AMBEDKAR'S SOCIO-ECONOMIC PARADIGM: RELEVANCE IN CONTEMPORARY TIMES

Dr Surender Singh

Assistant Professor, Department of Commerce

Ramjas College, University of Delhi

ABSTRACT:

Dr B R Ambedkar is a prominent figure in India. He excelled in his roles as a politician, educator, journalist, and, most significantly, as a leading social reformer. Notwithstanding his remarkable expertise as an economist, few individuals recognize his contributions. He wrote extensively on economics owing to his deep understanding of both theoretical and practical economic issues. A considerable segment of his economic writings precedes India's independence. This paper emphasizes their role, with the most significant contributions being in monetary and fiscal economics, agrarian reforms, and 'state socialism.' His concepts remain relevant in modern times.

Key Words: land reform, Holding, Finance, Economic and Rupee

Fiscal Economics

Dr Ambedkar's initial contribution pertains to public finance. Dr Ambedkar submitted his PhD dissertation on the topic "Evolution of Provincial Finance in British India" to Columbia University, U.S.A. in 1917. His doctoral dissertation is a significant contribution to the domain of public finance. Professor R.A. Seligman noted that the significance of Ambedkar's contribution resides in the objective presentation of facts and the unbiased examination of the notable developments occurring in his nation (India). As far as I am aware, no thorough investigation into the fundamental principles has taken place. The issue addressed in his outstanding dissertation is garnering increasing interest globally. On the importance of the study, Seligman wrote, With the increasing pressure of taxation and the development under modern democracies of augmented governmental functions, the problem of the equitable distribution of burden among these various forms of government is becoming more or less acute.

Dr Ambedkar refers to the concepts of assignments, assigned revenue, and shared revenue, which are indicative of the methods used in all countries. Depending on its relative strength, one government may maintain either the central or the provincial one. Alternatively, one government may allocate the district revenues to separate governments, or thirdly, one government may collect the revenues and allocate a portion of the proceeds to the other. Ambedkar analysed the problem of Centre-state relations and suggested alternative solutions. The government wants higher revenue through taxation, but a poor and underdeveloped country like India has limits to the widening of taxation. Naturally, the central government, provinces, and local government must share the burden equitably. This was thoroughly analyzed by Ambedkar.

Ambedkar also provided an effective historical perspective on the financial relationship between the central government in British India. Ambedkar's study highlights the inadequacy of the centralized financial system in India from 1833 to 1871, which was characterized by flawed fiscal principles, regressive taxation, and unproductive or excessive expenditures. He establishes that dualism resulted in detrimental effects on government finances. Ambedkar analytically illustrates that the central government suffered significantly due to its lack of control over the financial demands of provincial governments. Consequently, provincial governments should formulate their own revenue and expenditure budgets.

The era of provincial budgets commenced in 1871, and Ambedkar's research on provincial finances made a substantial contribution to this development. Between 1871-72 and 1876-77, the provincial finance system followed the budget through assignment. Under this system, the imperial treasury made fixed grants and handed over some departments to the provinces. According to Ambedkar, the departments had to manage their expenditure, which led to higher taxes and an inequitable burden. Because of this, the government of India abolished income tax to satisfy the richer classes, but provincial governments imposed taxes on the overburdened landowners. Ambedkar, however, 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, the government implemented a new scheme known as "budget by assigned revenues," which divided revenue sources between the central and provincial governments. Ambedkar did not fully approve this scheme due to its increased burden on the provinces. Ambedkar introduced a new scheme, "Budget by shared revenues," to replace the earlier one. Ambedkar considered the scheme inadequate due to its failure to adhere to the principle of elasticity, which was a result of the provinces' limited opportunities for improvement and expansion.

His perspectives have contemporary relevance, as they establish the necessary foundation for constructing a robust framework of Centre-state financial relations in modern India. His comprehensive analysis of principles regarding provincial finance and Centre-State financial relationships has significantly aided successive finance commissions in India since 1947. It is essential to establish a robust foundation based on sound principles for the effective operation of central-state financial relations to prevent states from adopting a stance of non-cooperation with the Centre. Ambedkar anticipated this possibility in 1917 and consequently proposed specific measures for the amicable resolution of Centre-state disputes through a prudent allocation of revenues to effectively manage the ever-increasing developmental and welfare responsibilities of the states. Dr Ambedkar contributed to economic development via public finance.

Monetary Economics

He made significant contributions to monetary economics with his D.Sc. dissertation, "The Problem of Rupee: Its Origin and Solution," which he presented to the London School of Economics. His testimony before the Royal Commission on Indian Currency and Finance (1924-25) was seminal, with its conclusions facilitating the establishment of the Reserve Bank of India in April 1935. In this dissertation, subsequently published as a book, Ambedkar provided a comprehensive analysis of the development of Indian currency as a medium of exchange, along with its valuation in gold and silver, the globally recognized precious metals.

