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Ambedkar's Economic Policies, Practices & Perspectives

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Not much is known about Ambedkar's economic policies and programmes. The available literature on his economic writings and activities covers a wide range of issues such as working of the capitalist system, planning, economic framework for developing nations, economic equality, industrial development, agricultural growth, economics of Hindu social order and its features, etc. His writings, presentations, lectures, discussions and discourses spread over a long period from 1918 to 1956.

His first idea of economics can be traced to 1918 when he participated in an academic debate on the problem of small size holdings in India and means and methods to solve it. The Journal of the Indian Economic Society (Vol.I of 1918) published his article 'Small Holdings in India and their Remedies' 'Administration and Finance of the East India Company' was his MA dissertation submitted to the Columbia University, USA in 1915. 'The Evolution of Provincial Finance in British India' was his Ph.D dissertation. 'The problem of the Rupee' was his D.Sc dissertation. After 1925 Ambedkar could not devote enough time to write on Economics since his last book in 1925. He confessed this in his preface to the second edition of 'The Problem of the Rupee'. He wrote: "I could not bring out the book for the reason that my change-over from Economics to Law and Politics left me no time to undertake such work".

As mentioned above, Ambedkar's perception of economic development goes back to 1918 when he participated in an academic development goes back to 1918 when he participated in an academic debate on the problem of small size holdings in India. The main emphasis of the paper centred around the problem of small holdings, in its theoretical explanation, the analysis was placed in a much wider framework of economic development. In the words of S.K. Thorat "it began with the discussion on small size holdings, got extended over to the economic analysis of backwardness of the agriculture sector as a whole and ended with its solution in the development of the industrial sector".

The main issue was how to combine small and scattered holdings and then to maintain them at that size. Two methods of consolidation were suggested: one, voluntary exchange of owned land to reduce the parcelling and to increase the size; two, resort to compulsory consolidation of farm of the village by the government. Ambedkar viewed the enlargement of farm size as a theoretical one. For him, consumption was not the correct standard by which the efficiency of a holding. "It would be perverse accounting to condemn a farm as not paying and hence uneconomic because its total output does not support the family of the farmer though the return for each of his investments is the highest. There could be no true economic relationship between the family of the entrepreneur and the total out turn of his farm... The economic relation could sub suit only between the total out turn and the investment". Production from agriculture was not governed by land as factor alone, but was the result of the combination of land, capital and labour, etc. According to Ambedkar, the evil of small holding size land holdings was not fundamental but derived from the parent evil of maladjustment in was not fundamental but derived from the parent evil of maladjustment in the social economy. This maladjustment was associated with the inability of the farm household to acquire and use some factors of production with proper combination in the production process. Industrialisation was the sound remedy for its agricultural problems, argued Ambedkar. "The cumulative effects of industrialization would lead not only to an increase in labour productivity and capital investment in agriculture but they would also create the economic necessity of enlarging of land holding".

Ambedkar's joining the central cabinet as member incharge of Labour, Irrigation and power in 1942 coincided with the formulation and implementation of the post-war plan for reconstruction and economic development of India. The plan was thought to overcome some urgent post-war problems concerning the rehabilitation of defence personnel and the conversion of industry from the requirements of war to those of peace. The plan also marked the beginning of systematic economic planning by the central government. Ambedkar, being a Member of the central cabinet was also a Member of Reconstruction Committee of the Council the highest body settings to decide the objective and policy committee which was set up to formulate policy and plans for improving the condition of labour and development of irrigation and electric power. He greatly contributed to the formulation of objectives of the plan, in general, and the formulation of policy for labour, irrigation and electric power development, in particular.

He emphasized the need for industrialization and agricultural development as well for overall economic development of the country. According to him, the poverty in India was mainly due its dependence on agriculture alone. Ambedkar argued:

Agriculture is and will remain India's primary industry but the present imbalanced economy has to be rectified by intensive development of the country's industries so that both agriculture and industry may develop side by side. That will enable the pressure of population on the land to be relieved and will also provide the means required for the provision of better amenities.

Alternative to Capitalist Economy

Ambedkar saw a close relation between individual liberty and the form of economic structure of society: Liberty for a free enterprise economy was the liberty to the landlord to increase rent. Liberty from the control of the State was the liberty for the private employer. Ambedkar desired to limit the power of the government to impose arbitrary restraint as well as of the power of individuals. The economic system he suggested put an obligation on the state to plan economic life of people so that it would lead to the maximum level of productivity without giving up every opportunity to private enterprise and also lead to equitable distribution of wealth. In agriculture, there would be state ownership and in industry state socialism. The State should be solely responsible for supplying the necessary capital for agriculture and industry. The public sector enterprises should be run on the principles of efficiency and higher level of productivity.

On Parliamentary Democracy and Economic Equality

Ambedkar highlighted the limitations of parliamentary democracy in assuring economic equality to the masses. He suggested state ownerships in agriculture, basic and key industries and national insurance in a way that would lead to the highest productivity and also equitable distribution of income. The implementation of state socialism was not to be left to parliamentary democracy since the government would keep on changing. So, state socialism would be better executed by the law of the constitution so that it remained beyond the reach of majority in parliamentary to suspend, amend or abrogate it. Such Constitutional enactment would facilitate both state socialism and parliamentary democracy.

