CHAPTER - VI

RANADE : HIS ECONOMIC VIEWS

British colonialism in India was fully structured during the 19th century - Indian economy was integrated with the British and World capitalist economy in a subservient position and India became a classical colony. Early 19th century Indian intellectuals took note of the many negative features of British rule. But ignoring these features and swallowing their patriotic pride and feelings, they supported British rule in the hope that Britain, economically the most advanced country of the world, would transfer its advanced science and technology and production techniques, its fast growing capital and its capitalist economic structure, organization and enterprise to India thus ushering in the industrial revolution and the development of its agriculture and industry. It was this potentiality of creating a modern industrial India which made many of them acclaim British rule as "providential" for nearly 100 years and to support the British rulers during the Revolt of 1857.

But the consequences of colonialism were very different. India was gradually underdeveloped and impoverished. Its traditional handicrafts were ruined, modern industrial growth was delayed and stunted, Indian agriculture first stagnated and then entered a prolonged period of decline and ruin, large sectors of Indian
economy - foreign trade, banking, plantations, transport, energy, modern industry and mining - came under foreign control. At the same time, an indigenous capitalist class did emerge during the second half of the 19th century even though it was cribbed and confined. What was perhaps more important, a nationalist intelligentsia took root during the same period.

The nationalist intelligentsia set out to examine through the method of "the concrete study of the concrete reality" the economic situation of the country, the nature of colonial rule and its impact on the Indian economy, and the quantitative and structural changes being brought about in it - in other words, to try to understand and analyse the causes of India's poverty, the nature of colonial exploitation and their relation to the structure of colonial economy and its inner dynamics. In this inquiry they fully utilised the historical experience of other countries as also contemporary economic theories. Gradually they developed a powerful critique of the economic condition of India and the role of British rule in its making, and of the primary or central contradiction between colonialism and the interests of Indian people.

However, a coherent and cohesive analysis of the character of the colonial economy and of its underlying forces based on a common perspective of independent modern economic development had emerged by the beginning of the
20th century. This analysis and perspective and the tradition of such analysis were the work of a large number of nationalist economists - the names of Dadabhai Naoroji, K.T. Telang, G.V. Joshi, G. Subramaniya Iyer, R.C. Dutt, P.C. Ray, Lajpat Rai, and G.K. Gokhale immediately come to mind. Mahadev Govind Ranade, made a major and original contribution to the emergence of this theoretical and scientific critique of colonial economy.

The issue of the political bearings of the nationalist economic agitation was to lead to a major divide among nationalist economic thinkers. Ranade was, in particular, to become a major leader of the "dissidents" in this respect. While Dadabhai Naoroji and most of the other early nationalists were to pursue their economic critique to its logical political conclusion, to link the failure of the administration to pay heed to their economic advice to the politically dependent status of the country, to conclude that British administration was "only the handmaid to the task of exploitation", and in the end to point out that control over political power was essential for the implementation of nationalist economic demands, Ranada tried to separate economic issues from politics and reduce his emphasis on economic demands which he felt could not be realized under colonial rule. Thus the "Ranade school of Indian economists" came to be differentiated from the Naoroji school not only in politics but even in emphasis on
specific economic demands even while the two shared a common critique of colonial economy.¹

Ranade published a number of studies in "The Sarvajanik Sabha Journal". On the lines of the Indian National Congress which dealt with politics and the Indian Social Conference which dealt with social reform, he wanted to start an Indian Industrial Conference to promote efforts for the economic advance of the country, but he did not succeed. He could, however, organise in 1890 the Industrial Association of Western India, and he expressed his views on economic matters in his addresses delivered before it. The range of topics was wide, covered almost every area, knitting industry, agriculture, finance, foreign trade, currency, tariff, role of the state, and economic theory into a single whole. He thus became the founding father of what came to be known as "Indian Political Economy". Ranade laid down:

"If in politics and social sciences, time, place and circumstances, the endowments and aptitudes of men, their habits and customs, their laws and institutions and their previous history have to be taken into account, it must be strange indeed that in the economic

¹ Bipan Chandra: Ranade's Economic Writings, PP.VII ff.
aspect of our life, one set of general principles should hold good everywhere for all time and place and for all stages of civilization."^2

When we examine Ranade's writings and addresses on economic subjects, we find there one dominating purpose. That purpose is to lay bare the causes of India's deep and widespread poverty, and to impress upon the public the lines along which the solution of that poverty problem is to be found. There is a massiveness of effect about these writings, with their underlying unity of aim and their elaborate historical parallels. His conclusions are based on facts obtained with painstaking care. He aims always at what he thinks to be practicable. His words are courteous even in attack or censure. With his characteristic dislike of barren controversy, he asserts that the question of India's comparative improvement or decline under foreign rule is a matter of only antiquarian interest, and that the practical question to lay to heart is not the relative, but the absolute poverty and present helplessness of the country generally.