Ambedkar examines the largely overlooked era of Indian currency from 1800 to 1893, as well as the period up to 1920, focusing on the currency crisis of that time and the comparative strength of the pure gold standard versus the gold exchange standard. The gold standard and the gold exchange standard. The gold standard entails the use of gold, especially in the form of coins, as a medium of exchange. The gold convertible standard variant uses both paper currency and gold coins, guaranteeing the redemption of the former in gold. Under the gold exchange standard, the medium of exchange consists solely of paper currency, which is redeemable at fixed rates for gold. Consequently, governments support this currency with foreign currency reserves that adhere to the gold standard.

Ambedkar fundamentally disagreed with J.M. Keynes regarding the currency standard that India should adopt. In his book "Indian Currency and Finance" (1909), Keynes proposed the gold exchange standard, highlighting its fundamental potential for future popularity and economic expansion. However, Ambedkar significantly diverged from Keynes and his proponents, advocating for the implementation of a modified gold standard.

Ambedkar contends that the gold exchange standard lacks the stability inherent in the gold standard, as any increases in currency supply are minimal and insufficient to influence its stability. However, under the gold exchange standard, the addition of currency depends on the discretion of the issuer (government), whose expansion could jeopardize stability. Ambedkar substantiated his argument with statistical evidence, indicating that Indian price behaviour exhibited significantly less variation under the gold standard compared to the gold exchange standard. Keynes and his adherents contended that the gold standard, with its rigid regulations, confines humanity and government to the constraints of nature, whereas the gold exchange standard offers a reprieve from this rigidity. Ambedkar countered this argument by insisting on the establishment of a regulatory mechanism to restrict the issuer's discretion. The absence of a controlling mechanism renders the gold exchange standard undesirable.

The Gold Exchange Standard, as Keynes posits, conserves gold; however, Ambedkar contended that an increase in gold supply resulting from this mechanism diminishes its value, rendering it an unsound standard of value. These arguments possess contemporary significance as they advocate for a regulatory framework to limit the discretionary authority granted to the currency issuer. Given the current circumstances of substantial fiscal deficits and subsequent automatic monetization, there is a necessity for robust and stringent regulation.

Ambedkar advocated for the issuance of an appropriate gold coin and asserted the complete prohibition of further minting of the rupee. He proposed establishing the legal ratio between the gold coin and the rupee, without any provision for convertibility, with the aim of designating both the rupee and gold coin as unlimited legal tender in India. Ambedkar noted that establishing the legal ratio between gold coins and rupees and maintaining a stable gold supply would regulate currency issuance, resulting in price stability and a consistent currency standard.

Agriculture Economics

Ambedkar's contributions to agricultural economics pertain to land reforms, consolidation of holdings, the scale of holdings, and the conceptualization of agriculture as an industry. His paper "Small Holdings in India and Their Remedies" articulates his perspectives on land reforms. He asserts that land reforms are essential for enhancing agricultural productivity. He highlighted the significance of input-output relationships concerning land reforms.

He observed that the existence of holdings is uneconomic, not because they are excessively small, but rather because they are excessively large. Consequently, the remedy for the ills of agriculture in India does not lie primarily in the matter of enlarging holdings but in the matter of increasing capital goods. This remains true even today, as increasing production necessitates the use of money and real capital in capital goods. This analysis proves that Ambedkar viewed agriculture as an industry. Land reforms should create economic holdings to increase agricultural output.

Therefore, any definition of an economic holding should view it as an enterprise in production and not place emphasis on consumption. What is important for the purpose of production is the process of combining the factors of production. He believed that one should not divide land beyond a certain size. As a practical man, he observed that the large agricultural population complicated the solution to the landholding problem in India. The prevalence of small farms was the direct result of enormous pressure on land. This is not being realized adequately, and therefore the law of inheritance results in the ruin of agriculture as an economic unit.

Ambedkar also realized that land reforms generate much political interest, leading to substantial conflicts of opinion. The remedy for preventing subdivisions and fragmentation was the consolidation of holdings, but in the prevalent social setup and economic conditions, it is not realizable. Ambedkar felt that all such measures were only a legal eye-wash. He believed that taking over the uncultivated lands for cultivation and handing them over to landless workers could solve the urgent problems of landless workers. As consolidation and tenancy legislation do not help the untouchables, he advocated collective farms.

