

INDIAN ECONOMIC THOUGHT: KAUTILYA AND DADABHAI NAOROJI

Unit Structure

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Kautilya On Welfare State
- 1.3 Dadabhai Naoroji's Thought On Drain Theory
- 1.4 Summary
- 1.5 Questions

1.0 OBJECTIVES

- To know the thoughts of Indian economist Kautilya on welfare state.
- To know the Indian economist Dadabhai Naoroji's Thought On Drain Theory.

1.1 INTRODUCTION

Indian economic thought is relatively little known either in India or elsewhere. The study of ancient Indian economic ideas provides a deeper insight into India's culture, tradition, and inherent national characteristics. The major sources of information about the economic ideas of Indian writers are Vedas, Arthasastra, the Ramayana and Mahabharata, Manusmriti, Sukraniti, and several other ancient Indian texts. Many scholars, particularly during the first half of the 20th century, attempted to make an objective and unbiased evaluation of ancient Indian economic ideas, explicitly or implicitly, contained in ancient Indian writings. Indian economic thought has certain special features which necessitates a separate study of Indian economic thought.

The history of Indian economic thought provides rich insights into both economic issues and the workings of the Indian thinkers. A study of the history of Indian economic thought provides the first overview of economic thought in the sub-continent. The sources of information available for the study of ancient Indian economic thought are Vedas, the Upanishads, the Epics - Ramayana and Mahabharata, Smritis and Niti Shastras particularly those of Manu and Shukra. Among these, the two most well-known ancient Indian writings are Arthasastra and Manusmriti. Kautilya was the important thinker, whose 'Arthasastra' has been considered the most reliable work on ancient Indian economic thought. It should be mentioned that ancient Indian thinkers had no clear conception of economics and their ideas were mixed with politics, ethics and economics.

Economic thought in modern India was largely influenced by the British rule in India. The British rule has impoverished the country and according to Indian thinkers this has been the major reason for the abject poverty of Indians. Hence, Indian nationalism and widespread poverty of the masses in India influenced the economic thought of modern India. We may briefly explain the economic ideas of Indian economists in the following paragraphs. It should be mentioned that the economic ideas of Indian writers are mixed with ethics and politics. Let us now analyse the ideas of Kautilya and Dadabhai Noroji in this unit.

1.2 KAUTILYA ON WELFARE STATE

In the ancient economic thought in India, Arthashastra plays an important role. Economics is considered as one of the four important streams of knowledge namely Philosophy, Political Science or Dandniti the Vedas and Economics. Economics was considered as the science of wealth (Artha).

Kautilya, Arya Chanakya, wrote a book called as Arthashastra. It reflects Ancient Indian Economic Thought, economic structure and economic aspirations of the society. He has regarded economics as a continuous process. The treatment in his book is quite comprehensive and systematic. It also deals with the government of towns and villages, law courts, rights of women, maintenances of old and helpless, marriage and divorce, public finance, maintenances of army and navy, diplomacy, agriculture, spinning and weaving and a number of other subjects. His book contains ample ideas on a welfare state.

The ancient economic thought was welfare oriented. It wanted to study the problems and prospects of the welfare state. The ancient Indian thinkers had a very clear concept of welfare state.

The functions of the state were governed by the moral dictates. Economic life in ancient India was governed by religious ideals and moral sanctions. Each citizen was guaranteed protection against starvation. An equitable distribution of wealth and food was the objective of the State administration. Wages were determined on the basis of equality and justice. There was no exploitation of labour by employers. There was no exploitation of the cultivator by the landlords and the capitalists.

Kautilya was against high rates of interest. According to Kautilya, profits are the rewards of purely entrepreneurial function. The Vedas spoke about the equitable distribution of wealth. However, due allowance was given to the differences in caliber, character and aptitude of the people. The chief duty of the state was to promote the economic welfare of the people. It was required to promote trade, agriculture, irrigation mining etc. by giving subsidies.

The justice was administered by Panchayats and Guild Courts. The administrations, economic as well as political, was fully democratic. The Panchayat and the Municipality were the basic units of democracy. There

were several instances where the State framed regulations relating to the financial transactions, weights and measures, essential industries, currency and exchange, prevention of adulteration etc. According to Shukra, the State is a trustee to which others are related. He also said that the state is tree of which King is the root and counsellors are the main branches. The Commanders are the lesser branches. The armies are the blossoms and the flowers. The people are the fruits and the land is the seed. In short, King was responsible for the economic prosperity of the people. All this indicates that the ancient concept of State in India was that of Welfare State.