Dependence upon the single resource of agriculture, Ranade regards as the Chief Cause of India's poverty:

2. Quoted In D.G. Karve, Ranade - The Prophet Of Liberated India P.43.
"We have been all along, like most ancient nations, more or less exclusively agricultural. But our contact with the World outside, and the freedom of exchange which has resulted in consequence, have produced one most undesirable result. They have aggravated the situation by making us more than even dependent upon a single and precarious resource. The industry and commerce of the country, such as it was, is passing out of our hands, and, except in the large presidency towns, the country is fed, clothed, warmed, washed, lighted, helped, and comforted generally by a thousand arts and industries in the manipulation of which its sons have every day a decreasing share. Foreign competition not because it is foreign, but because it is the competition of nature's powers against man's labour - it is the competition of organized skill and science against ignorance and idleness - is transferring the monopoly not only of wealth, but what is more important, of skill, talent, and activity of others".  

Overall, the sources of India's national income were being narrowed down and the Indian economy was, consequently, in a precarious condition:

3. **Inaugural Address At The First Industrial Conference, Poona, 1890, P. 174.**
"When the whole situation is thus taken in at one view, we feel that we are standing on the edge of a precipice, and the slightest push down will drive us into the abyss below of unmixed and absolute helplessness".  

Ranade's three major concerns in the economic field were: Industrial development, agrarian structure and agricultural development and political economy.

**INDUSTRIAL DEVELOPMENT**

Like other nationalists, he gave intense and undivided commitment to economic development which he saw, above all, as the development of modern industry. As we have seen above the repeatedly pointed to the paralysis of the traditional handicraft industries under British rule. But we also accepted that their revival was no longer possible. "No Hand-made Industry", he wrote, "can hope to thrive in competition with industry moved by cheap natural Agents". The remedy of the existing backward and disrupted economic condition, therefore, lay in modern industrial development which Ranade advocated with passion and urgency. The urgent task was to organize "Cooperation" as the Indian capitalists had started doing and thus "to compete with the Foreigner" by working up raw materials through modern development.

---

4. IBID., as cited in Bipan Chandra, Ranade's Economic Writings, P. 273.

5. IBID.: P. 278.
machines and thus, simultaneously, providing employment to India's Working Classes. True this would mean working "against odds", for Indians had to go against old traditions and to compete with advanced countries "whose industrial organization has been completed under more favourable circumstances than our own". And so he made one of his rare, fervent exhortations to his fellow countrymen:

"This is the practical work which Providence has set down for us to learn under the best of teachers .... We have to improve our Raw Materials, or import them when our Soil is unsuited to their production. We have organize Labour and Capital by co-operation, and Import freely Foreign Skill and Machinery, till we learn our lessons properly and need no help. We have rusticated too long, we have now to turn our apt hands to new work, and bend our muscles to sturdier and honester labour. This is the Civic Virtue we have to learn, and according as we learn it or spurn it we shall win or lose in the contest ...."

Giving overt expression to his optimism and concluding his 1893 paper on the "Present State of Indian Manufactures and Outlook of the Same", Ranade said that despite having to work against "great odds" - old traditions, poverty of developed resources, "the hostile competition of advance races, whose industrial organization has been completed under more favourable conditions than our own", and the Free-Trade
Policy of the Government - "We may win, if we will only preserve in our efforts, and direct them by cooperation on a large scale into the proper channels."

Apart from colonial domination, "the hostile competition of advanced races" and the free-trade policy of the Government, there were certain other obstacles to industrial development. The shortage of capital available for investment was one of these major obstacles: "Just as the Land in India thirsts for water, so the Industry is parched up for want of capital". Why was this so? The accumulated capital and savings of the Indian people were scantily, said Ranade. Moreover, a large part of this potential capital was mopped up by the state through taxation. In any case, the desire for accumulation was rather weak because of the absence of peace and security in the past and the religious ideals of life which condemned the "ardent pursuit of wealth". There was also "an almost complete absence of a landed gentry or wealthy middle class" which, in Ranade's calculation, were the chief agents of accumulation of capital and its use in agriculture, trade

6. Read At The Industrial Conference, Poona, in 1893. Published in J.P.S.S\textsuperscript{+}, October 1894, Volume XVII, No.2.

\* Journal Of The Poona Sarvajanik Sabha.

7. Netherlands India And the Culture System, April 1890 Volume XII, No.4.
and industry. Then there was "the economic drain of wealth and talents" because of foreign domination.  

Even so, Ranade believed, there was plenty of capital "ready to hand awaiting secure investment". The problem was that of its mobilization and utilization. Unfortunately, most of this capital was scattered and immobile. Indian social institutions and laws encouraged "subdivision and not concentration of wealth". The habit of mobilizing the scattered capital resources of the country through joint-stock companies was not developed. Instead, savings were either spent unproductively, for example in purchase of expensive jewellery, or hoarded and buried under one form or another. India also lacked modern banks and other credit institutions through which scattered savings could be canalized into modern industries." Hoards of Capital" were, of course, "stored up" in the Presidency and Other Exchange Banks, but they were not available to Indian entrepreneurs.  

