

# Dr. B.R. Ambedkar Economic Philosophy: A Study

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## ABSTRACT

**Bharat Ratna Dr. B. R. Ambedkar is known widely as a leader of oppressed classes who fought against the caste system and untouchability, but his contributions as an economist, humanist, socio-political scientist, and constitutional expert are often ignored, which is shocking for our economic fraternity. He wrote three books on economics and suggested many measures for economic development. He holds double doctorate degrees. Dr. Ambedkar recommended the strategy of liberalisation, globalisation, and privatisation, which was later implemented by the country in the year 1990. Dr. B.R. Ambedkar's economic ideas reflected his concern for the downtrodden and his desire for their development and upliftment on the social ladder. In order to eradicate exploitation by landlords and capitalists, he advised a mixed economy or state socialism. Ambedkar's main concern was the nature of land holdings, especially their fragmentation and division into unproductive and economically viable structures. According to him, consolidation may eliminate the evils of scattered holdings but not the evils of small holdings unless the consolidated holding is an economic holding. According to Ambedkar, the basic problem of Indian agriculture was that it was unable to generate surpluses, which ultimately led to a scarcity of capital. This resulted in the inefficient use of resources, surplus labour, and superfluous employment, which, by raising the cost of production, culminated in low agricultural productivity. Thus, the process of overall economic growth gets adversely affected. Ambedkar was of the opinion that the process of consolidation of holding could eradicate the ill effects of uneconomic holding and usher in the progress of the cultivators. He favoured the successful growth of industrialization. This paper analyses Dr. B. R. Ambedkar's economic philosophy.**

## INTRODUCTION

Bharat Ratna Dr. B. R. Ambedkar was a dynamic person in India's history. A prodigy who has the ability to think beyond common literature A man whose soul purpose was to liberate the Dalits from the clutches of Hindu hegemony and to uplift them from backwardness Dr. Ambedkar was the first educated scholar within the untouchable community of India who had done his PhD from Columbia University (USA) and undertook his D.Sc. degree from the London School of Economics. His contributions are immense. He was an economist, humanist, socio-economic scientist, parliamentarian, journalist, etc. He was of the view that division of society on the basis of the 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 becoming the first law minister of independent India, being the chairperson of the drafting committee on the Indian Constitution, and publishing various books and research papers.

Dr. Bhim Rao Ambedkar, celebrated as the "Father of the Indian Constitution," found economics closest to his heart and got his doctorate for a thesis on "The Problem of the Rupee". Ambedkar was a keen student of economics and got his MA for his thesis on 'Ancient Indian Commerce' and his M.Sc. (London) for his thesis on 'The Evolution of Provincial Finance in British India'. His evidence before the Hilton-Young Commission was an important contribution to the discussion of currency problems in India. He gave expression to his thoughts on such issues as smallholdings, collective farming, land revenue, and the abolition of landlordism. It covered nearly four important decades—1917–1956—and touched on all major political and economic events. He was a Professor of Economics at Mumbai's Sydenham College in the early 1930s. Ambedkar strongly believed that the fundamental cause of India's backward economy was the delay in changing the land system. The remedy was democratic collectivism, which entailed economic efficiency, productivity, and overhauling the village economy. This, he said, would wipe out elements of economic exploitation and social injustice. His idea of economic realism sought both freedom and welfare. The essential feature of his approach to economic problems was the condemnation of such extreme views as laissez-faire and scientific socialism. A mixed economy was the cornerstone of his economic ideas. He advocated an end to the glaring social and economic inequalities produced by the capitalist system. He realised that the solution to the problem of the untouchable landless labourers depended upon the solution to Indian agricultural problems. He focused on the injustice of basing the assessment of land revenue on income and advocated that land revenue be brought under the income tax. His work, "The Problem of the Rupee," was considered an instructive treatise. He wrote that the 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 that the elasticity of currency

should come from this source. Dr. Ambedkar was posthumously conferred the Bharat Ratna, the nation's highest civilian honour, on his 99th birth anniversary in 1990.