The Kautilyan state was in essence a welfare state not only in its ideal but also in its programmed of action. Kautilyan state intervened, regulated and participated in socioeconomic activities and, at the same time, it controlled private enterprises in many ways checked unhealthy profit motive, standardized weights and measures and fixed prices. Private enterprises were strictly regulated for profit, general welfare and prevention of fraud.

Kautilya touched almost all the aspects of human life, civilization and culture within his concept of Yogakshema (Welfare State, in the modern sense).

Kautilya has given the welfare of the public the foremost place in his administrative policies. The most important objective of his administrative system was ensuring inclusive development of all while doing the work of public interest.¹² Kautilya State made several laws for the welfare of the society. A ban was imposed on the sale and purchase of children as slaves. This shows his immense concern for child labor. Similarly, an employer could not force a female slave to become naked or hurt or abuse her chastity. This indicates remarkable human values which Kautilya cherished against slavery and thus guaranteeing civil rights to shudras. His views related to children slavery and women liberty are significant in modern period. Today every state makes many laws against the child labor and for protection of women liberty. Kautilyan state was not merely concerned with the material and physical welfare of the citizens; it was concerned with the moral welfare of the people as well

Kautilya's concept of State is founded on Industrial structure. Industrial development was the important function of the State. The State had the duty and responsibility of making the country self-sufficient and wealthy. According to him, there are three guidelines for the State,

1. The State should undertake those industries which help directly in making the nation self-sufficient and self-reliant. For eg. Gold, silver, diamond, iron and other metals should be in the charge of the State.
2. The activities related to farming, spinning, weaving, livestock farming, arts and crafts etc. should be left to the individuals and the right of ownership should be recognised. The State should supervise these activities.

3. The State should see that the activities related to the production, distribution and conception are carried out efficiently and in accordance with the rules framed by the State.

1.3 DADABHAI NAOROJI'S THOUGHT ON DRAIN THEORY

Dadabhai Naoroji made several contributions in the Indian Economic Thought. He laid down the foundation of studying the problems faced by India during British rule from a practical angle and devised the necessary statistical tool for it. He was basically motivated by a deep sense of patriotism. He was always emphasizing the basic duty which the British government had towards its subjects in India and advocated that Britain was morally not authorised to benefit at the cost of Indian interests. Dadabhai Naoroji contributed a number of writings on the subject of Indian poverty and the consequences of British rule. One of his greatest contributions is 'The Drain Theory'.

Naoroji was of the firm opinion that the economic and political relations between India and Britain were leading to heavy drain of real resources from India to Britain and thus condemning India to a perpetual state of poverty. The Drain Theory comprehends the essence of what he wanted to say as a patriotic citizen who had studied the causes of poverty in a colonial economy. From the angle of the methodology this theory provides an excellent conceptual framework within which Dadabhai's economic ideas and his assessment of the burning question of his times easily fall into place form a coherent whole so as to appeal to even sophisticated student of modern economists.

The economic drain was a manifestation of the unjust and forceful obstruction in the way of Indian economic growth and led the country to a heavy foreign indebtedness. The whole gamut of financial, civil and military set-up was geared towards setting up a mechanism which extorted resources from the Indian economy. Such a drain mechanism was operative at two levels: (i) the external trade and (ii) the internal working of the economy.

Economic drain may be defined as a complex system through which economy's surplus was extracted out by a process of internal drain. The surplus was taken out of India through foreign trade and uni-lateral transfer of funds. It was called the process of external drain as an external cum internal drain.

Internal Economic Drain:

It is the transfer of income from small producers in agriculture and crafts to organized urban sectors, landlords, merchants etc. through the medium of taxation, interest payment, profit and other form of surplus. It was done through the terms of trade, unfavorable to agriculture and crafts. The result was the long period of decline of handicrafts production, mainly textiles. It

resulted in the disturbance in village level equilibrium of the crafts and agriculture.

External Economic Drain:

It is the transfer of resources from India to England through the export surplus and movement of precious metals without any corresponding returns from England to India. Export surplus means the surplus on export on goods and services of a country over its imports. Increase of India the export surplus in its trade with England was not often matched by any corresponding payment from England to India since they were accounted for charges against India as home charges, war expenses of England etc.