He said:

"What we have to do is to learn by organized co-operation to compete with the foreigner, and take in as much raw produce from abroad as we need, and work it up here, and to send in place

8. Indian Political Economy, Lecture Delivered In The Deccan College, Poona, In 1892; And Published In JPSS, January 1893, Volume IX, No.3.

9. The Re-Organization of Real Credit In India, Volume XIV, No.1.
of our exports of raw produce the same quantities in less bulky but more valuable forms, after they have undergone the operation of art manipulation and afforded occupation to our industrial classes."

He believed that there were solid grounds for expecting success:

"Natural aptitudes, undeveloped but unlimited resources, peace and order, the whole world open to us, our marvellous situation as the emporium of all Asia - these priceless advantages will secure success, if we endeavour to deserve it by striving for it".

The remedy, said Ranade, lay in the people taking out their hoarding and turning them to "capital account", and in better organization of capital through the promotion of modern banks, insurance companies, etc. so that those who saved could be brought "face to face" with those who needed capital for investment. Above all, since modern industry made "large investments of capital a necessity, and thus handicaps all individual efforts beyond rivalry", Indians must learn to cooperate and combine individual efforts by adopting the institution of joint-stock companies for large

10. "The Present State Of Indian Manufactures And The Outlook Of The Same". P.111.
11. Netherlands India And The Culture System, P.84.
12. The Re-Organization Of Real Credit In India, Volume XIV, No.1.
undertakings.\textsuperscript{13}

According to Ranade, there was a positive correlation between industrial and economic development and a people's social institutions, customs, psychological make up - "habits of mind" and culture in general. Change from a rural to an industrial economy presupposed, wrote Ranade, "a change of habits, it postulates the previous growth of culture and a spirit of enterprize, an alertness of mind, an elasticity of temper, a readiness to meet and conquer opposition, a facility of organization, social ambition and aspiration, a mobile and restless condition of capital and labour". All these bourgeois virtues developed over "Centuries of Freedom and Progress". But if Indians wanted to develop into a manufacturing country they had to be acquired.\textsuperscript{14} Similarly, referring to the paucity of iron and coal in India, Ranade said that, though abundance of iron and coal explained the success of foreign competition, for more important than these materials was "the spirit and skill which work them and which conquered India long before Steam Power came into use." "If we but acquire the spirit and the skill", he exhorted, "the resources will be

\textsuperscript{13} Industrial Conference, As Cited In Bipan Chandra, Ranade's Economic Writings, PP. 278-9.

\textsuperscript{14} Indian Foreign Emigration, Volume XVI, No.2.
discovered in yet unexplored situations all over the country. Through his historical essays he tried to show how this "spirit", the qualities of daring and organization, a restless condition of mind, and the facility of organization were to be found in abundance in the days of Shivaji and his successors and how Brahmanical domination under the Peshwas had led to retrogression. The remedy to the present situation lay in the radical altering of the social institutions and social outlook of the people and the imbibing of the new spirit of capitalism. "You cannot have a good economic system when your social arrangements are imperfect."

Ranade was a most consistent and vocal supporter of the idea that the state in India had to play a crucial role in the promotion of industrialization and economic development. He delineated the active role of the state in the economy not only forcefully but even with some originality. Ranade was convinced that the Indian capitalist

---

15. Industrial Conference, As Cited In Bipan Chandra, Ranade's Economic Writings, PP.274.
17. M.G. Ranade: Miscellaneous Writings, P. 231.
class on its own would find it difficult to industrialize the country for it lacked knowledge, had a weak financial base and faced a narrow internal market and uncertain business prospects. It would, on the other hand, respond positively if state support and protection were extended to it, and if it was covered against early risks of enterprise. Hence he advocated a comprehensive and systematic policy of state aid to individual enterprise. The other side of the model was that the state in an underdeveloped country had a duty, an obligation to actively aid economic development. The state, he said:

"Is now more and more recognized as the National Organ for taking care of National needs in all matters in which individual and cooperative efforts are not likely to be so effective and economic as National effort. This is the correct view to take of the true functions of the state."¹⁸

In India, the state's role was enhanced further because of the absence of protection. Ranade launched a frontal attack on the validity of Laissez-Faire as a doctrine of state functions, particularly as applied to an economically backward country like India. At the same time, he discussed the past and present practices of the Government to show

¹⁸. Indian Political Economy, As Cited In Bipan Chandra Ranade's Economic Writings, P. 344.
that it had not followed a Laissez-Faire policy and had, instead, taken a direct and active part in pioneering and promoting British industrial and commercial enterprises and granting special privileges to British capitalists in India. It had promoted railway construction by giving state guarantees of profit to private railway companies, and later it had itself taken up the construction of state railway. It had pioneered at great state expense the introduction of Cinchona, tea and coffee plantation in the country. It had given favourable concessions to iron industry and spent considerable state funds in the form of geological surveys, experimental trials and subsidies for its promotion. It had been worked for a long time several coal mines on its own account. There was thus no question of enunciating a new principle in the matter of state aid to industry, "the principle of state-help and guidance in pioneering new enterprise has thus been accepted and acted upon by the Government here." The question only was that of the form and character of state aid and the nature of enterprises to be aided. The principle should be that of catering to the "Indian Wants". Instead of promoting plantations and infrastructure in the form of means of transport, as in the past, state aid should now be diverted to the promotion of modern manufacturing industries:

