# Chapter - 3

**Dr. Ambedkar’s Thoughts on ‘Economics’, ‘State Socialism’ and ‘Economics of Caste System’ and Its Impact on Labourers**

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Dr. AMBEDKAR’s THOUGHTS ON ‘ECONOMICS’, ‘STATE SOCIALISM’ AND ‘ECONOMICS OF CASTE SYSTEM’ AND ITS IMPACT ON LABOURERS

AN OVER VIEW:

Dr. Bhim Rao Ramji Ambedkar was one of the most illustrious sons of India of this century. His great contribution as the principal architect of the Indian constitution is widely acclaimed. His varied contributions as a scholar, educationist, journalist, authority on comparative religions and above all, as a champion of human rights for the downtrodden masses in India are also widely recognized. Yet there remains one crucial aspect of his multifaceted genius that has not been fully appreciated, that is, his contributions as a economist.

As a matter of fact, Ambedkar was an economist by his basic training. In 1917, he carried his doctorate in economics at the Columbia University, U.S.A. Again, the degree of Doctor of Science (D.Sc.) which the London School of Economics conferred on him in 1921 was for his research in Economics.

Dr. Ambedkar’s professional career bears a distinct imprint of an economist. Various memoranda and statements that he submitted to the Government (under the British rule as well as in the Independent India) are indicative of his deep insights into India’s economic problems. His speeches were replete with stimulating
economic thoughts. He was probably the first thinker to analyse economic dimensions of social maladies in India such as the caste system and untouchability. Even the fact that the constitution of India is said to have embodied more economic and financial provisions than any other constitution in the world, can be attributable, to the influence of Dr. Ambedkar, as an economist.

There were very few scholarly attempts to trace the economic systems and economic history during the early British rule in India. The young Ambedkar at the age of 24 years, emerged as a learned student of economics, when he was studying at Columbia University, U.S.A. Within a period of three years stay in America he completed two dissertations on economic disciplines. The first dissertation was “Ancient Indian Commerce” which he submitted in 1915 for the award of Master of Arts degree. The another thesis was on “National Dividend in India: A Historical and Analytical Study”, which submitted in 1916 for his Ph.D. degree in Economics.

In November, 1918 he got a job of Professor of Political Economy in Sydenham College of commerce and economics, University of Bombay, where he served till March 11, 1920. With the financial support of Shahu Chhatrapati of Kolhapur, Dr. Ambedkar rejoined the Gray's Inn and London School of Economics for higher studies and research work.
In June, 1921, London School of Economics accepted his dissertation, “Provincial Decentralisation of Imperial Finance in British India”, for the award of M.Sc. (Economics) degree. In 1922, he submitted his thesis “The problem of the Rupee: Its origin and its Solution”, for his D.Sc. (Economics) degree. In 1922-23, he spent some months at the University of Bonn, in Germany to have a wider view of economic trends in Europe. Dr. Ambedkar returned to Bombay via London and resubmitted a modified softer version of his earlier thesis which was readily accepted by the London School of Economics in March 1923 for the award of D.Sc. degree (Economics), which was published by leading British publisher P.S. King & Sons Ltd., Westminster in the same year, with an introduction by Professor Cannan.

Dr. Ambedkar took great pains in qualifying and specializing the discipline of finance in America and Europe. All his dissertations were research oriented, highly academic and scientifically sound. As a patriot economist, he narrated the poverty of the Indian people and naked exploitation first by the East India Company and His Majesty, afterwards.¹

In his crusade for recurring social equality and economic justice, political rights and constitutional safeguards for the neglected and depressed classes. Dr. Ambedkar successfully pleaded the case of the millions of untouchables, perhaps for the first time, in the various
sittings and sub-committee meetings of the historic Round Table Conference. His arguments and views expressed with authority on various monetary and financial matters guided the destiny of the country. His words became law afterwards.2

INFLUENCE OF WESTERN THINKERS ON Dr. AMBEDKAR

Dr. Ambedkar was highly influenced by Professor John Dewey who was his mentor at Columbia University. He had advocated the philosophy of instrumentalism. According to him, the society must exist for the sake of individuals or individuals must have their ends and ways of living set for them by society. Ambedkar was highly impressed by Prof. John Dewey's philosophy of instrumentalism. He started thinking and analyzing the Indian social and economic environment. He agreed with John's humanitarian approach which was found to be dynamic and pragmatic. Dewey's method of inquiry indicated a way to deal with painful situations. Therefore, he thought that the inquiry was his first task, that lead to critical analysis of the texts of ancient philosophers like Kapila, Kautalya, Manu, Narada etc. Ambedkar was also impressed by Dewey's activist epistemology and the idea of a realist school of political scientists and, therefore, in active life he paid more attention to practical solutions than academic politics.

Dr. Ambedkar was also influenced by Voltaire, one of the pioneers of the French revolution. He was a man of action and
intelligence. He opposed the Church and its priesthood. Infact, he was a nationalist. All his efforts were concentrated on uprooting the superstitions from the minds of the French people. For nearly sixty years, he wrote against superstitions. His books were seized and he was deported. Ambedkar read his texts and volumes. He knew that he too had fight against the Hindu priesthood for the liberation of the ignored humanity. Ambedkar was of the opinion that in that context we have to examine our plight and evaluate the effects of the bonds of slavery and serfdom in social and economic field. Voltaire often said, “My trade is to say what I think”. Dr. Ambedkar, like Voltaire, was free frank and outspoken. He had a sincerity of purpose and a reformer’s zeal.

John Stuart Mill, one of the builders of classical Economics and a propounder of liberty, had influenced Dr. Ambedkar in his early life. Mill always believed that a government is produced only by refined and cultural society and the social institutions. Hence, Dr. Ambedkar attached importance to the study of society and social institutions. Ambedkar always advised his followers in general and labour class leaders in particular to read the philosophy of J.S. Mill and think over it while working for the social and economic movement.

It is clear that Dr. Ambedkar was much influenced by the western thinkers and that influence shaped his economic and social philosophy. He imbibed democratic values, liberalism and the goal of emancipation of the neglected classes.
INFLUENCE OF INDIAN THINKERS ON DR. AMBEDKAR

Dr. Ambedkar was influenced by the Anglo-American culture and its profounder. On return to India he started observing and studying the attitude of the caste Hindu people towards the outcastes and untouchables. He found that, “Hinduism was nothing but a mass of sacrificial, societal, political, and sanitary rules and regulations all mixed up”. Further he found that the spread of knowledge was the monopoly of Brahmins; capital and land were in the hands of Zamindars, Patils, Malguzars, Vatandars and Inamdars and all the depressed classes had been in perpetual slavery, ignorance, humiliation and poverty. Ambedkar started thinking on the causes of the backwardness and constraints in their economic development. He also commenced to make historical reviews of the work done for the masses by the great and noble sons of India. He studied in depth the causes of backwardness of the masses living in the outskirts of the villages.

Before the rise of Dr. Ambedkar on the horizon of Indian social, political and economic environment, there were two schools of thought. One school claimed that British imperialism was the cause of Indian poverty and backwardness; another school of thought, while supporting their views added that British Imperialism or economic drain to England was not the only cause. Another cause was the exploitation of the masses through the media of casteism,
chaturvarnya and Brahminism. The second school was convinced that social structure must be changed and everyone without any distinction of caste, religion or creed, must get an opportunity to work freely; freedom of thought, freedom of profession and freedom of choice would lead to their emancipation. The lower strata of the society must have share in the administration and management of the society, and even in the village republic, there must be proper representation. The former school did not touch these aspects, it always thought about the infiltration theory which can never give justice to the downtrodden and neglected classes of the society.

Raja Ram Mohan Roy, Dadabhai Naroji, Gopal Kirshna Gokhale and Romesh Chander Dutta belonged to the first school of thought and to the second school, Mahatma Joti rao Phule, Justice Ranade and Rajshri Shahhu Maharaj. Dr. Ambedkar favoured the second school of thought and such school not only attracted but inspired Dr. Ambedkar to march on the path of salvation of the downtrodden.

Mahatma Joti rao Phule was a great social revolutionary. His zeal and spirit were second to none in his generation. He was a strong opponent of Brahminism and capitalism.

Jotirao was a fire for the privileged classes. He was a doyen of farmers and an enemy of the exploiters. He was a real Mahatma in sense, work and spirit. He was regarded as 'Guru' by Dr. Ambedkar.
Jotirao Phule had shared the experiences of shudras and atishudras and realized their plight. He started his social, educational and economic movements for the liberation of downtrodden. He brought to the notice of the government the effects of heavy taxation. He was of the opinion, that the farmers and workers were reduced to utter poverty. Nearly four crores of people did not get even a square meal daily. Hardly a day passed when starving people were not found on the roads. He made an appeal to the government to make a reasonable assessment of land and to free the farmers from ignorance and superstition.

Jotirao Phule suggested that the government should stop giving interest of five crores of rupee each year to British money lenders and should declare the Indian farmers free from debts. Revealing the peasants’ plight he said, “... the income of an English solidier in India was ten times higher than the income of an honest and hard working framer who with all the members of family toiled from sunrise to sunset on the farm”.5 Mahatma Jotirao agitated for the welfare of the Indian peasant and labour. He opposed the internal drain of the wealth towards the five percent population of the society.6

Justice Mahadeo Govind Ranade also influenced Dr. Ambedkar. He was a social and economic thinker. His thoughts were with the tune of the time. His industrial thoughts channelised the industrial thinking. He desired that Indians should come forward to shape the
industrial progress making use of native resources. He was the first man to awaken the masses to divert their minds towards industrialisation.