### **Need for the study**

Dr. Bhim Rao Ambedkar is renowned as the "Father of the Indian Constitution" and found economics closest to his heart. Ambedkar was a keen student of economics. Bharat Ratna Dr. B. R. Ambedkar was a vibrant person in Indian history. He contributed as an economist, sociologist, legal luminary, educationalist, journalist, parliamentarian, editor, social revolutionist, the height of human rights, etc. Unlike all other schools of thought in Indian economics, Ambedkar economics deals with the problems of the Dalits among the downtrodden in India and presents singular perspectives on their amelioration. Ambedkar, as a life-long student of economics and an alumnus of the great universities of Bombay, Columbia, London (School of Economics), and Bonn, under celebrated economists like Prof. Edwin S.A. Seligman and Prof. Edwin Cannan, was well trained by his contemporary political leaders to deal with the economic problems of his time, such as land holdings, currency, and finance. What is significant about Ambedkar is that he looked at every economic problem, whether it be public, financial, or any other purely fiscal problem. Dr. Bheem Rao Ambedkar published a number of articles on economic problems, particularly the problem of land reforms and the problems of the agricultural economy in India. Dr. Babasaheb Ambedkar was a community leader. As such, he always found ways and means to better the conditions of the downtrodden. The weaker sections comprised landless labour, industrial workers, railway workers, and poor people. To ameliorate their conditions, he found remedies and tried his level best to bring them into practice. Bharat Ratna Dr. Bheem Rao Ambedkar is known and renowned for many qualities. He has been acclaimed as the champion of the cause of the downtrodden. He has been accepted as a true social reformer, a great legal luminary, a constitutional authority, and a great parliamentarian.

### **Statement of the problem**

The Indian economy is mixed and has the impact of social, political, and economic changes before and after independence. Dr. Ambedkar has given a new socio-economic and political view to Indian economics. Dr. Ambedkar decided to "changeover from economics to law and politics," as he remarked in the preface of the Indian edition of *The Problem of the Rupee* in 1947. Besides his valuable books on economics, Dr. Ambedkar expressed his views on the subject from time to time in the Constituent Assembly, in the Parliament, and at various places through speeches, articles, and memoranda on a number of economic problems in the country. He is a genius with a multi-sided personality: scholar, thinker, writer, leader, constitutional expert, economist, and humanist. His thinking as an economist has two dimensions. First, as an economist, his contributions relate to "The Evolution of Provincial Finance in British India" and "The Problem of the Rupee and Professional in Nature." School, his contributions to land reforms, socialism, the fiscal system of India, employment, industrialization, capital formation, taxation, food position, and rationalisation are the reflections of a statesman. Before going to discuss the views of Dr. B.R. Ambedkar on land reforms, we have to discuss the ideas of Dr. Ambedkar on economic development.

### **Objectives of the Study**

1. To analyse the economic philosophy of Dr. Ambedkar.
2. To describe the ideas and suggestions of Dr. Ambedkar on the Indian economy.

### **METHODOLOGY**

The research is based on secondary data. It's exploratory and descriptive in nature, and given the nature of the present study, it was required to collect information from secondary sources. Secondary information was collected from books, journals, newspapers, and ongoing academic working papers.

### **The Economic Thoughts of Dr. B.R. Ambedkar**

Dr. Ambedkar's first contribution is to public finance. This is a Ph.D. dissertation to Columbia University, U.S.A., in 1917 on the "Evolution of Provincial Finance in British India". His Ph.D. thesis is an important work in the field of public finance. The problem discussed by him in the excellent dissertation is one that is arousing a growing interest in all parts of the world". What Dr. Ambedkar calls assignments, assigned revenue, and shared revenue is symptomatic of the choice of methods in all countries. One of the three fundamental plans must be pursued. Either the central or provincial government may be maintained by the other, according to the relative degree of strength. Or, secondly, district revenues may be allocated to the separate governments, or thirdly, the revenues may be collected by one government and a portion of the proceeds allotted to the other". Thus, the problem of centre-state relations was clearly analysed and alternatives suggested by Ambedkar. The government wants higher revenue through taxation, but a poor and underdeveloped country like India has limits to the widening of taxation. Naturally, the burden has to be shared equitably between the Central Government, provinces, and local governments. This was analysed thoroughly by Ambedkar. He also gave an effective historical perspective on the financial relationship between the central government and British India. Ambedkar observes that justice requires the continuation of

income tax to the relief of the state and the rich payers, but justice was absent for a long time from the financial secretariat of the government of India in his book on provincial finance. Between 1877–78 and 1881–82, another scheme called "budget by assigned revenues" was followed, allocating separately sources of revenue between the central and provincial governments. This was not fully approved by Ambedkar, as it puts more burden on provinces. Another new scheme called "Budget by Shared Revenues" was introduced, replacing the earlier one. Ambedkar viewed it as a deficient scheme as it could not meet the elasticity principle since the provinces had little scope for improvement and expansion.