In contemporary discourse, Dr. Ambedkar's perspectives on land reforms hold considerable importance. The government of India acknowledges land reforms as a crucial component not only of anti-poverty initiatives but also of modernization and enhanced agricultural productivity; however, substantial progress has been lacking in this area. The Seventh Plan recognizes inadequate advancement in land distribution, attributed to legal and administrative obstacles. These deficiencies must be addressed. Aside from this, how accurate was Ambedkar's assertion that land reforms were merely a legal façade and insufficient as a solution for landless agricultural workers after nearly seventy-five years? Will the proposed remedy of economic holding and the classification of agriculture as an industry, as suggested by Ambedkar, be implemented with genuine intent?

Industrialization

Dr. Ambedkar advocated rapid industrialization as a remedy for India's challenges. He posits that "industrialization promotes consolidation; it reduces the value of land; it must precede consolidation. It acts as a barrier against future subdivision and consolidation. He firmly contended that industrialization should precede land reorganization. Accelerated industrialization is the most effective means to emancipate individuals from oppressed castes from the monotonous toil of outdated production methods. Consequently, he asserted, State socialism is crucial for the swift industrialization of India. Private enterprise is incapable of addressing this issue, and if it were to attempt it, it would generate the wealth disparities that private capitalism has engendered in Europe, which should serve as a cautionary tale for Indians.

For Ambedkar, industrialization is crucial, as it can effectively utilize surplus labour from rural areas. He emphasized the importance of both forward and backward linkages in industrialization. He argued that the integration of surplus agricultural labour into industries is crucial to addressing India's unemployment crisis. Consequently, he favours capital-intensive agriculture and industry. In this regard, Ambedkar fundamentally disagrees with Gandhi, who promoted labor-intensive production methods to tackle rural unemployment in India.

Significance of Ambedkar's Economic Thought

Ambedkar was correct to believe that capital-intensive industries, which Nehru adopted during the three five-year plans, are the only way to achieve rapid growth and prosperity. He advocated for industrialization within the framework of a mixed economy, where the state held a central role. He combined land reforms and industrialization to solve the problems of the depressed economy and poor people.

In his writings, he brought together four issues: the production functions of agriculture, land reforms, the importance of industrialization, and the backward and forward effects of industrialization. It is not possible to agree with the rapid industrialization method through capital-intensive industries preferred by him since that model adopted in the 1950s has increased unemployment of the masses as it could not absorb the surplus labour from agriculture as assumed by Ambedkar. Ambedkar's refreshing approach to India's industrialization is noteworthy, as he rarely attempts an in-depth analysis of its problems without sufficient training as an expert in the field.

Conclusion

Ambedkar advocated for India's economic development through the eradication of poverty, the elimination of inequalities, and the cessation of mass exploitation. He emphasized the emancipation of marginalized groups, particularly Dalits. He favoured industrialization to absorb surplus agricultural labour and land reform to enhance agricultural productivity. He envisioned agriculture as an industry, supported a gold standard to stabilize the Indian currency, promoted harmonious central-state relations for coordinated economic development, and endorsed state intervention for orderly national growth. His strategies regarding agriculture, industry, and monetary and fiscal policies remain pertinent today for India's economic advancement and justice for the oppressed, especially Dalits.

His views on the strategy for economic development are significantly beneficial for poverty alleviation and the advancement of marginalized groups, especially Dalits. While one may not concur with all of Ambedkar's opinions, his empirical methodology, thorough examination of the issues addressed, rational and objective discourse, and comprehensive exposition of the subject are commendable. Any rational thinker and economist must acknowledge the pragmatic solutions to the examined issues. His impact on contemporary intellect will be significant and consequential.

References:

Das, Debendra Kumar. (2001). ed. Greet Indian Economists. Vol.3. New Delhi: Deep and Deep Publication Pvt. Ltd.

Goel, M.M. (1996, May-June) Relevance of Ambedkar's Economic Framework. New Asia Economics.

Heggade, O.D. (1998). Economic Thought of Dr. B.R. Ambedkar. New Delhi: Mohit Publication.

Jadhav, Narendra. (1993). Dr. Ambedkar Economic Thought and Philosophy. Bombay: Popular Prakashan.

Kasare, M.L. (1996). Economic Philosophy of Dr B.R Ambedkar.New Delhi: B.I. Publications Pvt. Ltd.

Keer, Dhananjay. (2005). Dr Ambedkar's Life and Mission.

Mallaiah, L.C. (2006). The Relevance of Dr. B.R. Ambedkar's views on India Agricultural Development. Delhi: Abhijeet Publications.

Moon, Vasant. (1979). ed. Dr. Babasaheb Ambedkar: Writings and Speeches. Vol. 1. Bombay: Government of Maharastra.

Moon, Vasant. (1989). ed. Dr. Babasaheb Ambedkar: Writings and Speeches. Vol. 6. Bombay: Govt. of Maharastra.