Justice Ranade had studied the way of thinking of Britishers in the economic fields. Ambedkar had studied the philosophy of Justice Ranade, and was very much impressed by his personality. The opponents of Ranade accused that Ranade was opposed to India’s independence. Ambedkar, however, denied this charge and said, “the change is false and without foundation”. Justice Ranade said, you can not have a good economic system if your social arrangements are imperfect, if your religious ideals are low and gravelling, you can not succeed in social, economic or political spheres.

Justice Ranade thought that social and economic awakening was of prime importance. He advised the natives to start industries, trade and manufacturing units. Dr. Ambedkar was impressed by the agro-industrial angle of justice Ranade and always kept in mind his philotosophy while delivering the speeches on industrial bills in the assembly and public platforms. Unless the social structure is changed, the economic development cannot be shaped, opined justice Ranade.

Ranade was of the opinion that manufactures and commerce was the only permanent remedy to the malady of Indian poverty. In
1893, at the industrial conference, he said, "...there can be no doubt that permanent salvation of the country depends upon the growth of Indian manufactures and commerce and all other remedies can only be temporary palliatives."^9

Ranade's concept of socio-economic organization was that the state should play the part not only of the friend, philosopher and guide to its citizens but even as their teacher and taskmaster. So he favoured state regulated industrialization of India.\textsuperscript{10}

According to Ranade, the essential condition of rescuing the country from its miserable helplessness was to effect radical change in the relationship of the soil with the person who cultivated it.

Ranade was of the view that cottage industry could not compete with the mills and large investments can come only through joint stock companies. Superior foreign skill was to be freely imported until we train our own people aborad in technical institutions.\textsuperscript{11}

Justice Ranade felt that mere transfer of political power to Indian hands would not improve matters much. It was a question of planning and arranging resources harnessing them to the best use, augmenting them and industrializing the country by modern means, machinery and investments.

Both, justice Ranade and Dr. Ambedkar worked under the regime of British sovereignty and held important positions. However,
difference lies in the fact that justice Ranade did not criticize in strong words the attitude of Britishers, while Dr. Ambedkar times again vehemently criticized the British government without any hesitation. There is no doubt that the philosophy of justice Ranade had impressed Dr. Ambedkar’s economic thought.

Another figure who inspired Dr. Ambedkar much, was Shahu Maharaj of Kolhapur. He was a prince of equality. His social and economic policies impressed Dr. Ambedkar to a great extent.

Shahu Maharaj was par excellence in daily life behaviour with his subjects. His legal sanctions were the bones of the modern constitution. He was a great disciple of humanity. His social economic and educational thoughts were as an emancipator of the oppressed, depressed and suppressed people.

The economic and social thinkers at that time had advocated theories and had appealed to the rulers to follow them. However, there was a ruler who implemented the theories for economic and social liberation of people. He was Shahu Maharaj, a descendent of Shivaji. On the day of his coronation, he declared that, “I have earnest desire that my people should be happy and satisfied in all respects and I shall make every effort to make prosperous my state.”

Shahu Maharaj was the only Prince who strived and struggled for equality and removal of untouchability. His contribution in the
social economic and cultural movements with the support of legal frame had much influence on Dr. Ambedkar. Shahu Maharaj knew the potentials of the neglected classes and hence he gave his hand of help and asked them to come up to the upper rings of the social ladder. Dr. Ambedkar owes much to Shahu Maharaj his real supporter, on the Indian horizon.

Shahu Maharaj started improvements in agriculture since 1895-96. The salient features of agricultural development initiated by him were capital supply to the needy cultivators, establishment of co-operative organizations for the marketing of cultivators' produce, stopping further fragmentation of land, establishment of model farms for plantation of coffee, introduction of combodian cotton and imported varieties of ground-nut, experiments on the raising of various new crops, introduction of dryland fruit trees, afforestation of barren land, importing import seed, arranging of exhibition of farm implements, cattle and poultry; starting of improved methods of cattle-breeding, poltry farming, construction of Radha Nagari dam, propagation of the use of fertilizers, publication of agricultural literature, establishment of industries, ginning factories, spinning and weaving mills etc.

Shahu Maharaj was the first ruler in India who was ahead of his times in educational and economic fields. He gave special attention to the educational facilities for backward classes and untouchables. He
was spending as much as twenty percent of his state budget on education, whereas in British provinces it was hardly 6.75 percent.  

The social and economic policies of Shahu Maharaj and their implementation in practical life reflects that he was a champion of economic development as well. He had worked in the social and economic fields through the angle of emancipation of the masses and he even turned his eyes towards the untouchables and nomadic people. Dr. Ambedkar had not only personal relations with Shahu Maharaj, but the former carried the impact of that social and economic philosophy while framing the policies for this country.

There were many other thinkers who influenced Dr. Ambedkar. The economic and social philosophy of Raja Ram Mohan Roy, Dadabhai Naroji, Gopal Krishan Gokhale, Romesh Chander Dutta etc also impressed Dr. Ambedkar.

These men of economic visions laid the foundation of economic analysis in the Indian institutions, they did not consider economics as something isolated from day-to-day social and economic problems of the people. The same approach was adopted by Dr. Ambedkar.

It is clear that Dr. Ambedkar favoured the school of thought, which was that, British imperialism was not the only cause of Indian poverty and backwardness but casteism was also a factor behind such poverty and backwardness. He made many additions independently
while analyzing the economic structure of Hindu society. He critically observed and studied the weak links between the rich and the poor, high castes and low castes and could sort out the causes for the miserable plight of large sections of the society. These causes are expressed in his writings, speeches, correspondence, addresses and private conversations.

OTHER FACTORS WHICH INFLUENCED THE ECONOMIC THOUGHTS OF Dr. AMBEDKAR

Infact economic thought or thoughts of a person are determined by the conditions and environment in which he has to live. This is also true about the Indian Economist, Dr. Ambedkar. He wrote on Economics mostly during the period from 1913 to 1923 and most of it was written either in America or in England. His thoughts were influenced by his own sufferings during his early life, sufferings of the untouchables in India, socio-economic and political conditions of the country. The circumstances prevailing in America, England and Germany also influenced his thoughts.

(A) Socio-Political Conditions:

Dr. Ambedkar had intimate knowledge of the conditions of the untouchables. He was fully aware of their pitiable conditions in which they were forced to live. Being an untouchable himself he had to face agonizing brutalities many a times. While studying in a school or traveling in a cart in the country side or serving Baroda State or
working as a Professor in Sydenham College Bombay, he had to bear the brunt of being an untouchable. The wanton insults and humiliations goaded and forced him to go to the root of the trouble. He decided to devote himself to the cause of the upliftment of the downtrodden and untouchables.

The Britishers were ruling the country. They were socially and economically exploiting the people and draining the country. A socio-political revival had set in. The state of repression influenced the mind of Dr. Bhimrao Ambedkar is evident from his writings. In his thesis. The evolution of Provincial Finance in British India, he wrote, "Power seldom commits suicide of its own accord. Rather when it fails to secure the willing compliance of the people it resorts to force...... Not satisfied with the and of the power with which the executive was endowed by the provision of the criminal and penal codes to anticipate offences by preventive Acts, it besmeared the Indian statute book with a set of repressive laws hardly paralleled in any other part of the world."\(^{15}\)

Dr. Ambedkar was influenced by socio political condition of his time and reflected that in his speeches, writing, addresses.

**(B) ECONOMIC CONDITIONS:**

The economic conditions of that time where influenced the thoughts of Dr. Ambedkar, can be divided primarily in three parts –
first the state of world economy, secondly relating to Indian economy and thirdly the economic conditions of the depressed classes in India.

1. **World Economy**

There were several factors and problems which affected the thoughts of persons in several countries. A few of them are mentioned below:

(a) **Demand of State intervention:**

The nineteenth century opened with a feeling of contempt for government of every kind, and with unbounded confidence on the part of at least every publicist in the virtue of economic liberty and individual initiative. It closed amid the clamour for state intervention in all matters affecting economic or social organization. In every country, the number of public men and of economists who favour an extension of the economic function of government has been continually growing. This change of opinion is known as state socialism and advocated agriculture to be state industry; basic industries to be owned and run by the state and insurance to be the monopoly of the state.

(b) **Changes in monetary system:**

In 1848 and 1849 the Australian and Californian gold discoveries made gold cheaper than silver and the so-called Greshom’s
law operated the cheap metal driving out the dearer metal. The depreciated gold drove out silver from circulation. The American civil war was responsible for large amount of exports of gold from America, part of which found its way to India. This led to an agitation in India for the introduction of gold currency. By 1874, a great change had begun in the monetary status of silver. Germany demonetized silver in 1873 followed by Sweden, Denmark, Norway and Latin Union. The result was that huge quantities of silver were thrown in the market. The output of silver was also increased at this time because of output of silver from new mines and also due to improved processes. The demonetized silver began to take refuge in the two prominent silver standard countries at that time – India and China, and this led to heavy coinage in these countries. Consequently, the price of silver fell considerably. These circumstances led the movement in India for the introduction of gold standard. Dr. Ambedkar analysed the period of Indian currency from 1800 to 1893 and the way in which the gold standard came to be transformed into a gold exchange standard. The result was the book he wrote – 'The problem of the Rupee'.

(c) World war and related problems:

All the thoughts have been developed since start of the first world war in 1914 and the problems created by it. The war touched every aspect of international and national economics such as trade, industry, commerce, transport, banking and finance etc. Problems of
international trade assumed unprecedented importance after this
world war and such type of conditions affected the thoughts of
economists including Dr. B.R. Ambedkar.

(2) **Indian Economy**

The economic policy of the Britishers was ‘gains to England and
costs to India’. Their policy gradually disrupted the organization of
village communities. The economic life of the country underwent a
drastic change and the cottage industries decline. Resultantly a large
number of workers became unemployed. Their purchasing power was
curtailed and the pressure on land increased. People were already
poor on account of payment of heavy taxes, exorbitant rate of interest
and dependance on land. The decline of cottage industries made them
poorer and their condition became pitiable. The land tax prevented the
prosperity of the agriculture also.

