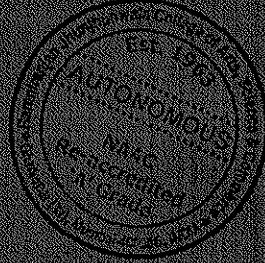


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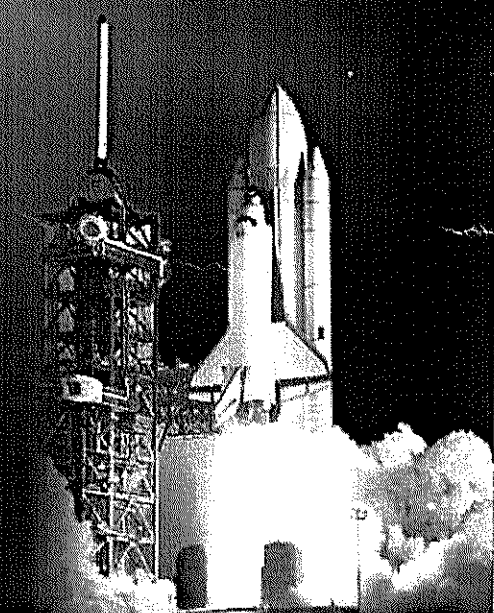
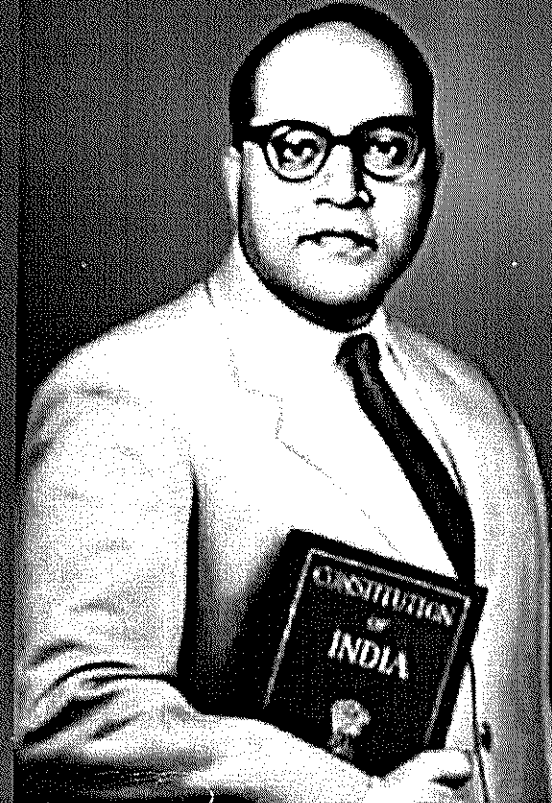


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Contemporary Relevance of Dr. Ambedkar's Contribution in Economics**Prof. Pranali Karnik**

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Abstract

Nobel Prize winner in Economics Dr. Amartya Sen says, "Ambedkar is my father in Economics, his contributions in the field of Economics are marvellous and will be remembered forever!" His vision on Indian economy and economic inclusiveness in true sense serves the guideline for policy makers even today. However, Dr. Ambedkar's contribution in economics has always remained uncovered for various reasons. This paper deals with the economic ideas that were proposed by Dr. Ambedkar and his contribution in various specialised subjects of Economics. Though his economic thoughts did not gain so much popularity in mainstream economics, it does not reduce the importance of his thoughts. The significance of his economic thoughts can be judged by their adoption at various levels of India's economic development.

Introduction

Bharat Ratna Dr. B. R. Ambedkar was a dynamic person in Indian history. He contributed as an economist, sociologist, legal luminary, educationalist, journalist, Parliamentarian, editor, social revolutionist, height of the human rights etc. His scholarly contributions to Economics include M.A. thesis submitted to Columbia University on Administration and Finance of the East India Company. He provided 'the historical review of the changes in administration and finance of the East India Company during 1792-1858', which depicts how those changes led to the suffering of the Indian people at the hands of the British rulers. The key findings of this study showed huge discriminatory policies of East India Company. In one of his findings, he pointed out that Manchester city in England spent on a single item – water, a large amount of money during 1834 than what the East India Company had spent on all kinds of public works in India. He also pointed out the imposition of prohibitive duties on Indian manufacturer exports to England as against negligible duties on British manufacturer imports to India.

In his Ph.D. thesis submitted to Columbia University, he discussed the Centre – State financial relationship. His book revealed 'evolution of Centre – State financial relations in British India from 1833 to 1921'.

Contemporary Relevance of Dr. Ambedkar's Contribution in Economics

The major contribution of Dr. Ambedkar in the sub fields of economics are public finance, agricultural economics, idea about new water and power policy etc.