"Facilities of communication are certainly desirable advantages", wrote Ranade, "but more desirable still is the capacity to grow higher kinds of produce, and develop manufacturing and industrial activities .... A Railway runs from one end of the country to the other, and leaves no permanent impression upon the face of the country, at least none so durable and penetrating as that which surrounds a great Manufactory." 20

In the choice of industries to be taken up for state support, Ranade suggested certain priorities. A major consideration was to be that of import substitution, availability of raw materials and the needs of further industrial development. Keeping all these factors in view, Ranade recommended that Iron and steel industry and coal mining should be assigned the top priority, 21 because iron and steel industry typified "the Resources of Wealth on which our future prosperity mainly depends." 22

State aid and encouragement to industry and agriculture could take many, varied forms. Following were some of the ways, advocated by Ranade, for the promotion of economic development by the state: (1) Since according to Ranade a major lacuna in Indian industrial effort was the

21. IBID.: P. 300.
lack of adequate and cheap capital in the hands of Indian entrepreneurs, state aid's most important role was "to supply this want". This it could do, first, by helping mobilize and concentrate the existing scattered capital and transform it into industrial capital through state assisted banks and other credit institutions which should be given facilities for the recovery of loans. Second, and more important, it should directly advance loans to Indian capitalists at low rates of interest and under proper supervision. The Government might itself borrow money to make these loans, or it might create special financial corporations which would borrow funds from the Government at low interest and advance them as loans to rural or urban industrialists. Local or municipal boards might also be empowered to perform this function of acting as intermediaries between the Government and the entrepreneurs. Government could lend the savings deposited with it, which were "wholly unproductive", to the local bodies, financial corporations and district corporate banks for this purpose. Thus, "each District might thus have a Fund to develop its resources in its own way, and several Districts might

23. [Netherlands India And The Culture System, IBID., P. 299.]

24. [Industrial Conference, IBID., PP. 276-9.]

25. [Iron Industry - Pioneer Attempts, IBID., P. 364.]
combine together to support a strong undertaking for common advantage". The Government should, of course, exercise proper supervision over the disbursement of these loans, "with judicious supervision the whole face of the Country might be changed in the course of a few years." 26

(II) The Government should induce investment in new industries by providing security to the investors by giving guarantees of minimum profit similar to those given to railway companies. 27 This guarantee was particularly needed for an industry like the iron and steel industry where "no dividend can be expected for the first few experimental years" and where "no Capitalist Would Venture, unless the concessions are liberal, and a subsidy promised on the plan which helped the Guaranteed Railway Companies to obtain their capital". 28 (III) The Government purchased a large part of stores abroad. These stores constituted a considerable part of Indian imports of manufactured goods. Ranade argued that the Government should purchase these stores in India and thus give a powerful impetus to indigenous industrial efforts. 29 Advocating a radical departure from the policy of Laissez-Faire, he suggested that when some items of these stores were not available in India, the

29. Industrial Conference, IBID., PP. 276-79.
Government should manufacture them in state factories. Generalizing this suggestion, he also asked the Government, though in a rather low key, to pioneer new industries. 30

Even though emphasizing active state assistance, all his life Ranade held that finally economic regeneration must come from Indian people's own efforts, self-help and self-reliance had to be their watchwords. This was the conclusion to his public lectures in 1872, and in his inaugural address to the first Industrial Conference in 1890, he said:

"State help is, after all, a subordinate factor in the problem. Our own exertion and our own resolution must conquer the difficulties, which are chiefly of our own creation." 31

In pursuance of this self-help, Ranade undertook or advocated several steps. He pioneered the Industrial Association of Western India in 1890 and the Industrial Conference which first met at Poona in the same year with a view to promoting the creed of industrialism, awaken interest in industrial development, arouse the spirit of enterprise, create a confident and hopeful industrial outlook, and diffuse information regarding the scope and opportunities for various enterprises. His numerous articles and addresses on economic problems had the same

30. *Indian Political Economy*, IBID., PP. 344-45.
objectives in view. He played an important part in the organization of several industrial ventures at Poona - the Cotton and Silk Spinning and Weaving Factory, the Metal Manufacturing Factory, the Poona Mercantile Bank, the Poona Dyeing Company, and the Reay Paper Mill. According to Gopal Krishna Gokhale, most of the industrial and commercial undertakings that have sprung up in Poona during the last twenty years owe a great deal to his inspiration, advice, or assistance.

AGRICULTURAL STRUCTURE AND AGRICULTURAL DEVELOPMENT

The agrarian problem occupied a large part of Ranade's intellectual activity. He dealt at length with the relation between the peasant and the colonial state, the peasant and the landlord, and agriculture and industry. He also put forward the broad outlines of a capitalist agrarian structure as an alternative to the existing semi-feudal agrarian structure. In fact, all his analysis was based on the need for "free" peasants and investing landlords.