The Indian goods had to face competition from machine
industry. With the establishment of large scale industries, economic
power came to be centralized in few hands. It created the problem of
unfair distribution of wealth, the rich became richer and the poor,
poorer. Hence exploitation increased with the growth of
industrialization.

The poverty in India was increasing day by day, its main cause
was the exhaustion of the precious wealth, continuous drain on her
annual production on account of excessive expenditure incurred on the European services and interest paid on the public debts.

A critical account of most of these conditions can be found in an Ambedkar's book 'the evolution of provincial finance in British India.

3. **Economic Conditions Of The Untouchables**

The economic conditions of the untouchables in India was very miserable. They were treated as slaves. Their income was meager and standard of living was very low. Dr. Ambedkar opined and demonstrated the clear picture of untouchables by saying that, My heart breaks to see the pitiable sight of your faces and to hear your sad voices. You have been groaning from time immemorial and yet you are not ashamed to hug your helplessness as an inevitability. Why did you not perish in the prenatal stage instead? Why do you worsen and sadden the picture of the sorrows, poverty, slavery and burden of the world with your deplorable, despicable and detestable miserable life. You better die and relieve this world if you can not rise to a new life and if you cannot rejuvenate yourselves. As a matter of fact it is your birth right to get food, shelter and clothing in this land in equal proportion with every individual high or low. Dr. Ambedkar exhorted the untouchables to fight for self-elevation.
AMBEDKAR'S CONTRIBUTION TO MONETARY ECONOMICS AND PUBLIC FINANCE

Dr. Ambedkar's career as an economist is characterized by two distinct facet, the first one upto 1921 which led to several scholarly contributions in the form of dissertations for various advanced degrees that he earned in universities of repute, and the second one covering the period since his return to India until his demise in 1956, during which he made significant contributions as a professional economist.

Dr. Ambedkar wrote three scholarly books on Economics:

(1) Administration and Finance of the East India Company;
(2) The evolution of provincial finance in British India and

The first two represent his contribution to the field of public finance, the first one evaluating finances of the East India Company and the second one analyzing evolution of the centre-state financial relationship in British India. The third book, his magnum opus in Economics, represents a major contribution to the field of monetary economics. In this book, he has examined the evolution of the Indian Currency as a medium of exchange and has discussed the problem of the choice of appropriate currency system for India. Not many economists are even aware of the fact that Ambedkar had a debate on the currency question with influential economic thinkers, such as John Maynard Keynes.
ADMINISTRATION AND FINANCE OF THE EAST INDIA COMPANY

Administration and Finance of the East India company was Ambedkar's first book. It was his thesis for the M.A. degree from Columbia University, U.S.A. It was more like a detailed research paper than a book.\(^\text{17}\)

In this book Dr. Ambedkar provides an historical review of the changes in administration and finance of the East India Company during the period, 1792 to 1858, and depicts how those changes led to suffering of the Indian people at the hands of the British rulers.

The East India Company got a foothold in India in the name of trading and then, over a period of time, gradually extended its rule over the entire country.

(I) ADMINISTRATION OF THE EAST INDIA COMPANY:

Initially, the East India company carried on its administration and commercial functions jointly. Thus, revenue returns from administration and commercial returns from trade were merged together without any attempt at their separation. As a result of this combined activity, the (Company) government's finances became unduly complication. In the cause of time by an Act of British parliament in 1815, the East India Company was compelled to keep separate accounts of finance and commerce.
For quite some time, the East India Company had monopoly of the Indian trade and the Britishers were determined to drive as large a gain as possible for allowing her that privilege. Every weakness in the administration was made an excuse for extortion and interference; and renewal of the charter was often an occasion to disgorge her of the wealth accumulated by the monopoly of Indian trade.

Upto 1833 the company, by means fair or foul, managed to win over the English statesman to continue her monopoly. But in that year the cry against her monopoly had gone so loud that both the company and the ministers had to give in and the East India trade was thrown open to all the English people.\(^{18}\)

By the British Parliament's Act of 1834, the East India company ceased to be a commercial corporation but continued her existence as a political sovereign of her territories in India. Her days, however, were 'fast being numbered' the company was finally abolished in 1858 and the company government was taken over by the British Government.

Ambedkar clearly demonstrates that it is an error to attribute this take-over to the 'Mutiny' of 1857. According to Dr. Ambedkar, ".....mutiny or no mutiny, the British statesmen were impatient to have direct control over the 'leaves and fishes' that came but indirectly from their rule in India by a process of disgorging a corporation which directly fed them on beef fat".\(^{19}\) Dr. Ambedkar presents a vivid account of the political process which led to the abolition of the East India Company.
Ambedkar presents an illuminating and perceptive analysis of the government finances during this entire period, that is, from 1792 to 1857 to demonstrate how injustice was inflicted upon the Indian people by the British.

Ambedkar provides data on gross revenue and gross expenditure of the company government during the period, 1792-93 through 1857-58. In 36 out of these 66 years, the company government had surpluses while in the remaining 30 years the government finances showed deficits. Quoting the contemporary scholar, R.C. Dutt, Ambedkar points out that this surplus money was not saved in India. Instead, “It wents as a continuous tribute to England to pay dividends to the company’s share holders; and as the flow of the money from India was not sufficient to pay the dividends, there was increasing debts of India.\(^{20}\)

Dr. Ambedkar provides a detailed statistical account of the government’s revenue collection (in the form of five yearly averages of yields under various heads) during the period, 1792-93 through 1885-86. Over the entire period, on an average, 54 percent of total revenue came from land tax, 11 percent from salt tax, 8.7 percent from opium duties, 6.2 percent from customs and other miscellaneous heads constituted the rest. The land tax levied by the British government is not only excessive, but what is worse, it is fluctuating and uncertain.
in many provinces. Dr. Ambedkar quotes colonel Briggs who wrote in 1830: “A land tax which now exists in India, professing to absorb the whole of the landlords rent, was never known under any government in Europe or Asia”.

Ambedkar presents an insightful analysis of the company Government's expenditure as well. For the period 1800 to 1857, he provides a detailed break-up of the expenditure on various accounts for every tenth year. These data suggest that military charges alone accounted for as much as 45 to 64 percent of the total. This was huge proportion, Ambedkar points out that the finances of a country are to be judged from the viewpoint of developmental expenditure, and among the developmental expenditure of a country, the public works (such as, roads, canals, electricity, telegraphs etc). take a prominent position. According to him, “applying the same criterion we are compelled to condemn the entire fiscal system of the East India Company”.

Ambedkar shows how negligibly small amounts were spent on public works and drives home the point by quoting Jon Bright who had pointed out that the single city of Manchester in England had spent on a single article of water, a large amount of money during 1834 to 1848 than what the East India company had spent on all kinds of public works all over India.
(III) EXPLOITATION OF THE INDIAN PEOPLE BY BRITISHERS:

With successive change in the administration and finance of the East India Company, the benefit of financial settlement was invariably passed on disproportionately in favour of the British to the detriment of Indian people. When the East India Company was abolished by the Act of 1858, there was a question as to who should bear the burden of the Indian debt. Ambedkar point out that, the public debt of India, at least under the company's rule was entirely the creation of war.23

Dr. Ambedkar quotes Major Wingate who had argued that while the British had spent so much on their other colonial possessions, and had waged so many costly wars for foreigners, had laid no money in the acquisition or improvement of the Indian Empire.

Ambedkar concludes that, all the arguments, legal and humanitarian, failed to win the day. ..... The entire heavy load of the East India Company amounting to £ 69,473.484 – mostly unproductive – was placed on the shoulders of the poverty – stricken natives who had no voice in the doings of the company.24

Ambedkar was barely twenty four when he wrote this essay. Not surprisingly, his style is temperate. He follows the strategy of studiously quoting other scholars to substantiate his arguments and refrains from making bold statements of his own. Yet, his characteristic sharpness unmistakably comes through especially
when he brings out errors by the contemporary authorities on economics such as R.C. Dutt.

Dr. Ambedkar's modest beginning in this essay laid the foundation of his more profound subsequent economic research. Indeed, in his later work, he adopted a far bolder style which became a distinctive characteristic of all his writings.25

THE EVOLUTION OF PROVINCIAL FINANCE IN BRITISH INDIA

' The Evolution of Provincial Finance in British India' was Dr. Ambedkar's thesis for the degree of Ph.D. from Columbia University, U.S.A. The thesis was completed in the year 1917 and was first published in book form in 1925.

The thesis extensively dealt with a very important problem of centre-state financial relations, covering a wide period of about 88 years, from 1833 to 1921. It is true that most part of this thesis has been devoted to historical accounts, but pioneering nature of this work is quite evident. As pointed out by Dr. Ambedkar himself, prior to his study, no spade-work had been done in the field of Indian finance.

Dr. Ambedkar was of the opinion that, the setting of the problem is a familiar one. The expanded role of government calls for large revenue collection from taxation; yet in a poor country like India there are obvious limits to taxation. As a result, the problem of
equitable distribution of burden among various forms of governments such as the central government, provincial and local governments assumes significance. He provides a detailed and insightful perspective on the financial relationship between the central government and the provincial governments in British India during the period 1833 through 1921. In doing so, he presents a pioneering study of the origin, development and mechanism of provincial finance in India.

Under British rule, revenue accounts of government of India were classified into four categories namely, Imperial, Provincial, Incorporated, local and Excluded Local. However, this classification was not a strict one, and there was scope for confusion. In his study, Dr. Ambedkar tried to trace the rise and growth of Provincial finance. For a thorough understanding of the subject, he divided the study into four parts. He dealt with the origin, development and organization of provincial finance, and finally studied the impact of the constitutional changes of 1919 on the nature of provincial finance.

