrote seminal books keeping the nation in his mind.

Ambedkar's critique on the administration of East India Company:

A general definition of public finance can be summarized as the relationship between government or public policy and economic management involved in formulating and implementing the policy. Administration and Finance of The East India Company was Ambedkar's first book. It was Ambedkar's dissertation submitted for MA degree at Columbia University, USA, in 1915. In this text, Ambedkar has provided a historical review of the changes in administration and finance of the East India Company during 1792 to 1858 and depicts how those changes led to the suffering of Indians at the hands of British. In this essay, Ambedkar has given a descriptive account of the composition, powers and roles of the East India Company in the initial chapters of this essay. Ambedkar dug deep into the history to understand the significance of currency problems and public finance. Ambedkar completely disagreed with the entire fiscal system of the East India Company. According to Narendra Jadhav, "Ambedkar points out that the finances of a country are to be judged from the view point of developmental expenditure and among the developmental expenditure of a country, the Public works takes a prominent position. Further Jadhav says that, according to Ambedkar, by applying the same criterion we are compelled to condemn the fiscal system of the East India Company" (Jadhav.20).

Ambedkar observed, that the surplus generated by the East India Company, were not used to undertake any works of improvement in India, and were only transferred to the dividends of the company's shareholders. As the flow of money in India was not sufficient, the company resorted into a heavy debt. Ambedkar observed that this large size of the debt is due to the mismanagement of the Company. Ambedkar has vividly given the account of how East India Company, which came to India in the name of trade, swayed its monopoly throughout India. Ambedkar notes shrewdly how the company combined the political functions of a state with the commercial functions of a state, due to which the company's finances became unduly complicated. It was Only in 1815, that the British parliament legislated for the separate account of finance and commerce. Ambedkar also opined, how the heavy land taxes by the Company prevented the prosperity of the agricultural sector, and on the other hand, customs taxes and heavy export duties hampered the growth of trade and industry. Ambedkar found that the public debts go into the wrong hands of the East India Company. While quoting R.C Dutt, an eminent economist, Ambedkar says that, "the land tax levied by the British government is not only excessive, but, what is worse, is it fluctuating and uncertain in many provinces" (29). and thus, points out all the economic loopholes during the rule of East India Company.

On the other hand, Ambedkar observed that it was the industrious poor who were exploited economically in the hands of the government. Ambedkar also examined that education formed no part of the expenditure and useful public works were lamentably few. According to Ambedkar, all the expenditure was spent on the military. Ambedkar quotes Major Wingate and says that while the British has spent so much on their colonial possessions and wars, had laid no money in the acquisition or improvement of the Indian empire. Drawing upon Major Wingate's writings Ambedkar recounts some specific grievances of India during the Company's rule and its taxation policy.

While concluding the essay Ambedkar says that, "the immenseness of India's contribution towards England is as much astounding as the nothingness of England's contribution to India" (48). The method which Ambedkar has used while proving his arguments is analytical throughout the essay rather being dialectical. According to Narandra Jadhav, " Ambedkar follows the strategy of studiously quoting other scholars to substantiate his arguments and refrains from making bold statements of his own with a temperate style" (Jadhav. 23).

Ambedkar's contribution towards the history of Imperial Finance

Ambedkar wrote the book on the "National Dividend of India", which, in an extended form was published eight years later in London under the title, The evolution of Provincial Finance in British India. It was Ambedkar's thesis for the degree of Ph.D from Columbia University in 1917. It is a book about the financial relationship between the British central government and the British provinces, between the year 1800 to 1910. Ambedkar reviewed the financial relationship and explored how it evolved between the center and the

provinces. Ambedkar have analyzed how the relation between the center and the provinces should be. He describes the principal that should govern between the central government and the provinces deeply. This work was well received throughout the country. Professor Seligmen in his forward wrote, “the problem discussed by Mr. Ambedkar in his excellent dissertation is arousing a growing interest in all parts of the world”. The main concern of Ambedkar in this work are the origin and development of provincial finance and the major causes that led to the enactment of the Reform Act of 1919. According to Ambedkar, the provincial financial system in British India evolved through three distinct phases. Each phase have its own characteristic arrangement of the center’s financial support to provinces. The imperial system of the government suffered from financial inadequacy from the very beginning. According to Ambedkar, the efforts of the finance ministers were rarely successful in restoring an equilibrium and staving off the hours of crisis.

According to Narendra Jadhav, “the imperial system of finance which prevailed in India during the period 1833-1871 collapsed on account of an imprudent fiscal system. He further says that, from the very beginning, the fiscal system of India suffered from the fatal disease of financial inadequacy which was reflected in the recurring budget deficits” (Jadhav. 25). The poor condition of Imperial finance during the 1860s was the major cause to propose a federal plan to some of the British in the name of economy and responsibility. Ambedkar opposed the federal plan on the ground of impracticability. Ambedkar refers to the system of the government as “imperial finance without imperial management”.

In the financial resolution of 14 December 1870, assignments of funds from the imperial treasury were adopted as a method of supply, to balance the provincial budgets which was named ‘budget by assignment’ by Ambedkar. Narendra Jadhav states that, “according to Ambedkar, while the scheme made a good beginning, circumstances led to higher taxes as well as more iniquitous taxation” (Jadhav.28). With a part of the financial burden passed on to the Provinces, the Imperial government decided to reduce the rate of income tax in order to favour the richer classes. Consequently, the Provinces had to resort to higher taxation due to the imposition of rates and cesses on the already overburdened class of tax payers, namely the land holders.