During the period of Ranade's intellectual endeavours, land revenue was the most important source of public income. Since in Bengal, Bihar and Orissa and part of Madras land revenue was permanently fixed at the end of the 18th century and was collected through zamindars and

32. Mankar: M.G. Ranade, Volume I, pp. 82-83.
other intermediaries, the problem of relation between the peasant and the state did not concern these areas. Here it was the relation between the peasant and the landlord or the zamindar which mattered. On the other hand, in the Ryotwari areas the state taxed the peasant directly. In these areas and in temporary settled zamindari areas the system of assessment and the pitch of land revenue became the subject of concern and controversy. Ranade was at one with the other nationalist economists and nationalist opinion in a critique of the official land revenue policy as being based on a high rate of assessment, undue upward revision during periodic reassessment and a rigid system of collection.  

Renade initiated the nationalist critique of the land revenue policy in the course of a series of articles in the Journal of the Poona Sarvajanik Sabha from 1879 to 1884. Thus, in 1879, he pointed to "the unwelcome truth" that operations of the Bombay Revenue Department "had pauperised the country".  

In 1881 he contended that "the revenue policy of the Government is responsible to a great extent for the present condition of the agrarian classes", that no other agrarian reform would "lead to any permanent beneficial result as long as the pressure of land revenue

34. Bipan Chandra: Ranade's Economic Writings, PP. XXX - XXXI

under the existing system of assessment continues unabated", and that "the state monopoly of land and its right to increase the assessment at its own discretion are the two most pre-eminent obstacles in the way of the growth of our material prosperity". 36

According to Ranade, a major negative aspect of the revenue system, as it operated in Maharashtra, was the immoderately high pitch of assessment which was continuously enhanced at each recurring settlement to a level which transformed land revenue into a virtual rack rent. 37 For example, he wrote in 1881:

"The only guarantee against excessive enhancement, which is found effective where land is held in private right, is the competition of the landlords among themselves. There is no place for this guarantee under the Indian system, because the land is the monopoly of the State, single and individual. The absence of such a check has resulted in wholesale enhancements all over the country to an extent of which the Government itself is now ashamed." 38

36. Land Law Reform And Agricultural Banks, Volume IV, No. 2.

37. The Agrarian Problem And Its Solution, As Cited In Bipan Chandra, Ranade's Economic Writings, PP. 5-9.

38. Land Law Reforms And Agricultural Banks, IBD., P. 175.
Land revenue thus absorbed more than half the "net or owner's economic rent". In the case of inferior lands, land revenue was even more onerous as it trench upon the wages of the cultivator and the profits of his capital. As he put it in 1879:

"Further as on all inferior lands the cost of cultivation and of the Ryot's subsistence approaches very nearly the whole value of the crop, no profits are earned by him, as he subsists only because he works on his field. There can be, therefore, no economic rent, and the Ryot pays the Government land-tax, either with borrowed money, or else from income derived otherwise than from his land."

Consequently, enhanced assessments in the revised settlements had "destroyed all private property in land". Settlement officials, moreover, disregarded the official provision guaranteeing non-taxation of private improvements in land, nor did they provide for any increase in the standard of life or "the wants of an increased population, with diminished resources of waste lands to fall back upon". In general, the periodic enhancements were capricious", and full of "defects and fault", they were made in a "haphazard" manner and "without reference to any principle". The principle of classification of soils followed by the

40. IBID: P.9.
settlement officers was also faulty. These defects and the resulting evil of high assessment were known to the officials and had been brought out by the Deccan Riots Commission, but they were kept up only because of "the strong tie of official comradeship, at once both the strength and the bane of all bureaucratic oligarchies." Proof of the severity of the revenue demand lay in the annual remissions and suspensions of the demand that had to be made in the large number of peasant holdings sold for arrears of land revenue, and in the incidents of dacoities and peasant riots. Summing up his critique of the periodic enhancements of revenue, Ranade wrote in 1884:

"These ever-recurring revisions are a very serious evil as they, so far from settling, unsettle men's minds, and create uneasiness by reason of their uncertainty. They harass the agricultural classes, and engender discontent by mistakes in assessments, they check expenditure on improvements, deteriorate the standard of agriculture, and involve great delay and heavy cost".

Rigidity of the assessment, said Ranade, was another major fault of the revenue system. He also complained that the peasant was made to bear a much larger burden of public

41. IBID.: PP. 3-4.
42. IBID.: PP. 6-8.
43. Proposed Reforms In The Resettlement Of Land Assessments, Volume VI, Nos.3.
44. The Agrarian Problem And Its Solution, As Cited In Bipan Chandra, Ranade's Economic Writings, P.8.
revenue than was borne by other classes of society. He recognized that some of the weaknesses of the revenue system had their roots in the Government's adherence to the Ricardian theory of rent and in its belief that the state was the landlord or owner of land in India and that, therefore, land revenue was not a tax but rent in the Ricardian sense. Consequently, he set out to question and demolish both these premises of official policy. The conclusion was obvious to Ranade: there could be no agricultural development or improvement in the condition of the ryot without a proper reform of the land revenue system:

"All that they (ryots) demand is freedom from the oppressive dead-weight of revenue settlements, which paralyse their energies, and dissipate their strength in the hopeless struggle to better themselves in the social scale. Let the weight of this heavy hand be lightened, and the inner springs, activity and elastic power, will surge up in an upward movement of material well-being...."