(I) ORIGIN OF PROVINCIAL FINANCE

In part first of his study, Dr. Ambedkar has given a complete idea of the origin of provincial finance in British India. With painstaking effort, he has presented the historical background to
explain the nature of financial system which existed before the
inauguration of provincial finance. He has also enquired into the
causes that necessitated a change in its organization. During that
period, the condition of imperial finance was not satisfactory, and it
became precarious as a result of the cost of the mutiny of 1857.
Expert began to doubt the efficiency of imperial system, and many of
them advocated the adoption of a rival, federal system. It was urged
that the revenues of India should not be dealt with as one income;
instead, each province should be allowed to keep its revenues and
meet its changes from them. Under previous system, the consolidated
imperial budget was divided into two parts, imperial and provincial
under federal structure, it was intended to base two separate budgets,
central and provincial, on a genuine division of services and allocation
of revenues. But this rival system of finance did not succeed in
mobilizing wide support in its favour. Notwithstanding many defects
which impaired the efficiency of the imperial system, people were quite
reluctant to tamper with it. But as Dr. Ambedkar pointed out, “..... if
statesmanship did not favour the system of federal finance as a
means, financiers soon learnt that the system of imperial finance was
doubtful as an end.”

In an analogous manner, the custom taxes hampered the
manufacturers of the country. There were internal customs and
external customs which “blockaded trade and smothered industry”.


Under such injurious revenue system the tax bearing capacity of the people decayed with the result, the imperial government was unable to make both the ends meet. According to Dr. Ambedkar, it ought to serve as an object lesson to all financiers to show that when their revenue laws are harmful to the resources of the people they must blame none but themselves for their empty treasury.29

In the end which sought to have a compromise between the existing system of finance and of the rival one; and it was the compulsion of circumstances which forced its reception. It was left to Lord Mayo, who was convinced that there was something rotten in the system of imperial finance, to mend it by inaugurating the scheme of provincial finance.

(II) DEVELOPMENT OF PROVINCIAL FINANCE

At the time when Dr. Ambedkar wrote this book, the only available writing on the subject of provincial finance was a ‘fragmentary sketch’ by justice Mahadev Govind Ranade which was published in 1887. It is true that the revenues and expenditures incorporated in the provincial budgets were revised every fifth year but every revision did not change the fundamentals. Dr. Ambedkar argued, if the history of development of provincial finance is to be divided into steps according to the changes in fundamental basis thereof, then emphasis has to be laid on features altogether different in character.30
According to Ambedkar, the provincial financial system in British India (upto 1921) evolved through three distinct phases, each with its own characteristic, arrangement of the centre's financial support to provinces. He therefore finds it 'more logical and instructive' to divide the stages in the growth of provincial finance in accordance with these fundamentals rather than following 'the mechanical plan of justice Ranade. Ambedkar calls these stages as, budget by assignment, budget by assigned revenues and budget by shared revenues.\(^{31}\)

(A) Budget By Assignments:

For a period of six years, from 1871-72 to 1876-77, the system of 'Budget by Assignment' was in vogue, which marked the beginning of provincial finance in India. Under this arrangement, certain services (Police, education, printing, roads, medical services, registration, jails, civil buildings and miscellaneous public improvements) were delegated to provincial budgets. However as the revenue from these services was meager as compared to the expenditure, the centre had no option but to provide financial assistance to provinces. But this could not go much longer, as the centre itself was hard-pressed to raise resources to meet out widening budgetary deficits. The method of taxation resorted to for making up the deficit in the provincial budgets was imposition of rates and cusses on the already over-burdened class of
tax payers, namely the land holders. Dr. Ambedkar opined, “as a matter of justice we should have expected the continuance of the income tax to the relief of the state..... But justice was for a long time absent from the financial secretariat of the government of India.\textsuperscript{32}

\textbf{(B) Budget By Assigned Revenues:}

The scheme of ‘budget by assigned revenues’ was operational during five year period 1877-78 through 1881-82. Under this scheme certain revenues (besides the receipts from the delegated services) were assigned to the provinces and a special provision was made for what Dr. Ambedkar calls the ‘adjusting assignment’.

According to Dr. Ambedkar, the consent secured from the provinces to bear half the burden of a possible deficit in the normal estimate, directly put a premium on economical and judicious administration of the ceded revenues ...... because the fear that their obligation to bear half the deficit might assume a large proportion ..... compelled them to bestow greater vigilance than they would otherwise have done.\textsuperscript{33}

\textbf{(C) Budget By Share Revenues:}

The scheme of ‘budget by shared revenues’ was introduced in 1882-83 and lasted for nearly four decades until major fiscal reforms were introduced in 1921.
According to Dr. Ambedkar, the earlier schemes of provincial finance were deficient in that they “fell short of the requirements of provincial finance from the stand point of elasticity”, that is, the sources of revenue assigned to the provinces had little room for enlargement over time. Under ‘the scheme of shared revenues’, the heads of account under revenue and expenditure were grouped in three categories: (i) wholly imperial, (ii) wholly provincial and (iii) jointly imperial and provincial. In the third category, revenues and expenditure were shared between the imperial government and provinces in some definitely fixed proportion. Replacement of assignments by shares in the imperial revenues had the effect of reducing rigidity and making revenues more elastic for the provincial governments. The settlement of 1882-83, while replacing fixed assignments by shared revenues, also differed in duration. Annual settlements were changed to quinquennial settlements. Dr. Ambedkar reviews this settlements in detail and concludes “beneficial as far as it went, this time-bar was found to exercise a most pernicious influence on provincial finance. Under (the five yearly) system (the provincial governments)... were parsimonious in the first few years lest their expenditure should prove too much for their revenues, and extravagant in the last few years lest their expenditure should shrink below the standard and leave large margins to be cancelled by the government of India.”
In order to obviate these evils of parsimony and extravagance, the principle of five yearly revision was abandoned in 1903-4. A quasi-permanent revision was made in 1904-5. Later on, the subject of provincial central finance was investigated by the Royal commission on decentralization. Following its report submitted in 1909, the government of India decided to change the quasi permanent settlements into permanent ones, from 1912. So far as the principle of allocation was concerned, the permanent settlements did not differ significantly from the earlier one. However, before this new arrangement could prove its merit, the provincial finance in ‘British India entered into a new phase because far-reaching economic reforms went underway since 1921.

(III) ORGANISATION OF PROVINCIAL FINANCE:

After tracing the development of provincial finance stage by stage, Dr. Ambedkar deals with its organization in the third part of his thesis. Firstly, he brings out the fact that provincial finance was not independent in its organization. According to him, “.... There were neither provincial revenues nor provincial services as separate from imperial revenues and imperial services, so that instead of federal in its organization, the system remained essentially imperial.”

(IV) IMPACT OF THE REFORMS ACT OF 1919:

In the last part of his thesis, Dr. Ambedkar has analysed the causes which led to constitutional changes of 1919. The Reforms Act
of 1919 significantly altered the mechanism of provincial finance in British India. After elaborating these changes, Dr. Ambedkar has attempted to give a critique of the reforms.

What was the reason behind these changes? According to Dr. Ambedkar, "they were effected because the system (of provincial finance) as a whole was inconsistent with the great revolution which that Act had sought to effect in the governmental system of that country".36

In the last part of his thesis, Dr. Ambedkar examined the provisions of the new arrangement, and showed that many of them were not adequate. For example, he pointed out, the government did not marshal two important sources of revenue properly. One of these sources was land revenue and the other was custom duties. Dr. Ambedkar was quite straightforward in his attack and said that the whole policy of India has been dictated by the interest of English manufacturers is beyond dispute.37

Advancing his argument further, Dr. Ambedkar forcefully advocated need of sound government for sound finance. The Reforms Act had established a dyarchical form of administration in the provinces. He emphasized that diarchy is a bad form of government because it is opposed to the principles of collective responsibility. "Hybrid executives, divided responsibility, division of functions,
reservation of powers, can not make for a good system of government, and where there is no good system of government there can be little hope for a sound system of finance. The primary solution is that there should be an undivided government with a collective responsibility.

The book - 'The evolution of provincial finance in British India' - has a great historical significance. It is a pioneering piece of work in which Dr. Ambedkar has presented an insightful account of fiscal developments in India during the period, from 1833 to 1921, buttressed by painstakingly collected facts and figures.

This thesis on provincial finance was acclaimed by eminent personalities. Prof. Seligman rightly remarked that "the value of Dr. Ambedkar’s contribution to this discussion lies in the objective recitation of the facts and the impartial analysis of the interesting development that has taken place in his native country. The lessons are applicable to other countries as well; nowhere, to my knowledge, has such a detailed study of the underlying principles been made."^39

Leaving apart the historical content of Dr. Ambedkar's thesis, the main issue dealt with by him is a burning one even today. Under modern democracies, the functions of government have increased manifold. The pressure of taxation and development is increasing, and the problem of distribution of burden among various forms of government is becoming acute. Hence, the problem dealt with by Dr. Ambedkar is very much alive today.
**Dr. AMBEDKAR'S VIEWS ON PROBLEMS OF INDIAN CURRENCY**

Dr. Ambedkar's contribution to monetary economics is evident from his Doctor of Science thesis - 'The Problem of the Rupee: Its origin and its solution' and his subsequent statement and evidence before the Royal Commission on Indian Currency and finance (which led to the establishment of the Reserve Bank of India).