On Planning for the Poor

Ambedkar always stated that the poor should always be kept in mind in any developmental policies and programmes for the poor classes should occupy key place in the planning process of the country. He was certain that industrialization would definitely help the poor.

When the objectives of the post-war reconstruction plan were to be decided, Ambedkar suggested that the main trust of the plan must concern labour. The central place to labour in the post-war reconstruction plan was partly due to Ambedkar efforts. The main objective of the plan was:

...to raise the standard of living of the people as a whole and to ensure employment for all. To that end the purchasing power of the people must be increased by improvement in the efficiency and consequently the productivity of the labour on the one hand and simultaneous development and reorganization of agriculture and industries and services on the other.

The plan further stated that

... the improvement of the living condition and increase in purchasing power will fail in their effect if they do not result in more equitable distribution of wealth that is produced. The provision of various amenities free or at reduced cost to the poorer classes such as education, medical relief, water supply and other public utility services including electric power will have that result. The general improvement in the health and efficiency of labour will tend the same way. The positive measure to secure a fairer deal for labourers to ensure them a reasonable wage together with such provision as maternity and sickness benefit holidays with pay, ect., will have the same effect.

With regard to the scheduled castes and depressed classes Ambedkar firmly stated that they should be treated as a separate entity for the purpose of planning. As a result, the plan had suggested one of such objectives in the following words:

One of the objectives of the Government would be to take steps to ameliorate the condition of the scheduled castes and backward classes. Care must be taken to see that social amenities such as education, public health, water supply, housing, which are meant to be provided under the plan work especially for the benefit of such classes and that the handicap of ignorance and poverty under which they now labour is offset by special concessions in the shape of educational facilities, grants, scholarships, hostels, improved water supply and similar measures. It would be the special responsibility of the Government to see that early measures are taken to remove the handicap of these classes and help them to rise to the level of their more fortunate fellow citizens. The provision of full employment as well as various measures of social security contemplated under the section of labour would also automatically benefit the backward and the depressed classes.

The justification for the need of special efforts may be located in his economic analysis of the Hindu social order.

On Economics of Hindu Social Order

Ambedkar's analysis of Hindu social order from economic perspective can be found in the 3rd volume of 'Writings and Speeches of Ambedkar: Unpublished Writings' edited by Vasanth Moon for the Maharashtra government in 1987.

Ambedkar felt that both as a producers' organization and scheme of distribution the caste system had failed. Production was organized under the caste system in primitive standards. Scheme of distribution produced immense inequality in the distribution of wealth and income and perpetuated poverty. Specific economic aspects of the caste system led to this situation. The caste system was a division of people in specific division, as stated by S.K.Thorat, were:

1. Fixation of occupation for each caste group and continuance thereof by heredity.
2. Unequal distribution of economic rights and privileges among the four caste groups. The principle of graded inequality carried into the economic field as well.
3. It not only fixed the occupation and did so in an unequal manner but also treated some occupations as superior and the other as inferior. It thus maintained a hierarchy of occupations based on the stigma of high and low.
4. The Hindu religious order recognized slavery and the principle of graded inequality was extended to slavery across caste groups.
5. It provided for a coercive mechanism to enforce this unnatural economic order.

The caste system according to Ambedkar, led to six types of deplorable economic manifestation: 1) it divided labourers 2) it separated work from interest 3) it disassociated intelligence from manual labour, 4) it deactivated persons by denying them the right to develop vital interests, 5) it stopped mobilization and 6) it deprived the untouchable of all economic avenues of employment and nearly made him a slave.

The Caste system is not merely a division of labour, it is a division of labourers into hard compartments without any opportunity for inter-occupation mobility. Ambedkar argued that civilized society needed division of labour which promoted economic efficiency, but in no civilized society was it followed by the division of labourers.

On Economic Justice

Ambedkar throughout his life strived for socio-economic justice for the depressed castes, classes and communities. The concept of economic development with justice envisaged by Ambedkar can be better perceived in the constitutional provisions. Ambedkar was an architect of the constitution and as such he was fully aware of the socio-economic conditions prevailing in the country and therefore, he spelt out the social order under various Articles of the constitution. Thus, the constitution of India aims at total and radical transformation in the socio-economic structure of the country.

Justice P.N.Bhagawati made out a very pertinent point with regard to the objective of the constitution, particularly on a point of the transition from medieval and primitive rural economy to scientific and planned agriculture and industry. He observed in the *Minerva Mills Ltd Vs Union of India* case that:

The political revolution came to an end on 15 August 1947 when India became independent but clearly political freedom cannot be an end itself, it can only be a means to an end, that end being, as eloquently expressed by Jawaharlal Nehru as 'the raising of the people ... to higher levels and hence the general advancement of humanity. It was, therefore necessary to carry forward and accomplish the social and economic revolutions. The social and economic revolutions. The social revolution was meant to get India out of the medievalism based on birth, religion, customs and community and reconstruct her social structure on modern foundations of law, individual merit and secular education; while the economic revolution was intended to bring about transition from primitive rural economy to scientific and planned agriculture and industry. The social and economic

revolutions are yet to occur. People are divided horizontally and vertically. Graded inequalities exist in great measure. As a former Prime Minister confessed that “India was no where the level of social justice at which it aimed”.

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