The next stage in the evolution of finance was the budget by ‘assigned revenues’. Under this assignment, in place of fixed assignment, it was proposed to give the provinces certain sources, the yield of which largely depended upon good management with the aim at achieving better and more elastic provision, for the growing needs of the provincial services. According to Ambedkar, the technique adopted for the allowances of estimating the errors was ingenious and because of this mode of phase of financial system, it did not proved to be good.

The third stage in the evolution of provincial finance was the ‘budget by shared revenue’ which was applied to all the provinces with effect from 1882-83. It grouped the budget under three distinct categories i.e. wholly imperial, wholly provincial and wholly imperial and provincial. According to Narendra Jadhav, “the object of these settlements was to put a definite limit on the demands of the provincial governments on the already too scanty resources of the imperial government. The principle of shared revenue was applied to all the provinces with effect from 1882-83. The earlier systems were characterized with constant revision of short duration. In 1882-83 settlement, it was made a definite rule that they shall be quinquennial in duration; that is, they shall not be subject to revision before the end of the fifth year from their commencement. The subsequent revisions took place In 1887-88, 1892-93 and 1896-97. The budget surplus of 1898-1913 enabled the government to be more generous with the provinces” (Jadhav.30). The settlement was made quasi-permanent in 1904, and permanent settlement in 1912, which worked up to April 1, 1921, when the provincial finance in British India entered on an entirely new phase. Here the history of the growth of provincial finance as it developed stage by stage under the old phase comes to an end in 1921. Dr. Ambedkar has dealt in details with the mechanism which inter-related the finances of the central and provincial governments under the old phase.

Ambedkar’s critique of Taxation policy.

The tax on land was one of the important tax during the Imperial system. According to Ambedkar, the cultivator of the land has no right on the land and was not considered as the proprietor. Land was regarded as the property of the state and the taxes that was imposed on land were irrespective of the question of necessity and justice. According to Ambedkar the heavy taxation rates were impolitic and ruinous by calculating the ratio of land revenue to the total revenue of India for the years 1792-93 to 1841-42, during

the Imperial system. Peoples who were economically unsound have to pay more taxes and the landlords who owned hundreds acres of land pay less amount of taxes. The taxation policy was laid without analyzing the vast income disparities between the rich and the poor.

Ambedkar observed that custom taxes hampered the manufacturers of the country. The internal and external customs were proved to be injurious to trade and industry. The internal customs were made up of transit and town duties. There were small custom areas in which the country was divided for collecting transit duties. Trade has been affected because of the transit duties, which crippled the manufacturing industry and it led to de-urbanization. Due to these compulsions the Indian market could not compete with the external market. The duties which levied on trade did not give any protection to industry, since the tariff was based on the political terms rather than economical considerations, it was based on the origin of imports rather than nature of imports. The goods which were shipped through the English bottoms and came from England were charged at the half rate as compared to the goods came from the foreign origin. Under the internal customs Indian goods were charged more as compared to the British goods which resulted in the heavy export duties on the Indian goods.

According to Ambedkar:

“the landlords who passed their lives in conspicuous consumption and vicarious leisure on the earnings of the poor tenants, or the many European civil servants who flattened themselves on pay and pickings, were supremely exempted from any contribution towards the maintenance of the government, whose main activities were directed towards the maintenance of pomp and privilege. On the other hand, the salt tax and the other taxes continued to harass the poor” (pg.77-78).

Ambedkar also urged for the abolition of Salt tax from the revenue system of India, but, instead of abolishing it the government increased the salt tax in the 1887-78 budget. Ambedkar concluded that because of the provincial autonomy and faulty fiscal system by regulating injurious taxes and unproductive and extravagant expenditure, the imperial system of government collapsed. According to Gail Omvedt,

“In this essay, Ambedkar has critiqued imperialism within a liberal framework. It showed how British fiscal policy had impoverished India through irrational taxation methods, through a land tax that prevented agricultural prosperity and heavy customs and internal excise duties injured its industry. It was clear, he argued, that the British government was running India in the interest of British manufacturers” (Omvedt.15).

Critical response of Ambedkar towards the reforms:

In the last chapter of the book Ambedkar gives an extended critic of the new reforms. Ambedkar believes that “finance is the fuel of whole administrative machine”, which according to him was not profitable during the constitutional reforms of 1919. The second question which Ambedkar has raised is about “financial adequacy”. Ambedkar believes that under imperialism, the sources of revenue i.e. land and custom revenue were under exploited. According to Ambedkar, permanent settlement should be replaced by periodical settlement for a better financial governance. He pointed out that the whole policy of India has been dictated by the interests of English manufacturers.

According to Narendra Jadhav, “Ambedkar characterized the political system emerging under the Act as a diarchy wherein the executive of a province is divided into the governor in council and the governor in Ministry. Of the two, the Governor in Council remains, as before, irresponsible to provincial legislature, is irremovable by it and in that sense is a non-parliamentary” (Jadhav.33). Ambedkar has criticized diarchy and called it a bad form of government because it opposed the principle of collective responsibility. According to Ambedkar, “Hybrid executives, divided responsibility, division of functions and reservation of powers cannot make for a good system of government, and where there is no good system of government there can be little hope for a sound system of finance” (pg.307). According to Ambedkar there should be an undivided government with a collective responsibility for a good form of government.

Ambedkar's reading of the finance during the Imperial government is remarkable. Ambedkar has done great deal of research before arriving into a firm conclusions like the reading of various government reports and books. The value of his conclusions were substantial, precisely because his analysis was based on sound empirical and historical foundations. According to Narendra Jadhav, “The book has a historical significance.

It is a pioneering piece of work in which Ambedkar has presented an insightful accounts of fiscal developments in India during the period, 1833 to 1921, buttressed by painstakingly collected facts and figures” (Jadhav.34).

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