Dr. Ambedkar completed his thesis in 1921 and it was first published in 1923. The book was reprinted in 1947. In the preface to the second edition he wrote, "..... I could not bring out a second edition of the book for the reason that my change over for economics to politics left me no time to undertake such a task. I have, therefore, devised another plan: It is to bring out an up-to-date edition of the history of Indian currency and Banking in two volumes, of which the 'The Problem of' the Rupee forms volume one volume two will contain the history of Indian currency and Banking from 1923 onwards." Unfortunately, Dr. Ambedkar could not find time to complete the second volume.

'The problem of the rupee' is truly a monumental book. It is a very bold attempt, and he has variously shown the sparks of originality. In this book Dr. Ambedkar offers an excellent exposition of the evolution of the Indian currency in terms of its form as a medium of exchange and its equivalence in terms of precious metals, such as gold and silver. Unlike the treatises then available, Dr. Ambedkar goes
into the most neglected period extending from 1806 to 1893. With this historical perspective brought up to the early 1920s, Dr. Ambedkar then focuses on one of the most perplexing problems at that time, that is, the choice of an appropriate currency system for India.

So far as the exchange standard was concerned he differed with Prof. John Maynard Keynes, an influential economic thinker, in almost every respect. Dr. Ambedkar maintained that the exchange standard was inadequate to stabilize the general purchasing power of the rupee, rather, it aggravated the disease. Unless the purchasing power of rupee was established the rupee itself could not be made stable. This was the fundamental fact overlooked by Prof. Keynes.42

Not only Dr. Ambedkar, but other writers were also opposed to the exchange standard, so far as the remedy was concerned. But while they advocated effective convertibility into gold for the stabilization of rupee, Dr. Ambedkar suggested an inconvertible rupee with a fixed limit of issue. He had some radical steps in his mind, but keeping practical difficulties in view, he wrote.... Close the mints, not merely to the public..... but to the government as well. Once that is done, I venture to say that the Indian Currency based on gold as legal tender with a rupee currency fixed in issue, will conform to the principles embodied in the English currency system”.

For keeping the rupee on stable basis, many experts had wished that the recommendations of the Fowler Committee should have been
carried out in toto. Dr. Ambedkar, on the other hand, severely criticized the principles of Fowler Committee and remarked, “while some people regard that report as classical for its nonsense”.

(I) Historical Perspectives:

In his thesis, Dr. Ambedkar has given a very detailed account of the nature of money in India, right from the Moghul period. Since the time of Akbar, the founder of the economic system of the Moghul Empire in India, the money in India consisted primarily of gold and silver – the gold Mohur and the silver rupee, identical in weight, that is 175 grs troy. Both coins circulated without any fixed ratio of exchange between them; nonetheless, they bore a fixed ratio to the copper coin called ‘dam’. But in south India, only the Gold coin called ‘Pagoda’ was in circulation and use of silver for coinage was quite unknown. And the country was filled with diverse coins presenting bewildering media of exchange.

When East India company succeeded Mogul empire in India, the task of evolving good money out of the ‘diseased’ money fell upon it. It was prescribed that the universal money of account in India should be silver. Dr. Ambedkar felt that it was a well-reasoned choice to make rupee (weighing 180 grs troy and containing 165 grs pure silver) the unit for future currency system.
Dr. Ambedkar has explained in detail the circumstance which led to the substitution of bimetallism by monometallism in India vide Act XVII of 1835. A single standard for fixity was adopted. Dr. Ambedkar approved this step by saying that a single standard better guarantees this fixity than does the double standard.

(II) SUPPLEMENTING THE SILVER BY PAPER CURRENCY:

The adoption of silver mono-metallism, though well supported in 1835, proved to be a measure quite inadequate for the needs of the country soon after. According to Dr. Ambedkar, this was on account of some structural changes in the economy, such as transition from a 'kind economy' to 'cash economy' and a rapid increase in external trade.

Trying to go deeper to the roots of the crisis, Dr. Ambedkar questions why there was monetary stringency when the import as well as the coinage of silver was large. He went on to explain that in India, demand for silver was not only for coinage, but also for ornamental purposes. The government exhausted all the stock for coinage, leaving very little for industrial and social consumption. Hence, a large part of coined silver must have been diverted, to non-monetary use. This was the real reason behind monetary stringency. The government could not set up the import of silver, as it was already at its highest. To make the situation worse, there was no credit money worth the name, nor was banking sufficiently developed so as to fulfill the currency needs of commerce.45
Such was the gravity of the situation caused by the insufficiency of silver and want of credit currency, that people began to plead in favour of gold monometallism. On its part the government considered various options, one of them being the substitution of silver standard by gold standard. Silver could have been kept as a subsidiary currency. Although the government was not quite serious in its opposition to gold currency, it was all the way maintained that gold was not economical and convenient. This resulted in the introduction of a government paper currency to supplement the silver standard. According to Dr. Ambedkar, it was unfortunate that this first attempt against the silver standard resulted not in the establishment of a gold standard, but in the introduction of a government paper currency to supplement the existing silver standard. However, the paper currency did not give the required relief it was expected to, and the whole burden fell upon silver.

Prior to 1861, there prevailed a free banking system in India, every bank was at liberty to issue its notes. Notes of the three Presidency banks enjoyed a status slightly superior to that enjoyed by the notes of other banks, in that case they were accepted by the government to some extent in payment of revenue. This scantily used right of note issue was taken away from them in 1861, and was entrusted to the department of paper currency. Even than, under this mixed currency system, the paper portion formed a very small part of
the total. This was firstly because even the notes of lowest denomination were much large to displace the metallic currency. Secondly, these notes were a large tender every where within a circle, but they were encashable only at the office of issue. This absence of universal encashability was a big hindrance to the popularity of paper currency.

Dr. Ambedkar was of the opinion that the currency system based on the silver standard augmented by paper currency was a failure for it, did not lead to stability of value of the currency. He points out that the Indian money market was subject to 'convulsions and sudden transitions'. Indeed the rate of discount exhibited abnormal fluctuations.

Dr. Ambedkar's analysis of these fluctuations is remarkably illuminating even after 83 years of the publication of the book. In order that money may be had at a uniform price, its supply should be regulated according to the variations in the demand for it. The explanation for the abnormal fluctuations in the discount rate, according to him, is to be sought in the irregularity of the money supply.

(III) TOWARDS GOLD STANDARD:

The instability of silver standard was such as to demand immediate establishment of stable monetary conditions. Since all
important countries had switched over to gold standard, according to Dr. Ambedkar, it would have been appropriate to abandon silver standard in favour of the gold standard. But by an unkind turn of events', the currency system which grew up in place of the gold standard was actually the so called 'gold exchange standard'.

Dr. Ambedkar provides a detailed and critical account of various proposals submitted for the reform of the Indian currency system, the Temple Plan (1872), the Smith Plan (1876), the government of India scheme (1886), Herschell Committee (1892), Fowler Committee (1898) and so on. According to him, “The government did not start to establish a gold-exchange standard. Rather, it was contemplating the establishment of a true gold standard”, but it ended up establishing the gold exchange standard at the hands of men who ‘inadequately understood’ the true gold standard.

Dr. Ambedkar states that, both, gold and fiduciary standards had failed to furnish a stable standard of value. However, when the standard of value is a standard metallic money, or when it is convertible paper money, there is a check on its expansion. But when the standard of value is inconvertible money with greater value than its cost, there is every possibility of indefinite expansion, leading in turn to rising prices. He summed up the situation thus “.... (the rupee) belongs to that order of money which has inherent in it the potentiality of indefinite expansion, that is depreciation and rise of prices.”48
For Dr. Ambedkar, the gold currency was not merely a matter of 'sentiment and a costly luxury, but a necessity for making the standard of value firm, and safeguarding the people from evil consequences of rising price level. It should be noted that Dr. Ambedkar was deadly against giving power to the government to manage or rather manipulate the rupee currency. While deposing before Hilton Commission, he forcefully argued for the establishment of an independent mechanism to control the currency issue. That the Reserve Bank of India was born in 1935.

Infact, today we have no gold or gold exchange standard. The whole perspective has undergone a sea change. Even then Dr. Ambedkar's deep thoughts on Indian currency should not be treated as mere pages in the monetary history of India. We have neglected such economic thoughts so far no doubt, but we can take lessons from them even now. Question arises, why Dr. Ambedkar advocated for gold currency. There were various reasons behind that thought, but the major cause was that in India, the changes in general price level were quite high as compared to England. If a government is free to issue currency at will, as was the case under elastic working of the exchange standard, then there can be nothing else but rising prices, depreciation and inflation. Deficits and inflation are the major hurdles in our economic system and the rupee has depreciated in relation to major currencies so much. This was the very circle with which Dr.
Ambedkar explained the problem of the rupee. Dr. Ambedkar talked of “inconvertible rupee with a fixed limit of issue”, today the policies of the government of India seems to be marching towards said principle of Dr. Ambedkar.

ECONOMICS OF CASTE SYSTEM AND UNTOUCHABILITY

Traditionally, Hindu society is based on the so called ‘Chaturvarnya’, that is, a division into four classes, Brahmin, Kshatriya, Vaishya and Shudra. The holy scriptures had regarded this division into four ‘varnas’ as the ideal form of social organization. Dr. Ambedkar believed that the multitude of castes in India was created as a result of mixed unions between the four ‘varnas’. He had to attack Hindu civilization in the light of casteism and untouchability and its hollow glory. According to him, Hindu civilization was a “diabolical contrivance to suppress and enslave humanity and its proper name would be infamy.”

Dr. Ambedkar argued that, it (the cast system) is the most vicious system. That the Brahmin should cultivate knowledge, that the ‘Kshatriya’ should bear arms, that the ‘Vaishya’ should trade and that the ‘Shudra’ should serve.