But how was "the weight of this heavy hand" to be lightened? In the short-run, Ranade favoured reduction in the burden of land revenue, remission and scaling down in case of failure of crops and scarcity, modification of its rigidity, its payment in kind or

45. Land Law Reform And Agricultural Banks, IBID., P. 178.

46. IBID., P. 179.
at least in the form of a share of the crop, and scrupulous adherence to the principle of non-taxation of improvements carried out by the ryots. But, in the long run, no tinkering or trifling, no palliatives would work. The remedy must deal with the basic problem. It lay in permanently limiting the state demand on land so that "the magic of property" could operate freely in the countryside and the ryot, freed from the grasp of the settlement officer, felt that the land was his own property and exerted himself to save and invest in land, to improve the soil, and to use the latest scientific methods.  

The case for the permanent settlement of land revenue was cogently argued by Ranade in nearly all of his early writings. He wanted permanent settlement of revenue with the ryots, he argued for "a permanent Ryotwari Settlement fixed in grain" and not the Zamindari settlement on the Bengal pattern. He was keen to meet the objection that the permanent settlement of land revenue would lead to loss of revenue, especially in case of a price rise. First, he argued that the increase in agricultural production and prosperity would lead to such an increase of government's revenue from other direct and indirect taxes that it would make up any loss due to the

47. The Agrarian Problem And Its Solution, IBID., PP. 8 ff.

permanent settlement. Second, in a spirit of compromise, he suggested a modification under which land revenue would be fixed in perpetuity but could be changed on the sole ground, and to the extent, of changes in prices, whether upward or downward.

In general, Ranade opposed the existing semi-feudal agrarian relations in the zamindari as well as ryotwari areas and advocated their restructuring on an entirely new capitalist footing. In this he was powerfully influenced by land legislation in Prussia, Russia and France. The magic of property and free institutions were responsible for the wonderful change in French agriculture. The Prussian state encouraged the growth of absolute property both in the landlord class and in the peasantry. It removed the hurdles which prevented the individual from attaining the degree of well-being which he was able to achieve by his own efforts and capacity. In 1883, after a detailed critique of the Bengal Tenancy Bill, he put forth his own proposals based on the pattern of Prussian land legislation:

"While the Bill would create an artificially defined class of subordinate Tenants tempted on all occasions to throw off their subjection, and a Landlord class hemmed in on all sides by inconvenient obligations, we would create an entirely independent Peasantry trained by thrift to prize its independence, and at the
same time confer as absolute property in their lands on the Zamindars and Tenure-holders."  

Thus, Ranade's model of capitalist agriculture was two-pronged. The majority of the cultivators, - "the backbone of its (the country's) strength and prosperity" - would be free and independent peasants, who would be unencumbered in every way, who would enjoy their property in absolute possession, and who would therefore save and invest and work hard on their lands under the inspiration of "the magic of property". But this alone would not suffice. In Indian conditions, agriculture based entirely on small peasant proprietors would neither be stable and progressive nor utilise the best energies of all classes of people nor make proper use of irrigation facilities, advanced techniques, etc. "A complete divorce from land of those who cultivate it is a national evil, and no less an evil is it to find one dead level of small Farmers all over the land", he wrote. Therefore, for a proper and balanced development of agriculture, it was necessary to have, he asserted, a large class of agrarian capitalists,


who would be, unlike the Bengal Zamindars, complete owners of their land on the model of British landlords or German junkers". "If this country sadly wants a proved and independent Yeomanry as the backbone of its strength and prosperity", he wrote in 1883, "it no less equally needs the leading and the light of Propertied men". As early as 1879 he had written: "The monied classes, having no interest in the land, cannot occupy the position, nor enjoy the status, nor discharge the functions of landlords. The absence of such a class retards progress in all directions." And then expressed the hope that, once the land was free of artificial restrictions," the provident and thrifty classes will succeed to the ownership of land, and a class of landlords will spring up all over the country, whose interest it will be to make the most of the resources of the soil, and of the great public works constructed by the Government." To sum up, Ranade advocated that agrarian relations should be based on the creation of two new and basic agrarian classes which would live side by side: (a) a large petty land-owning peasantry which would be free of all encumberances, whether of the state or the landlords, and which would be bolstered by a permanent and low land tax and the provision of cheap credit through agricultural banks,

52. IBID.: PP. 232-3.
53. The Agrarian Problem And Its Solution, IBID., P.16.
and (b) a large class of capitalist farmers and landlords who, being unhampered by any tenancy rights or other restrictions, would be in complete possession of their land and in a position to invest capital, improve the soil, use fertilisers and better seeds, etc., and utilise the latest, advanced techniques.