### **Currency problem**

Ambedkar's writings on currency problems were constituted in his book "The Problem of the Rupee" and his evidence before the Hilton Commission in 1926. He brought a new perception to the monetary issue. He was not in favour of linking the rupee with gold and recommended the establishment of a fully managed inconvertible currency with a fixed limit of issue. Ambedkar stated, "It is much better to introduce a currency system that will do away with the exchange standard and also the gold standard reserve. According to Ambedkar, the pure gold standard comprises the use of gold in some form of convertible standard; paper money is also issued in addition to gold coins and is pledged to be redeemable in gold. In contrast, under the gold exchange standard, the medium of exchange comprises only paper money, which is kept exchangeable at fixed rates with gold, and authorities back it up with foreign currency reserves of such countries as on the gold standard. Ambedkar vehemently criticised Keynes and other supporters of the gold exchanged standard and argued in favour of the gold standard in its unmodified form.

Ambedkar argued that the gold exchange standard does not have the stability of the gold standard. Under the gold standard, additions to the supply of currency are so small that stability is not affected. Ambedkar provided statistical evidence to show that prices varied much less under the gold standard than under the gold exchange standard in the Indian context. Ambedkar favoured gold currency and wanted to close down the mint, as this would eradicate money inflation and imbalances in internal payments. For the flexibility in currency, he was of the opinion that gold is a suitable measure for the flexibility of money.

### **Ambedkar's view on public expenditure**

The government finances its expenditures through the collection of taxes. The revenue that is collected from the public must be spent according to the rules and regulations. People pay taxes with the view that the money they are paying must be used for the betterment of their society and country as a whole. But public investment projects have a long gestation period. So, government must come to the expectation and faith that the general public must put upon them. They should utilise those revenues for construction of roads, providing medical facilities, maintaining law and order, and providing public goods. According to Ambedkar, it is very important that public spending be planned and systematic. He emphasised optimally utilising public funds for their own welfare.

### **Contribution to Agricultural economics**

In the early 19th century, the major problem in Indian agriculture was low productivity. Ambedkar owes this to the possession of small land held by the 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 a larger scale. The consolidated land must be owned by the state. In 1917, a committee was formed that suggested that the state should acquire the land holdings from private players, owners, tenants, and mortgagers, pay them the required compensation, and then distribute the acquired land to the original cultivators in the right size. But Ambedkar criticised what was the right size. As land is only a single factor, there are other factors of production as well, such as labour and capital, that contribute to the low productivity of land. Because of insufficient capital, surplus labour leading to diminishing returns, and deficient irrigation, there is low productivity in agriculture. Ambedkar, in his paper "Small Holdings in India and Remedies (1918)," suggested some remedial measures, which are as follows: 1) Industrialization that will absorb the surplus labour (disguised unemployment) 2) state-owned cooperative 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 the transfer of surplus labour whose marginal productivity is zero to the capitalist sector, which will absorb it. But Baba Saheb gave this idea long before Lewis in 1918.

### **Industrialisation**

Dr. Ambedkar selected the path of rapid industrialization as a solution for the problems faced by India. In his view, "Industrialization facilitates consolidation; it lessens the premium on land; it must precede consolidation. It is a barrier against future subdivision and consolidation". He strongly felt that industrialization must precede land reorganisation. Rapid industrialization is the best way to liberate the people of oppressed castes from the daily drudgery of backward methods of production. Hence, he believed that "state socialism is essential to the rapid industrialization of India. Private enterprise cannot do it, and if it did, it would produce the inequalities of wealth that private capitalism has produced in Europe, which should serve as a warning to Indians". Industrialization for

Ambedkar is important as it could productively utilise the surplus labour in the countryside. In this way, he emphasised the forward and backward linkages of industrialization. He believed that the surplus agricultural labour has to be absorbed in industries if India has to solve the problem of unemployment. Hence, he preferred capital-intensive agriculture and industry. Here, Ambedkar completely differed from Gandhiji, who advocated a labour-intensive method of production to solve the problem of rural unemployment in India.

Economic planning has lasted many years, but we are yet unable to solve the problem of unemployment and underemployment in our economy. The root cause is the wrong type of industrialization and the wrong techniques of production chosen in India, which neither resulted in the production of mass consumption goods nor created large-scale employment for the millions of jobless youth. In this connection, it becomes imperative for us to know what type of industrialization Baba Saheb has suggested. It is sufficient to say here that he advocated industrialization based on the foundations of agriculture. According to him, the modern industrial superstructure has to be erected on the basis of agriculture to provide a strong and healthy agricultural base.