Dr. Ambedkar replying to the Chaturvarnya system advocated by the Arya Samaj, said, “if Chaturvarnya is based not on birth but on guna (worth) who do the Arya Samaj is insist upon labelling men as
Brahmins, Kshatriyas, Vaishyas and Shudras. A learned man would be honoured without his being labelled a Brahmin. A soldier would be respected without his being designated a Kshatriya. The European society honours its soldiers and its servants without giving them permanent labels, why should Hindu society find it difficult to do so is a question which Arya Samajists have not cared to consider.\(^5\)

Ambedkar was of the opinion that ‘Manusmriti’ struck the growth impaired self-respect and perpetuated their social, economic, religious and political hegemony. Manusmriti not only hindered the economic growth of the shudras and Atishudras even the Brahmins could not make any economic progress, as they were forbidden by the Manusmriti to trade in chemicals, liquids, coloured cloths, flowers, perfumery and arms, can the scripture which taught inequality, cruelty and injustice teach the doctrine of economic development.

Dr. Ambedkar argued that, Chaturvarnya degenerated into caste system. Caste has killed public spirit, destroyed the sense of public charity, and made public opinion impossible. Virtue has become caste-ridden and morality has become cast-bound. There is no sympathy to the deserving. There is appreciation of virtue but only when the man is a fellow caste-man.\(^5\)

(I) Division of labourers on the basis of cast:

According to Dr. Ambedkar “caste is an artificial chopping off of the population into fixed and definite units, each one prevented from fusing into another group through the custom of endogamy.”\(^5\)
In Dr. Ambedkar's view, the caste system was the major source of various ills that Hindu society was suffering from. It neither led to economic efficiency nor to improvement of race but served as a stumbling block in the path of progress or social revolution by dividing rank.54

Renewed justification and rationalisation was provided for then in the time of Dr. Ambedkar. One common argument in support of 'Chaturvarnya' and the caste system was that it was an accordance with the time honored economic principle of division of labour. Even people like Mahatma Gandhi were sympathetic to this viewpoint. At the same time contemporary scholars like Nesfield had propounded 'an occupational theory of castes' which argued that superiority or inferiority of occupations eventually led to the hierarchy in the caste system.

Dr. Ambedkar after taking into consideration the pros and cons of the caste system, made scathing attack on the caste system which was detrimental to the economic development of India due to the inherent fault in the system. And he proved it beyond doubt that this caste system was not only craft-oriented but also based on false notions that is high and low.

Dr. Ambedkar is the first thinker who clearly studied the far-reaching effects of caste system. He came out with a hard hitting
critique of the caste system and demonstrated logical flows therein. He emphasized that what was implicit in the caste system was not merely the division of labour but also a division of labourers.

The division of labour is a Smithian concept of free labour in a free society. According to Adam Smith, "the greatest improvement in the productive powers of labour and the greatest part of the skill, dexterity and judgement with which it is anywhere directed or applied, seem to have effects of the division of labour." He further explained that the division of labour is necessarily limited by the nature of occupation, the extent of the market and the quantity of capital available.

But in India, the holy scriptures had regarded this division into four varnas as the ideal of social organization. Dr. Ambedkar vehemently criticized and observed, "it is the most vicious systems".

Dr. Ambedkar opined that, civilized society undoubtedly needs division of labour. But in no civilized society is division of labour accompanied by this unnatural division of labourers into water-tight compartments. Caste system is not merely division of labourers which is quite different from divisions of labour, it is an hierarchy in which the labourers are graded one above the other. In no other country is the division of labour accompanied by gradation of labourers.... This division of labour is not spontaneous, it is not based on natural
aptitudes. Social and individual efficiency requires to develop the
capacity of an individual to the point of competency to choose and to
make his own career. This principle is violated in the caste system in
so far as it involves an attempt to appoint tasks to individuals in
advance, selected not on the basis of trained original capacities, but
on that of the social status of the parents.\textsuperscript{57}

Further he observed, "looked at from another point of view this
stratification of occupations which is the result of the caste system is
positively pernicious. Industry is never static. It undergoes rapid and
abrupt changes. With such changes, an individual must be free to
change his occupation. Without such freedom to adjust himself to
changing circumstances it would be impossible from him to gain his
livelihood. Now caste system will not allow Hindus to take occupations
where they are wanted if they donot belong to them by heredity. If a
Hindu is seen to starve rather than take to new occupations not
assigned to his caste, the reason is to be found in the caste system.\textsuperscript{58}

Dr. Ambedkar further explained the disastrous consequences of
caste system on Indian society. He says, the division of labour brought
about by the caste system is not a division based on choice. Individual
sentiments, individual preferences have no place in it. It is based on
the dogma of predestination. Consideration of social efficiency would
compel us to recognise that the greatest evil in the industrial system
is not so much poverty and the suffering that it involves but the caste system is responsible for the failure of industrial system.

The economics of caste system dissociates intelligence from work and create contempt for labour. The theory of the caste is that a Brahmin who is permitted to cultivate his intellect is not permitted to labour, indeed is taught to look down upon labour while the Shudra who is required to labour is not permitted to cultivate his intelligence. Dr. Ambedkar points out, ‘Caste devitalizes a man’. It is a process of sterilization. Education, wealth, labour are all necessary for every individual if he is to reach a free and full manhood. Mere education without wealth and labour is barren. Wealth without education is brutal. Each is necessary to everyone. They are necessary of the growth of a man.

A caste was regarded as the social organization but there was no social intercourse and where there are no social intercourse and social relations, how can be there be economic exchange? As the castes and their sub-castes had their own system of working, dining and marriage economics, they had their priests, barbers, even business among themselves. In the system, where touch and approach were prohibited and which restricted economic enterprise, they had limited scope to widen their breadth. The mobilization of money and labour was very slow and movement was checked within the fencing of castes and varnas. The economic norms were flouted
and various dimensions of economic life were made narrower to establish economic slavery on the lower strata of the society.\textsuperscript{59}

\textbf{(II) CASTE SYSTEM – A MAJOR OBSTACLE TO ECONOMIC GROWTH :}

Dr. Ambedkar forcefully argued that the caste system in India has been a major obstacle to her economic growth and development. He says, "the caste maintained the occupation, and as there was no permission to adjust occupations, caste becomes a direct cause of the unemployment we see in the country".\textsuperscript{60} The caste system definitely led to vast unemployment and thus to cries the economy of India.

Caste system restricted mobility of labour and also capital and even the industries were made immobile and static. Due to caste system an individual entrepreneur has to invest his capital into his own occupation which is predetermined by heredity.

As for the caste system, Dr. Ambedkar pointed out, Hindus will not allow to take to occupations where they are wanted, if they do not belong to them by heredity, the caste system restricts the change of place and change of class eliminating prospects to any caste or class through hard work.\textsuperscript{61}

Labour movement can make mobile the capital, increase the efficiency and spread the network of industries. Arthur Lewis has correctly pointed out, "Access to labour is restricted by caste which the people to particular occupations and deprives the incentive to seek
remunerative employment. It also reduced mobility of labour and makes it less easy for new firms for new industries to establish themselves and to grow."^62

In the caste-frame system individual knows only his caste job, and therefore, he is unfit for other jobs, he does not refuse to take a profession of a caste lower than his own even he does not teach the skills of his job to other caste fallows due to caste-mindedness. All such type of causes retarded the growth of industries and workers' efficiency. According to Dr. Ambedkar, the immobility of labour reduced the efficiency. Social and individual efficiency requires us to develop the capacity of an individual to the point of competency to choose and to make his own career. This principle is violated in the caste system so far as it involves an attempt to appoint tasks to individuals in advance, selected not on the basis of trained original capacities but on that of the social status of the parents.^63

Under the economics of caste system a person is forced to stick to his parental occupation, and the consideration of his knowledge is not material. What efficiency can there be in a system under which neither men's hearts nor their minds are in their work? As an economic organization caste is therefore a harmful institution, inasmuch as, it involves the subordination of man's natural powers and inclinations to the exigencies of social rules.^64
Under the caste system, the concept of dignity of labour has no place, as the social status of a particular caste depends on the type of labour it performs. As the occupation is inherited, the social status of an individual is predestined on the basis of his caste and he is not allowed to think of the dignity of his labour.

The caste system hampers economic activity and puts several obstacles in the way of economic development. Dr. Ambedkar warns the people, “unless you change your social order, you can achieve little by way of progress, you can not mobilize the community either for defence or for offence, can not build anything on the foundation of caste, cannot build up a nation or build up morality. Anything you will build up on the foundation of caste will crack and will never be a whole.” Dr. Ambedkar, therefore, advocated annihilation of castes for rapid economic growth and development of the country.

(III) ECONOMICS OF UNTOUCHABILITY:

The Indian society is a gradation of castes forming an ascending scale of reverence and a descending scale of contempt. Infact untouchability is the result of a psychological concept, so to say it is the mental disease that erupted due to germs of casteism. Casteism led to social problems and stopped the social and economic intercourse, and untouchability became a social phenomenon, which in the course of time led the untouchables to remain poverty-striken and backward in economic field.
Agarkar, Bhandarkar, Karve, Ranade and other social thinkers thought about the social changes but unfortunately they belonged to upper layers of the society, and their thoughts were pertaining to the change of social codes, they had never insisted of changes of the codes of economic upliftment and did not have any plan for the resurrection of economic order. Dr. Ambedkar who had shared the better experiences of the untouchables could think not only of the social phase but also of the economic status and suggested measures for their elevation. According to him “untouchability is the notion of defilement, pollution, contamination and the ways and means of getting rid of the defilement.”

The untouchables were below the rank of Shudras. They were isolated, segregated and separated to the extent their services was not accepted by the Hindu society.

All sorts of economic activities and the means of livelihood were distributed among the four varnas and the untouchables were left without it. They had no alternative except to continue the occupations which their ancestors were previously dealing with.