**INDIAN POLITICAL ECONOMY**

Ranade worked out elements of the concept of Indian Political Economy in several of his articles, but it took concrete and well-worked out from in his classic address on "Indian Political Economy" delivered at the Deccan College, Pune in 1892. His basic formulations have been discussed at length by several economists. Their influence was felt by most of Indian economic writers till the 1930s and even till the 1940s when the influence first of Alfrad Marshall and the Neo-Classicists and then Keynes and Keynesians started becoming predominant. His formulations were also subscribed to on a wide scale by his contemporaries - and not only by economists like G.V. Joshi and G. Subramaniya Iyer but also others who commented on economic issues in the Press and on the platform. Just as in his economic policy formulations he had used the historical experience of other countries, in his theoretical framework he was deeply influenced by 19th century economists. In particularly, he turned to those European and American economists who were dissenting in
important aspects from many of the tenets of British Classical Political Economy, though he was influenced by J.S. Mill and used him to support several of his own propositions. 54

He shows that the earlier writers regarded political economy as a science of abstract truths like physics or astronomy. They did not sufficiently realise that their theories did not deal with men as they actually exist. They made a number of assumptions which they took to be universally true and applicable to all times and all places. So far as these assumptions are approximately true of any society, they can furnish valid explanations of its economical statics, though even then, Ranade insists, they would afford no suggestion as to its dynamical progress or development. But the assumptions are literally true of no existing society, and in a society like that existing in India, they have hardly any validity at all. Arguing with those who urged non-inference by the state in the economy, on the authority of the Classical economists, he said that they "forget that Political Economy, as a hypothetical a priori Science, is one thing, while Practical Political Economy as applied to the particular conditions of backward Countries is a different thing altogether". And

he added: "American, Australian and Continental Political Economy, as applied in practice, permits many departures from the a priori positions of the abstract Science". 

Ranade says, it is obvious that in Societies like ours, they are chiefly conspicuous by their absence. With us an average Individual man is, to a large extent, the very antipodes of the Economical man. The family and the Caste are more powerful than the Individual in determining his position in life. Self interest in the shape of desire of Wealth is not absent, but it is not the only principal motor. The Pursuit of Wealth is not the only ideal aimed at. There is neither the desire nor the aptitude for free and unlimited Competition except within certain pre-determined grooves or groups. Custom and State Regulation are far more powerful than Competition, and Status more decisive in its influence than Contract. Neither Capital nor Labour is mobile, and enterprising and intelligent enough to shift from place to place. Wages and Profit are fixed, and not elastic and responsive to change of circumstances. Population follows its own Law, being cut down by Disease and Famine, while production is almost stationary, the bumper harvest of one year being needed to provide against the uncertainties of alternate bad Season.

55. *Netherlands India And The Culture System*, IBID., p. 297.
In a Society so constituted, the tendencies, assumed as axiomatic, are not only operative, but are actually deflected from their proper direction. You might as well talk of the tendency of mountains to be washed away into the sea, or of the valleys to fill up, or of the Sun to get cold, as reasons for our practical conduct within a measurable distance of time.  

It is to be noted that Ranade did not deny the value of economic theory or the validity of economics as a science within specific conditions. Like Carey and List, he assumed the premises of Classical economics but not their a historicity, he wanted economics to be adapted to specific historical conditions. At the same time, he specifically criticized the effort to reduce the "Economical Science" to "an Art", to "the position of a rule of Thumb". He only wanted to make economics more subtle and scientific by basing it on practice. He wrote:

"Theory is only enlarged Practice, Practice is Theory studied in its relation to proximate Causes. The Practice is pre-determined by the Theory which tests its truth, and adapts it to different conditions by reason of its grasp of the deep-seated, permanent, and varied basal truth."  

56. Indian Political Economy, PP. 9-10.  
57. IBID.: As Cited By Bipan Chandra, Ranade's Economic Writings, P. 336.
Ramade further suggested that economics being a social science its principles were to be derived historically through the study of specific economic activities of nations and not deductively so that they were closely linked with historical experience, practical observation, and social reality. He quoted J.S. Mill from his preface to make his point:

"For practical purposes, Political Economy is inseparably intertwined with many other branches of Social Philosophy. Except in matters of mere detail, there are perhaps no practical questions, even among those which approach nearest to the character of purely Economical questions, which admit of being decided on Economical premises alone."

Ranade differed from Classical economists on another ground: their "a priori conclusions" were "based on individual self-interest and unrestricted competition", whereas he wanted economics to take into consideration "the predominant claim of Collective Welfare Over Individual Interests". Nor need Collective Welfare and Individual interests necessarily coincide, as the Classical economists assumed. Instead, Ranade supported List's view that "the permanent

58. IBID., PP. 336-37.
59. IBID., P. 326.
60. IBID., P. 337.
interests of Nations were not always in harmony with the present benefit of individuals". Consequently, he came to the conclusion that "the Individual and his Interests are not the centre round which the Theory should revolve, that the true centre is the Body Politic of which that Individual is a Member, and that Collective Defence and Well-being, Social Education and Discipline, and the Duties, and not merely of Interest of men, must be taken into account, if the Theory is not to be merely Utopian." 61