Problem of Rupee: Gold Standard versus Gold Exchange Standards

Before 1835, in India, multiple coins were in circulation. East India Company made an attempt of unifying all the currencies. An act was passed to introduce Gold and Silver coins. Due to the discovery of gold in various parts of Australia and California, gold coins were overvalued and drove the silver coins out of the market. In 1853, East India Company stopped receiving any gold coins and tried to demonetise the gold currency. This led to liquidity crisis and at the same time the demand for silver coins aggravated. Government of India was not in favour of introducing gold currency and preferred paper currency to improve the situation. Therefore, in 1861 paper currency act was passed and paper currency was made the legal tender. However, these paper and silver currencies were not enough to cope with the increasing monetary demand. In the 1870's, silver metal was discovered in South America and Mexico. Due to this, in 1873, the value of silver drastically dropped in terms of gold. Consequently, there was a fall in the exchange rate and British imports got expensive. Large scale minting of rupee at that time gave rise to high inflation. Suggestion was made to adopt the gold standard and stop minting of silver coins. In 1893, minting of silver coins was stopped and Indian rupee was adopted as the legal tender. In the period 1898 to 1916, gold exchange standard was adopted and more emphasis was given to the exchange rate stability. In 1914-15, the exchange rate got weak and India was running out of gold to pay back its remittances leading to an increase in the demand of rupee. As a result, Government of India started minting rupee to tackle the situation. This created inflationary pressure in the economy. Dr. Ambedkar studied this matter in depth and commented on whether the gold standard or gold exchange standard would be

better for curbing the inflation in a country like India. In his doctoral thesis, he has mentioned that excess importance was given to exchange rate stability rather than price stability. According to him, exchange rate stability will benefit only the rich class of the society. Poor people will benefit only when there is an internal stability. He suggested keeping currency stable in terms of commodities and not in terms of gold. He was against the concept of linking money supply with gold. He pointed out that government under gold exchange standard tries to manipulate the currency to keep it at par with the gold value, which is not a good idea. He did not like the idea that government should manage the flow of the currency. He was afraid that government will not be able to manage it properly. He was not in favour of giving the power to the government to expand the money supply without expanding the production of goods and services since it can lead to an unstable currency value. Therefore, he strongly opposed the managed currency system and supported gold standards with some modification.

Contributions in Public Finance

In 1925, Dr. Ambedkar wrote a book on "The Evolution of Provincial Finance in British India". In this book, he has discussed about the origin, development and mechanism of provincial finance. He has also mentioned about provincial finance under Government of India act 1919. The period that he has covered in this book is from 1833 to 1921. He talked about the problem with the centralization of government finance in India from 1833 to 1871. He showed that in this period, the fiscal system was defective with destructive taxes and the expenditure done by the government was unproductive. After 1858, it was noticed that imperial government as the lawmaker did not administer the country whereas provincial government who administered the country did not have the power to make the laws. Provincial government used to make the budgets and imperial government had the right to finance these budgets. Practically speaking provincial government did not have power to raise its own funds and to create appointments in services. This gave the opportunity to the Government of India to interfere in the provincial administrative works. By this, Government of India started misusing its expenditures and as a result, they came under a terrible financial strain. Ultimately, in 1871, it was decided that provincial government should prepare its own revenue and expenditure budget. There onwards from 1871 to 1876, provincial finance was introduced in the form of a budget. Under this Diarchy system, financial responsibilities were divided among the provincial government and the centre. Dr. Ambedkar analysed that this kind of scheme led to high taxation, which was more dangerous.

The period from 1877 to 1881 was considered as the second phase of provincial finance. In this period, the provincial government used to produce the budget based on the assigned revenue.

In the third phase of the provincial finance, the budget was based on the shared revenue. According to Dr. Ambedkar, the earlier style of budgeting had very little room for the expansion of revenue, but this new style of budgeting based on shared revenue did not possess this kind of drawback. The revenue collected by either imperial government or provinces was shared among them. This scheme lasted for 38 years and after that in 1921 major fiscal reform was introduced.

Abolition of Khoti System

British government used to appoint some powerful persons known as Khots as middlemen between the British government and land holders. Khots were responsible for handing over the tax revenue collected for the entire empire to the British government. For this, they used to freely exploit and abuse the small landholders. Ambedkar moved a bill against the Khoti system in 1937, which was popularly known as "The Khoti Abolition Act".

Canons of Public Expenditure

In 1945, while discussing about the functions of Comptroller and Auditor General of India, Dr. Ambedkar pointed out that government should responsibly spend the public funds. The revenue which is collected from the public should be spent according to rules & regulations and due respect should be given to faithfulness, wisdom and economy. These principles of spending the public fund are known as Ambedkar's Canon of Public Expenditure. He further pointed out that even though the intention of spending the public funds may be correct, if the funds are not used wisely, the planning fails. In this context, he has talked about the

wisdom of government to spend the public money. By wisdom, he was indicating about the knowledge and experience which should be used while spending the public funds in a better way.