Due to untouchability, they were not able to have any economic transactions with other castes, they could not venture to move from one occupation to another. The result was that there was no increase of efficiency. As they had no capital or technical education, they could not make any economic progress.
Much of the misery and poverty of the untouchables is due to the absence of equality of opportunity; and this is due to untouchability. The depressed classes in villages and even in towns can not sell vegetables, milk or butter, which are open to all and sundry. A caste Hindu will buy these things from a non-Hindu but will not buy them from the members of depressed classes. In the matter of employment his condition is worst. The discrimination on the basis of caste is prevailed in the society which leads to loss of equality and also the occupational opportunity. Dr. Ambedkar raised a very pertinent question, when the seniority or efficiency is not considered on account of birth in the family of the untouchables, which is not in his hands, how there can be economic emancipation? Their economic plight was directly related to the occupation and untouchability. Dr. Ambedkar fought against social discrimination which leads to economic disaster. He desired to have free social and economic intercourse, freedom from the bonds of castes and liberty from the chains of injustice.

Dr. Ambedkar had given a serious thought to the institution of slavery and untouchability. He had brought to the notice of the world that untouchability is worse than slavery. Dr. Ambedkar rightly pointed out that, slavery was never obligatory. But untouchability is obligatory. A person is permitted to hold another as his slave. There is no compulsion on him if he does not want to. But an untouchable has
no option. Once he is born an untouchable, he is subject to all the
disabilities of an untouchable. The law of slavery permitted
emancipation. Once a slave always a slave was not the fate of the
slave. In untouchability there is no scope. One an untouchable always
an untouchable. The other difference is that untouchability is an
indirect and therefore the worst form of slavery. He further says,
....untouchability is more harmful to the growth of man than slavery
ever was. On this there is a paradox. Slaves who were worse off in law
than the untouchables were in fact better off than untouchables and
untouchables who were better off in law than slaves were worse off in
fact than slaves. What is the explanation for this paradox? The
question of all questions is: what is it which helps the slaves to
overcome the vigorous denial of freedom by law and enable them to
proper and grow? What is it that destroyed the effect of the freedom
which the law gave to the untouchable and sapped his life of all
vitality and stunted his growth.69

Dr. Ambedkar observed that, “Most people believe that
untouchability is a religious system. That is true. But it is a mistake
to suppose that it is only a religious system. It is also an economic
system which is worse than slavery. In slavery the master at any rate
had the responsibility to feed cloths and house the slave and keep him
in good condition lest the market value of slave should decrease. But
in the system of untouchability the Hindu takes no responsibility for
the maintenance of the untouchable. As an economic system it permits exploitation without obligation. Untouchability is not only a system of unmitigated economic exploitation, but it is also a system of uncontrolled economic exploitation.\(^70\)

The economic exploitation of the untouchable was possible because of their dependence on others for livelihood. According to Dr. Ambedkar, the Hindus own every thing. They own land in this country. They control trade and they also own the state. Every source of revenue and profit is controlled by them. Other communities and particularly the untouchables are just hewers of wood and drawers of water. The social system helps the Hindus to have a monopoly on everything.\(^71\) He further stated that, the Hindu sacred law penalized the shudras from acquiring wealth. It is a law enforced poverty unknown in any other part of the world.\(^72\) Such is the plight of the untouchable that “in prosperity he will be the last one to be employed and in depression, the first one to be fired”.\(^73\)

In the pre-independence era, there was a school of thought which propagated that ethics is more important than economics. But Dr. Ambedkar stated that history shows that where ethics and economics come in conflict, victory is always with economics; vested interests have never been known to have willingly diverted themselves unless there was sufficient force to compel them. The untouchables cannot hope to generate a compelling force. They are poor and they
are scattered. They can be easily suppressed, they cannot raise their head.\textsuperscript{74}

Dr. Ambedkar was of the firm opinion that the untouchable can never become a governing class so long as they are economically dependent upon others. They cannot become economically strong unless they keep pace with the changing times. He, therefore, advised, “you must rely on your own strength, shake off the notion that you are in any way inferior to any community”.\textsuperscript{75}

Dr. Ambedkar had explicitly analyzed the differences in the degree of subjugation and economic exploitation of labour belonging to shudras and dalit groups. The Shudras did not suffer from the curse of untouchability unlike the panchamas. Thus, the shudras did not suffer from the total and complete socio-economic exploitation, to which the untouchable were subject to by the people of the higher varnas. Therefore, the Shudras were tenants, agricultural labourers, skilled and semi-skilled craftsman whereas the dalits were totally manually labourers attached to specific families of the caste Hindus and also of the higher varnas. This is how the bonded labour system has been confined only to the labour of the dalit groups.

Manusmriti and Samhitas have excluded both the Shadras and dalits from owning land and right to take into arms even under exigencies. It is clear that, in ancient India, both the Shudras and dalits were reduced to the status of wage labour and bonded labour respectively.
Dr. Ambedkar's views on Economics of untouchability clearly reveals that the labour belonging to untouchable group suffer from a variety of economic disabilities which have their roots in the practice of untouchablity in Hindu Social system. It also becomes clear that the dalit labour is the least preferred in production operations and low paid in rural India. Therefore, the social and economic practices together have led to the bonded labour system in dalit in rural India.

Dr. Ambedkar elaborated the economic deprivation of 'dalit labour'. According to him, in an agricultural country, agriculture can be the main source of living. But this source of earning is generally not open to the untouchables. This is so far a variety of reasons. In the first place, purchase of land is beyond their means. Secondly, even if an untouchable has the money to purchase land he has no opportunity to do so. In most parts, the Hindus would resent an untouchable coming forward to purchase land thereby trying to become the equal of the touchable class of Hindus. Such an act of daring on the part of an untouchable would not only be frowned upon but might easily invite punishment. ..... As labourers they can not demand reasonable wages. They have to work for the Hindu farmer for such wages as their masters choose to give. On this issue the Hindu farmers can combine to keep the wages to the lowest level possible for it is to their interests to do so. On the other hand the untouchables have no holding power. They must earn or starve. Nor have they any bargaining. They must submit to the rate fixed or suffer violence.
Dr. Ambedkar rightly pointed out that on account of seasonality of agricultural operations, the depressed class labour will be subject to seasonal unemployment. This is true with other sections of rural labour also. But what is important to note here is that the incidence of seasonal unemployment on dalit labour will be very high as they do not possess any other alternative means of earning a living.

The dalit labour has remained in this country for many centuries highly exploited and helpless as well as with fear and also the threat to life.

**STRATEGY FOR ECONOMIC DEVELOPMENT**

Dr. Ambedkar believed that the thrust of the strategy of India’s economic development should be on eradication of poverty, elimination of inequalities, welfare work for labourers and on ending exploitation of the masses. Dr. Ambedkar accepted the Marxian view that there is exploitation in the world; that the poor are exploited by the rich, employees are exploited by their employers, and that the enslavement of the masses by the privileged few leads to perpetuation of poverty and its attendant suffering. Yet Dr. Ambedkar did not sympathise with the Marxist paradigm of development.

Dr. Ambedkar was aware of the nature of capitalism and its effect on the common man. He did not believe in the big businessmen. He was of the opinion that their lives were luxurious due to the sweat
of the labouring classes. Business-houses had continuously exploited the masses.

Dr. Ambedkar realized that capitalists had not done anything specifically for the lower strata of the society. He was aware that capitalism presupposes the existence of freedom of enterprise and laissez-faire policy. But it also makes for class conflicts, lack of coordination and wasteful competition. Still he did not totally reject the concept of capitalism.

In fact, Dr. Ambedkar favoured a mixed economy, partly public sector and partly private. He did not want to close all avenues of business and trade, technical progress and full utilization of resources. While presenting a memorandum on State and Minorities, he clearly stated, “the main purpose behind the clause is to put an obligation on the state to plan the economic life of the people on lines which would lead to the highest point of productivity without closing every avenue to private enterprise, and also provide for the equitable distribution of wealth.”

Dr. Ambedkar was against monopoly in every form, because monopoly leads to exploitation. Monopoly of private sector sucks the blood of the common man directly or indirectly. It extracts work at low level of wages from the labourers and raises cost of their products by creating artificial scarcities. Dr. Ambedkar was of the opinion that monopoly of capitalists can not give justice to the poor classes.
Dr. Ambedkar had an ardent desire to develop an economically strong India. Therefore, he was prepared to accept the investment of even foreigners. "But it was on the condition that the management and control would remain in the hands of the Indians." He wrote in 1956 in the Republic Party of India manifesto that any scheme of production must remain subject to one over-riding consideration namely, that there should be no exploitation of the labour class.

Ambedkar stood for progressive transformation of society by removing glaring social and economic inequalities that were a part of the capital system. Dr. Ambedkar's ideas of economic relationship were rational in so far as he insisted on the economic welfare of the poorer sections and regarded economic values as means and not as an end in themselves. According to him, "..... the recognition of the class structure of the society and the income structure of society is sacrosanct with the consequent distinctions of "rich and poor", "high and low", "owners and workers", as permanent parts of social organism; from the nationalist point of view these are utterly undemocratic and unrealistic and nothing can be more pernicious than this. But desired capitalism to be controlled through constitutional means and persuasion.

**Dr. AMBEDKAR ON MARXISM**

Dr. Ambedkar regards Carl Marx as the father of modern socialism or communism. Karl Marx was one of the greatest thinkers
of his time. The central idea of Marxism can be described as a theory of value and exploitation combined into the study of progress of history and prophecy regarding the collapse of the capitalistic system.

Dr. Ambedkar studied in depth the creed of Marxism. In his opinion, "Marx was more interested in proving that his socialism was scientific. His crusade was as much against capitalists as it was against those whom he called the utopian socialists." He further pointed out, by scientific socialism what Carl Marx meant was that his brand was inevitable and inescapable and that society was moving towards it and that nothing could prevent its march. It is to prove this contention of his that Marx principally laboured.

