Dr. B.R. Ambedkar: As an Economist

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ABSTRACT: Dr. B.R Ambedkar was among the most outstanding intellectuals of India in the 20th century. His work in economics is noteworthy. His views deal with public finance and agriculture are landmark in the economics. Ambedkar’s commitment was internal stability and he was convinced that only an automatic system based on gold standard with gold currency could achieve this desirable end. He was of view that governments should spend the resources garnered from the public not only as per rules, laws and regulations, but also to see that “faithfulness, wisdom and economy”. Intervening in a discussion in the Bombay Legislative Council on October 10, 1927, Dr. Ambedkar argued that the solution to the agrarian question "lies not in increasing the size of farms, but in having intensive cultivation that is employing more capital and more labour on the farms such as we have." Further on, he says: "The better method is to introduce cooperative agriculture and to compel owners of small strips to join in cultivation." Thus Ambedkar thought on public Finance and agriculture has vital relevance and still applicable in current situation of India. In order to enhance productivity of agriculture sector, government is needed to take measures on the basis of Dr. Ambedkar’s thought.

Keywords: internal stability, administrative policies, financial arrangement, cooperative agriculture

I. INTRODUCTION

Dr. B.R Ambedkar was among the most outstanding intellectuals of India in the 20th century in the best sense of the word. Paul Baran, an eminent Marxist economist, had made a distinction in one of his essays between an "intellect worker" and an intellectual. The former, according to him, is one who uses his intellect for making a living whereas the latter is one who uses it for critical analysis and social transformation. Dr. Ambedkar fits Baran's definition of an intellectual very well. Dr. Ambedkar is also an outstanding example of what Antonio Gramsci called an organic intellectual, that is, one who represents and articulates the interests of an entire social class.

It is proved by a recently conducted survey by ‘History TV 18 and CNN IBN’ in June 2012. ‘Who is the greatest Indian after Mahatma Gandhi?’ is the question asked from the people of India. The contestants include, First PM Jawahar Lal Nehru, Singer Lata Mangeshkar, Industrialist J.R.D.Tata, A.P.J.Abdul Kalam, Indira Gandhi and Vallabhbhai Patel etc. The final cumulative ranking was conducted following the three ways poll; ranking by jury (online and on ground), ranking by popular votes and ranking by market research. Finally, Dr. B.R.Ambedkar declared as winner. Historian Ramchandra Guha stated on the declaration of results “Dr. Ambedkar’s legacy has been distorted to suit particular interests. He was a great scholar, institution builder and economic theorist”

Prof. A. K. Sen has also said, “Ambedkar is my Father in Economics. He is true celebrated champion of the underprivileged. He deserves more than what he has achieved today. However he was highly controversial figure in his home country, though it was not the reality. His contribution in the field of economics is marvelous and will be remembered forever!!”

The first thing that strikes us is that Ambedkar had studied under the foremost authorities of the time both at the Columbia University in the US and at the University of London. He came under the influence of the outstanding American philosopher of the time, John Dewey who was among Ambedkar’s teachers at the Columbia University. What was most fortuitous was Ambedkar’s teacher of public finance, Edwin R A Seligman who was then the professor of political economy at Columbia, and firmly placed among the most outstanding students of public finance and history of economic thought at that time. Subsequently, when Ambedkar went to London, his teacher was an equally eminent economist, Edwin Cannan who was also an acknowledged authority on the history of economic thought.

There is one significant academic paper he wrote in 1918, ‘Small Holdings in India and Their Remedies’ in Journal of the Indian Economic Society, Vol I, 1918. Besides these, there is his unpublished M.A. thesis, ‘Administration and Finance of the East India Company’ (Columbia University, 1915). Apart from these academic economic writings, there are his Memoranda and evidence given to various government commissions, speeches in the different legislative bodies, and book reviews which all have some economic content. All of these have been brought together by the government of Maharashtra in a multi-volume complete edition, “Dr Babasaheb Ambedkar: Writings and Speeches”. It is a matter of some regret that while much devotion and dedication has gone into the production of this edition, adequate attention to proper editing and scholarly annotating has not been tendered.

Paper tries to explore four broad themes that Ambedkar concerned himself in his professional writings. Firstly, the policies examined by Ambedkar in his ‘The Problem of the Rupee’ mainly, and elsewhere, deal with monetary standards as they had evolved during the previous few decades. The basic Indian currency unit, the rupee, has had a long history. From 1872 to 1893, this acted as a continued devaluation of the Indian currency which while was good for Indian exports, was not good for the Indian economy, it had to produce more rupees to remit expenses undertaken in England by India which were in sterling (i.e., gold) terms.

Ambedkar’s writings took all this and argued for a proper gold standard with gold currency as he was highly critical of the gold exchange standard though the latter received powerful theoretical support from all the then leading authorities including John Maynard Keynes. In a gold exchange standard, the coinage is manipulated by the government to keep it at par with the value of gold. Ambedkar asked: Was the job of currency management only important for the amount of gold it will procure in the external market? Obviously not, because “what really concerns those who use money is not how much gold that money is worth, but how much of things in general that money is worth.

Ambedkar’s commitment was internal stability, and he was convinced that only an automatic system based on gold standard with gold currency could achieve this desirable end. Like every economist of his generation, he was a believer in the quantity theory of money and was afraid that governments will tend to artificially increase money in circulation. In his memorandum given to the Hilton Young Commission in 1925 he pointed out: “a managed currency is to be altogether avoided when the management is to be in the hands of the government”. While there is less risk with monetary management by a private bank because “the penalty for imprudent issue or mismanagement is visited by disaster directly upon the property of the issuer”. In the case of the government “the chance of mismanagement is greater” because the issue of money is “authorized and conducted by men who are never under any present responsibility for private loss in case of bad judgment or mismanagement”. In short, Ambedkar’s conclusion is clearly towards price stability through conservative and automatic monetary management. This is of such current relevance that in these days of burgeoning budget deficits and their automatic monetisation, it would appear that we could do with an effective restraint on liquidity creation through an automatic mechanism.