Problem of small holdings in India

The major problem of Indian agriculture is low productivity of land. One of the main reasons of low productivity is the small land holdings by the farmers. In 1917, a committee was formed to give suggestions on the problem of small holding in the state of Baroda. The committee gave a suggestion to consolidate the holding which can be cultivated by an individual farmer under the administrative measures. Dr. Ambedkar was in favour of consolidation of land holdings, but according to him, it should be state owned. State should acquire all the agricultural land from the private players, owners, tenants or mortgagers and pay them the right compensation. After consolidating the acquired land, it should allocate this land in a standard size to the original cultivators without any discrimination based on caste, creed and religion. He pointed out that land is only one factor of production. In order to increase the farm productivity, other factors like capital and labour should be rightly mixed with the land. Every factor is responsible for the low productivity of land. Because of insufficient capital, surplus labour and deficient irrigation, there is low agriculture productivity in India.

Ambedkar in his paper on 'Small Holdings in India and their Remedies (1918)' has suggested state owned cooperative farming and industrialisation as the remedial measures. Cooperative farming is a consolidation of land holdings by the farmers who collectively are willing to cultivate the land, but it should be under the rule and regulation of the government. He believed that this kind of practice not only increases the productivity but also reduces the cost of production.

According to Dr. Ambedkar, industrialisation can be an alternative solution for the vast disguised unemployment in Indian agricultural sector. Surplus labour in the agriculture sector can be transferred to manufacturing sector. In the 1950's, Noble Laureate Prof. Arthur Lewis formulated a dual economy model in which he tried to explain the same concept of shifting the idle labour from one sector to another which Dr. Ambedkar had already discovered as a solution for the idle labour in agriculture sector in the year 1918.

Other Contributions in the Economic Development of India

During 1942-46, Dr. B.R. Ambedkar initiated new water and power policy. The main purpose of this policy was to utilise the water resources of the country in an optimal way. For the development of the country, Dr. Ambedkar initiated the idea of building the first multipurpose river valley project known as Damodar Valley Project in Bengal and Bihar. Apart from this, he articulated the idea of other projects like Bhakra-Nagal Dam (Highest gravity dam), Hirakud Dam (Longest major earthen dam) and some river valley projects as well. He wanted that the Centre should control water resources and their management, so that the problem of water disputes, water starving etc could be resolved. To deal with the interstate river disputes, he urged the provinces to cooperate with each other and proposed "Inter-State Water Disputes Act" with "River Boards Act" in 1956. The first one was to settle the dispute between the states and the second one is all about how to regulate and develop the interstate valley projects. When he was the member of an executive council of Viceroy for the period 1942 to 1946, he established two organisations "Central Water Commission" and "Central Electricity Authority". These two organisations have largely contributed to irrigation and power supply in the country. He proposed the interlinking of major south Indian rivers. He was the person behind the development of the National Power Grid as well.

Contributions in labour laws

Dr. Ambedkar has brought several labour reforms during his time. In the 7th session of the Indian labour conference in 1942, he initiated to reduce the factory working hours from 12 hours to 8 hours. He also propounded to establish employment exchanges and to collect the statistical data under Industrial Statistics Act. He worked for the upliftment of women in the society. He has framed laws like 'Mines Maternity Benefit Act' and 'Women and Child Labour Protection Act'. He tried removing the ban on women employment in the coalmines. He also established 'Women Labour Welfare Fund' and fought to give maternity benefits to the women labourers. In 1943, Dr. B.R. Ambedkar framed the amendment in the Trade Union Act of 1926. In this amendment, he put forth the compulsory recognition of the trade union by the employers.

In 1944, Dr. Ambedkar enacted a bill for the safety of the employees working in the coalmines. This bill was known as Coal Safety Amendment Bill. In 1945, he introduced Mica Mines Labour Fund, which helped the

employees in coalmines to get housing, water, education, entertainment, transport facilities, medical facilities and better health and sanitation.

Conclusion

Dr. Ambedkar was a highly trained economist but his contributions in the field of economics were not recognised in mainstream economics. The reason behind this was that he was more popular as a political leader rather than as an economist. Nevertheless, whatever he has contributed to the field of economics is remarkable. This paper has discussed the important contributions made by Dr. Ambedkar in the field of economics. He strongly supported modified gold standard to curb the inflationary pressure in India. He discussed about the evolution of provincial finance under the British rule. While discussing about how to spend the public funds, he said that the spending should be based on the rules and regulations. Dr. Ambedkar was in favour of consolidation of small land holding in India by the state, and without any discrimination, it should distribute this consolidated land into a standard size to the original cultivators. He was a strong supporter of State Socialism. He also suggested 'Industrialisation' as a helpful and effective solution for both agriculture and Indian economy.

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