It is true that Marxism supplies a way of life to be worked out into a practical shape. From this point of view, it is essentially a theory of method. It seeks to lay down the principles up to which transition from capitalism to socialism is to be accomplished, and its two essential doctrines are the class war and the revolutionary, that is, forcible transference of power to the proletariat. In it, the economic element is the dominant, more accurately, determinant factor in man's life.

Dr. Ambedkar summarises the Marxist doctrine in terms of the following set of propositions:

> The purpose of philosophy is to reconstruct the world and not to explain the origin of the universe.
The forces which shape the course of history are primarily economic.

Society is divided into two classes, owners and workers.

There is always a class conflict going on between the two classes.

The workers are exploited by the owners who misappropriate the surplus value which is the result of the workers labour.

This exploitation can be put to an end by nationalization on the instruments of production that is, abolition of private property.

This exploitation is leading to greater and greater impoverishment of the workers.

This growing impoverishment of the workers is resulting in a revolutionary spirit among workers and the conversion of the class conflict into a class struggle.

As the workers outnumbers the owners, the workers are sound to capture the state and establish their rule that is dictatorship of the proletariat.

These factors are irresistible and, therefore, socialism is inevitable.⁸⁴

It is clear that, according to Marxism, history is determined by the economic forces and that is the truth of all social evolution and the spheres of material life of society and above all people's productive activity, and the economic relations among them in the process of production.
Dr. Ambedkar did not deny that economic forces has an important role to play, yet he was not prepared to accept that man is an economic creature. He did not accept the Marxian premise that economic relationship are the be-all and end-all of human life and he rejected the economic motive as the driving power behind all human activity. He points out that, "nobody now accepts the economic interpretation of history as the only interpretation of history. Nobody accepts that the proletariat has been progressively pauperised."

Dr. Ambedkar emphasized that exploitation has many dimensions, economic as well as social, religious or political. Indeed, in the Indian context social or religious exploitation is no less oppressive than economic exploitation.

Dr. Ambedkar pointed out that, there are only two means of establishing communism. The first is violance. Nothing short of it will suffice to break up the existing system. The other is the dictatorship of the proletariat. Nothing short of it will suffice to continue the new system. In other words, communism stands for revolution and not for reformation. Dr. Ambedkar asks, "Can the communists say that in achieving their valuable ends, that is establishing communism, they have not destroyed other valuable ends? They have destroyed private property.... How many people have they killed for achieving their end? Has human life no value? Could they not have taken property without taking the life of the owner?"
Dr. Ambedkar rejected the totalitarian approach of Marx in advocating of control of all the means of production. He did not accept that the Marxian position that abolition of private ownership of property would bring an end to the poverty and suffering of the have-nots. This is not to say that he was against the involvement of the state in economic development progress. In fact, he perceived an active but well-defined role for the state in the economic affairs of the country.

**Dr. AMBEDKAR ON STATE SOCIALISM**

Dr. Ambedkar believed in placing an obligation on the state to plan the economic life of the people on lines which would lead to highest point of productivity. Without closing every avenue to private enterprise and also provide for the equitable distribution of wealth.

Dr. Ambedkar prepared a memorandum "States and Minorities" and submitted it to the Constituent Assembly on behalf of All India Scheduled Castes Federation. The memorandum was unique and depicts the blueprint of Dr. Ambedkar's model of economic development. His model of economic development further represents a modified form of state socialism which has two special features:

- It proposes state socialism in important fields of economic life,
- It does not leave establishment of state socialism to the will of legislature. It establishes state socialism as the law of the
constitution and thus makes it unalterable by any act of the legislature and executive. By 'Democracy' Ambedkar refers to fundamental changes in the social and economic life of the people and the acceptance of those changes by the people without resorting to disputes and bloodshed.\(^7\)

Dr. Ambedkar emphasized so much on economic democracy. Because political democracy can not last unless there lies at the base of it economic democracy. And "to a poor man the right to vote is not as important as the right to have a loaf of bread."\(^8\)

Dr. Ambedkar was conscious of the intimate connections between individual liberty and the shape and structure of the economic aspect of social life. Therefore, in order to make the principles of one man, one value, real and operative, he wanted political democracy to be enforced by economic democracy.

In the memorandum "States and Minorities", what are their rights and how to secure these, in the constitution of free India, wherein he has not only provided a fertile field for the efflorescence of individual freedom and cultural faculties, but also the essential ingredients of economic democracy.

**CHARACTERISTICS OF DR. AMBEDKAR'S STATE SOCIALISM**

The characteristics of State Socialism proposed by Dr. Ambedkar are as under:

- Industries which are key industries or which may be declared to be key industries shall be owned and run by the state.
Industries which are not key industries but which are basic industries shall be owned by the state and shall be run by the state or by corporations established by the state.

Insurance shall be the monopoly of the state and the state shall compel every adult citizen to take out a life insurance policy commensurate with his wages, as may be prescribed by the legislature.

Agriculture industry shall be state industry.

The state shall acquire the subsisting rights in such industries, insurance and agricultural land held by private individuals, whether as owners, tenants or mortgages and pay them compensation in the form of debentures equal to the value of his or her right in the land.

The state shall also determine how and when the debenture holder shall be entitled to claim cash payment.

The debenture shall be transferable and inheritable property, but neither the debenture holder nor the transferee would be entitled to claim of the land or enter in any individual concern acquired by the state or be entitled to deal with it in any way.

The debenture holder shall be entitled to interest on his debentures at such rate as may be defined by law, to be paid by the state in cash or in kind, as the state may deem it fit.

Agricultural industry shall be organized on the following basis:

(I) The state shall divide the land acquired into farms of standard size let out the farm for cultivation to residents of the village as tenants (made up of group of families to cultivate it). The farm shall be cultivated as a collective
farm. It shall be cultivated in accordance with rules and directions issued by government. And the tenants shall share among themselves, in the manner prescribed, the produce of the form left after the payment of charges properly leviable on the farm.

(II) The land shall be let out to villagers without distinction of caste or creed and in such a manner that there will be no landlord, no tenant and no landless labour.

(III) It shall be the obligation of the state to finance the cultivation of the collective farms by the supply of water, draught animals, manure, seeds, etc.

(IV) The state would levy charges on the produce of the farm as, land revenue, payments to debenture-holders and payment for the use of capital goods supplied. The remainder of the produce would be shared among the cultivators in the manner prescribed by the state. And the state shall be entitled to prescribe penalties against the tenants who break the conditions of tenancy or willfully neglect to make the best use of the means of cultivation offered by the state or otherwise act prejudicially to the scheme of collective farming.

> The scheme shall be brought into operation as early as possible, but in no case shall the period extend beyond the tenth year from the date of the constitution coming into operation.90

The characteristics of state socialism by Dr. Ambedkar reveal that he stood for state ownership of key industries only. He did not plan to close every avenue to private entrepreneurs. He thought that state socialism was essential for rapid industrialization of India.
Private enterprise can not do it and if it did, it would produce inequalities of wealth as it produced in Europe.

Dr. Ambedkar's plan proposes state ownership in agriculture with a collectivized method of cultivation and a modified form of state socialism in the field of industry. It places squarely on the shoulders of the state the obligation to supply capital necessary for agriculture as well as industry.

Dr. Ambedkar point out that, "the consolidation of holdings and tenancy legislation are worse than useless. They can not bring about prosperity to agriculture. Neither consolidation nor tenancy legislation can be of any help to sixty million untouchables who are just landless labourers. ..... Only collective farms on the lines set out in the proposal can help them." 91

While Dr. Ambedkar proposes state socialism in important fields of economic life, he avoids the wholesale nationalization policy propounded by Marx. Indeed Dr. Ambedkar advocated for 'Mixed Economy' in which both sectors, public sector and as well as private sector, will flourish and lead the nation towards economic development.

Dr. Ambedkar does not favour imposition of arbitrary restraint on the economic processes. While the planning of economic life is obligatory on the state, it is important to note that it sought to be done, Dr. Ambedkar remarked that, "without closing every avenue to
private enterprises”, meant, he was not prepared to give up individual incentive.

Dr. Ambedkar’s concept of ‘mixed economy’ stresses the three economic processes of human society; (i) adaptation of the key industries and agricultural land to meet the demands of the poorer sections of society; (2) maintenance of the productive resources by the state; and (3) a just distribution of the common produce among the different people without any distinction of caste or creed. His idea of ‘mixed economy’ has been accepted and infact it is not only embodied in the directive principles (Part IV) of the constitution and still our economic system is running according to the concept of ‘mixed economy’.

Dr. Ambedkar regards both ‘capital’ and ‘labour’ as complementary to each other. It is a realistic view. Many a technological innovations which use capital have been such as would require added labour. And Dr. Ambedkar stressed so much on labour’s welfare. He clearly stated that, “the object of nationalization is to better the lot of the workers. Wages should be sufficient to live happily and which also allow the development of mind, body and character. The number of the working hours should be reduced and workers be given equal pay for equal work. It is the duty of the state to prevent unemployment and exploitation.”\^2
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6. Ibid p. 188.


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21. Ibid p. 29

22. Ibid p. 26

23. Ibid p. 34

24. Ibid p. 41


26. Supra Note 18, p. 53.
27. Ibid p. 99.


29. Ibid p. 79

30. Ibid p. 61

31. Supra Note 25, p. 19.

32. Supra Note 26, p. 130.

33. Ibid, p. 137

34. Ibid p. 170-171.

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36. Ibid p. 244

37. Ibid p. 291

38. Ibid p. 307

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40. Supra Note 17.

41. Supra Note 32, p. 28.


43. Supra Note 26, p. 328

44. Ibid, p. 329.
45. Supra Note 42, p. 49-50.

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