The Laissez-Faire theory of the functions of the state was one of the tenets of Classical economists that was challenged vigorously and consistently by Ranade. On this, his break with the Classical economists was almost total. In his address on "Indian Political Economy" he rejected the idea that the state should confine its activities to the simple one of maintaining peace and order, and pleaded for the widening of the horizons of state activity so that it became "the National Organ for taking care of National needs in all matters in which individual and cooperative effort are not likely to be so effective and economic as National effort". 62 And he was to remark in 1896 in his address to the Social Conference:

61. IBID., P. 336.
62. IBID., P. 344.
"The State after all exists only to make the individual members composing it nobler, happier, richer and more perfect in every attribute with which we are endowed." 63 Ranade applied this doctrine of the state being the guardian of the entire community to fields where there was need for "protection of the weak against the strong". 64 Ranade also argued that the state must intervene for "protecting the masses against the classes and the weaker races against the pressure of the stronger and more advanced Nations under the regime of competition". 65 For that reason, he justified the attempts of the state to protect agricultural labourers, tenants, factory workers and the indebted ryots against landlords, capitalists, and moneylenders, argued for more equitable distribution of national wealth, and asked for the reconsideration of "the Orthodox Views of Finality in such matters". 66 In 1883, even while disapproving of "the direction and spirit of the Bengal Rent Bill, he had held that, since the zamindars pressed heavily upon the peasant majority, remedial legislation was "urgently required to check these evils" and that "the Government, in its capacity as Sovereign, has every right to undertake

63. M.G. Ranade: Miscellaneous Writings, P. 172.
64. Indian Political Economy: As Cited In Bipan Chandra, Ranade's Economic Writings, P. 343.
65. IBID., P. 333.
66. IBID., P. 343.
Legislation intended to remove admitted and general grievances." Similarly, in 1880, while arguing for permanent ryotwari settlement and against any restrictions on the right to transfer land and asking the Government to let property gravitate to those who had knowledge and capital to invest, he had proposed that "if differences subsequently spring up between class and class, as they have on occasions sprung up in Bengal, the Government can interfere as a mediator, and right matters by protecting the weak against the strong."68

To sum up, Ranade's general economic thought, it can be said that he brought in the form of four farward broad formulations: (1) the same propositions of economics or economic doctrines cannot be applied to countries at different stages of economic development, (II) these propositions should be formulated in the context of the general social conditions and economic needs of the country, (III) economic ideas and policies should serve and be subjected to socially derived and socially integrated goals and perspectives, and (IV) since India's economic conditions and interests differd from England's, the principles of economics applicable to it must also be different or


68. The Law Of Land Sale In British India, IBID., PP. 78-9.
at least should be differently applied. All these formulations have been very significant in the development of economic thinking and policy perspectives in India. Certainly, hardly any economist or political leader has questioned them. At the same time, it would not be correct to suggest, as some have, that Ranade initiated any specifically "Indian Economics" or "Indian system of economic ideas or theories". Ranade did not discover or put forward any new economic laws which would be specifically applicable to Indian conditions. His economic thought was really an effort to adjust the assumptions and theories of the Classical economists and their later-day European, American and British critics to the Indian economic reality. It might almost said that the "Indian Political Economy" which Ranade tried to bring into being and which got the support of his contemporaries as well as the next two generations of economists in India was more an attitude of mind, an approach towards Indian economic problems, and a method of economic reasoning than a system of economic thought.

This was largely due to the fact that despite his vast learning, razor-sharp intellect and a theoretical, reflective frame of mind, Ranade's interest in economic theory was secondary or derivative. He made no attempt to grapple with theory per se, and concentrated on concrete economic problems within the general framework of removing
obstacles to economic development. His comments on economic theories arose out of his effort to change specific colonial policies and to reverse the ongoing colonial pattern of economic under-development. Because the British administrators in India as well as in Britain invoked the authority of Classical economics to bolster their policies and to oppose Indian nationalist demands, Ranade felt it necessary to challenge the universality of Classical economics and its applicability to India under all circumstances.

Thus, as noticed, he took on the doctrine of Laissez-Faire because it was coming in the way of state assistance to industries and agriculture, the Ricardian theory of rent because it was used to justify the high pitch of land revenue and to deny the permanent settlement of land revenue, and the doctrine of free trade because it was used to justify the refusal to grant protection to Indian industries and the repeal of cotton import duties. In fact, it would not be wrong to say that he had tried to evolve some sort of political economy of growth in which developments in industry, agriculture, foreign trade and the role of the state were intertwined with modern industry playing the lead role. He also, along with Dadabhai Naoroji and G.V. Joshi, created the initial public opinion among the intelligentsia on problems of political economy and issues of
economic development. Moreover, his considerable talent as an economist and publicist and his promotion of an "Indian Political Economy" and the idea of relativity of economic doctrines were used by Ranade not to justify the so-called indigenous or pre-modern pattern of Indian economy but to struggle for its development along the most modern industrial capitalist lines. It is, therefore, not surprising that the strategy of development in industry and agriculture followed in post-independence India bears the strong imprint of his ideas.