The second theme that Ambedkar discussed in his academic publication “The Evolution of Provincial Finance in British India” (1925) relates to public finances. Ambedkar draws his main conclusions from his study of the Indian system which is probably even more relevant now than it was at the time he wrote. What arrangements can be made in a public fiscal system that will enable it to be “administratively workable”? The main objective according to him was: “To make administrative policies independent by requiring them to finance themselves entirely out of their own respective resources without having to depend upon one another must always is regarded as a very important end to be kept in view in devising a new financial arrangement”. This is not always possible because of “several concurrent or overlapping tax jurisdiction”.

B R Ambedkar while discussing the functions of the Comptroller and Auditor General said in 1949 during the framing of our Constitution that governments should spend the resources garnered from the public not only as per rules, laws and regulations, but also to see that “faithfulness, wisdom and economy” have gone into the acts of expenditure by public authorities. Faith in this context as defined by the dictionary is “duty or commitment to fulfill a trust, promise …”. A main reason for the existence of public finance is that human beings living in society require certain things like roads, law and order, etc. that cannot be enjoyed exclusively. As the costs and benefits of such items cannot be internalised, they will not be supplied through the free market mechanism. Governments exist to provide these common requirements. Citizens in democratic forms of government are promised by their representatives to improve their welfare by judicious provision of such public goods and services, and they place their trust in the government by delegating authority to take taxation and expenditure decisions.

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How the individual acts of public spending results in the augmentation of social welfare may not always be obvious because of spillover effects and long gestation periods. When the citizens are thus not in a position to comprehend clearly the consequences of government action, it is so easy to mislead them by false claims. Hence it becomes all the more necessary for the government to be faithful to the original intentions. For example, if a certain sum is allotted to a center for higher education to improve its facilities without specifying the item of expenditure, a more faithful way of spending would be on libraries, laboratories and other items of teaching and research rather than on frivolous things such as statues of past professors or air conditioned limousine for its vice chancellor.

The fidelity to the original intention must be tempered by ‘wisdom’. In other words, expenditure should transcend the personal, the ephemeral and the showy, but must be done with circumspection and understanding of the deeper issues involved. While sagacity, prudence and common sense are the hallmarks of a just and wise ruler, he should also possess experience and knowledge that can be applied critically and practically in specific areas. In the context of a just utilization of public funds, economic wisdom becomes a paramount necessity. But mere apparent faithfulness to the original intentions and wisdom are not sufficient in themselves for public expenditure to achieve social well-being.

The importance of the third canon of public expenditure takes a special meaning here. ‘Economy’ in public expenditure does not simply mean a low level of public spending, but it is the intelligent use of funds so that every paisa fetches the most benefit. Those in charge of public funds must strive to evaluate alternative methods of achieving the objectives and see to it that leakages do not occur.

The remarkable thing about Ambedkar’s canons is that they are ism-neutral. One can follow a policy of a large or a small public sector and yet the principles behind these canons are applicable. The canons are sufficiently flexible so that expenditure decisions can be related to the state of the economy. For example, what may be economic wisdom in undertaking a particular item of expenditure in one country may be economic stupidity at other times and other places. The canons emphasize that the expenditure decisions should closely relate to the specified objectives and the available resources besides ensuring economy, efficiency and effectiveness in the implementation of government decisions.

The last theme ‘Small holdings in India and their remedies’ (I, 453ff) published in 1918, he takes on a problem that is still haunting Indian agrarian system. Ambedkar made a critical examination and arrived at some very advanced conclusions. He argued, land is only one of the many factors of production and the productivity of one factor of production is dependent upon the proportion in which the other factors of production are combined. In his words: “the chief object of an efficient production consists in making every factor in the concern contribute its highest; and it can do that only when it can co-operate with its fellow of the required capacity. Thus, there is an ideal of proportions that ought to subsist among the various factors combined, though the ideal will vary with the changes in proportions”. From this he proceeds to say that if agriculture “is to be treated as an economic enterprise, then, by itself, there could be no such thing as a large or small holding”. If this is so, what is the problem? Ambedkar answer rests on the inadequacy of other factors of production.

There is almost a prophetic statement made by him long before modern theorists of development systematized notions of disguised unemployment or under-employment: “A large agricultural population with the lowest proportion of land in actual cultivation means that a large part of the agricultural population is superfluous and idle.” Even if the lands are consolidated and enlarged and cultivated through capitalistic enterprise, it will not solve the problem as it will only aggravate “the evils by adding to our stock of idle labour”. The only way out of this impasse is to take people away from land. This will automatically “lessen and destroy the premium that at present weighs heavily on land in India” and large “economic holding will force itself upon us as a pure gain”.

II. CONCLUSION

What can we conclude from this brief foray into the various economic themes with whom Ambedkar was concerned? The value of his conclusions is substantial precisely because his analysis was based on sound empirical and historical foundations. Key industries shall be owned and run by the state. Basic but non-key industries shall be owned by the state and run by the state or by corporations established by it. Agriculture shall be a state industry, and be organized by the state taking over all land and letting it out for cultivation in suitable standard sizes to residents of villages; these shall be cultivated as collective farms by groups of families. He also stresses the need for industrialization so as to move surplus labour from agriculture to other productive occupations, accompanied by large capital investments in agriculture to raise yields. He sees an extremely
important role for the state in such transformation of agriculture and advocates the nationalization of land and the leasing out of land to groups of cultivators, who are to be encouraged to form cooperatives in order to promote agriculture.

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