#### **Land Reforms and Nationalisation of Land**

The first and foremost thing to be done was to introduce sweeping radical reforms in the village community in the name of nationalising agriculture. He did not believe in measures such as consolidation of holdings and tenancy legislation as sufficient remedies for overhauling the village economy. The motive of his land reforms was twofold: (i) to uplift the millions of landless Dalits; and (ii) to make the agricultural sector strong for carrying out the process of rapid industrialization. Ambedkar's scheme of nationalising agriculture reveals the ingenuity of his mind. It should be remembered that his programme of nationalisation of land involved not confiscation but compensation of land in the form of debentures, which carried interest.

It consisted of no immediate cash payment as it might lead to conspicuous consumption and inflation or result in the mere change of the form of inequality from kind to cash. Further, the scheme would enrich the state's resources by allowing its control over individual property. Further, it consists of the provision of collective forms that provide land for the millions of landless labourers. It would also result in the breakdown of the shackles of the caste system in the village community. It would also avoid urban agglomeration and its associated evils. Above all, nationalisation of agriculture is not a social evil. The scheme was aimed at creating a classless society in rural India, i.e., without discrimination as a land lord, tenant, or landless labourer. In other words, it was meant to achieve emancipative, distributive organisational development in rural India.

#### **Abolishing Land Revenue:**

Ambedkar proposed yet another constructive idea for the development of agriculture: that land revenue should be abolished and, in its place, a progressive income tax be levied. The idea is still under debate. The cleavage between the rural rich and the rural poor between the rural rich and the urban rich can be narrowed down if we do away with land revenue as such and by taking income instead of land as the tax base. The rural feudal class is enjoying undue concessions, whereas the capitalist class is subject to all sorts of taxes. This is a matter for reconsideration if we are really aiming at establishing an egalitarian society.

#### **Labour problem**

Ambedkar supported the trade union movement and the right to strike against capitalism. He wanted the participation of labourers in industrial management. He paid attention to joint council employment exchanges, earned leave for permanent workers, welfare activities, conciliation, and trade disputes. According to him, industrial peace would prevail if it was based on social justice. He introduced a 5% to 6% reservation for Schedule castes in the 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, amendments to the Trade Disputes Act, and minimum wage legislation.

"According to him, industrial peace could be realised if it was based on social justice." Ambedkar, while discussing the labour problem, had in mind not only industrial labour but also agricultural labour. According to him, similar conditions of work provident fund employer's liability, workmen's compensation, and health insurance, including invalidity pensions, should be open to all sorts of labour, whether it was industrial labour or agricultural labour.

#### **In the opinion of Ambedkar, the economics of the caste system had six types of consequences:**

1) it divided labour; 2) it disassociated work from interest; 3) it disconnected intelligence from the manual labourer; 4) it devitalized persons by denying them the right to cultivate vital interest; 5) it prevented mobilisation; and 6) it deprived Sudras of all economic avenues of employment and took them nearly to the position of a slave.

## CONCLUSION

Dr. B.R. Ambedkar is known and renowned for many qualities. He has been acclaimed as the champion of the cause of the downtrodden. He started his career as an economist. Ambedkar's economics had emerged as a distinct school of economics. What is significant about Ambedkar is that he looked at every economic problem, whether it be public, financial, or any other purely fiscal problem. He pointed out that land is not only one factor in production; it is a mix of all the factors that are accountable for the low production of land. He wanted that heavy industries should be owned by the public sector and the private sector should only fill the gaps. He was a strong supporter of state socialism. The caste system, according to him, acts as an obstruction to labour mobility from one sector to another. This hindrance to the mobility of labour due to the caste system honestly impacts the economic progress of India. He considered it from the perspective of the welfare of the poor. He was more concerned about human welfare. He had unflinching faith in socialism and believed that it would solve the problem of the underprivileged. A mixed economy was the cornerstone of his philosophy. He had contributed not only thoughts but also fought for the upliftment of the exploited. His economic thoughts have been useful to the Indian economy and can be used as a positive solution for current economic problems in India. He was concerned about the equitable distribution of wealth among people. He advocated the modernization of Indian society and economy. Ambedkar also linked the salvation and emancipation of untouchable people with the emergence of modern urbanised and industrialised India and modern liberal ideology. India today looks at socio-economic policies and legal incentives. His notion was to remove poverty and allow equitable access to resources for all. His theories are now incorporated into many sectors of the economy. His work can serve as a guidance document. He included the employed and unemployed, men and women, the formal and informal sectors, 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 a modified gold standard to curb inflationary pressure and discussed the evolution of provincial finance under British rule. He mentioned that the public has immense faith in the government, 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. The caste system, according to him, was a major barrier to the economic growth and development of the country, women's empowerment, etc.

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