Initially the external drain was represented by the unilateral transfer of purchasing power from India to England. This was made through the movement of precious metals from India to England. Later on this transfer of purchasing power took the form of export of commodities from India to England. But for these exports there was no equivalent flow of payments from England to India. Since the export of commodities was not matched by any counterflow of payment it is called as unrepeatable export surplus. Thus it was argued that a large portion of India's national wealth was transferred to England without any quid-pro-quo i.e. without any returns.

Since the resources were transferred from India to England without much significant returns from England, such transfer of resources was described as drain of India's resources. This phenomena of transfer of resources and wealth from India to England was called as Economic Drain by Dadabhai Noroji.

Mechanism of Economic Drain:

1. Merchants and officials of East India Company and other officials demanded gifts from Indian people. Sometimes these gifts were taken forcibly from the Indian people.
2. Remittances to England by European employees for the support of families and education to their children.
3. European employees preferred to invest in their own countries rather than in India.
4. Government of India had to make payments for the purchase of the things manufactured in England.

5. When India had export surplus in its trade with England then that surplus was taken away by England as charges against India. There was no payment from England to India.
6. India had to pay interest charges on public debt held in Britain. Their investment in Indian railways, coal mines etc. were written down as debt of India. Thus, India had to pay interest on that.
7. The Government of India had to make large payments to people in England. It was on account of the political and commercial connections between India and England.
8. Home charges were imposed in the form of payment to railways, irrigation works, interest on the debt raised by England, pensions to retired British officials etc.
9. There was a neglect of traditional public works.
10. Heavy duties were imposed on Indian goods going to England.
11. Free imports of British manufactured goods.
12. The Government purchased most of its stores from the British manufacturers and the foreigners in India also purchased mostly foreign goods. The combined effect of all these factors was that the resources drained from the Indian economy did not flow back into it. This external drain was affected through the mechanism of export surplus. Ordinarily an export surplus would have enabled India to pay off her foreign debts, to have foreign investment, or to bring in capital goods and strengthen her own economy. But, as it was, this export surplus was lost without any return and the country was getting deeper into foreign indebtedness.

1.4 SUMMARY

Thus, this economic drain resulted in -

- a. Increase in tax burden
- b. It made the Indian economy stagnant. It was due to the abnormal increase in India's public debt and home charges.
- c. It resulted in poverty. The economic drain of resources resulted in decline of Indian handicrafts production, agricultural production etc.
- d. It had harmful effects on income and employment. The drain involved spending a large part of National Income in England. Thus we could not generate income and employment in India.
- e. There was a huge loss of capital.
- f. It affected the industrial development adversely.

- g. The terms of trade went against India. It was mainly due to less export earning and more import payments.

1.5 QUESTIONS

1. Explain Kautilya's views on welfare state.
2. Write an explanatory note on Dadabhai Naoroji's thought on economic drain.

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INDIAN ECONOMIC THOUGHT: RANADE, R. C. DATT AND GOPAL GANESH AGARKAR

Unit Structure

- 2.0 Objectives
- 2.1 Ranade's Case On Protection
- 2.2. R.C.Dutt On Imperialism
- 2.3 Gopal Ganesh Agarkar
- 2.4 Questions

2.0 OBJECTIVES

- To know the Indian economist M. G. Ranade's thoughts on protection.
- To know the thoughts of Indian economist R. C. Datt on Imperialism.
- To know the thoughts of Indian economist Gopal Ganesh Agarkar.

2.1 RANADE'S CASE ON PROTECTION

M.G.Ranade was born on 18th January, 1842. He completed his MA from University of Bombay. Later on, he studied law and became the judge of Bombay High Court. The economic ideas of Ranade concentrate on few subjects such as

- a) Methodology of study
- b) Explanation of backwardness/poverty in India.
- c) Development and industrialisation of India and the role of State.

Economic ideas of Ranade can be found in his essays on 'essay on Indian Economics' or 'Essays on Indian Political Economy', 1893.

Let us now study the ideas of Ranade mainly with respect to Protection. His ideas on protection are explained in the development and industrialisation of India and the role of State.

Ranade opposed the laissez-faire policy i.e., non-interference by the government in economic matters. According to Ranade, government (State) must play an important role in removing poverty and promoting the wealth of nation.

The State must come forward with several measures which are helpful for the development of the economy. The policies and measures must give

maximum advantage to the people. He said that the State is recognised as a national organ. The State must take care of national needs. National needs are many and varied. In this case, it must take help of individual and cooperative efforts. Government must bring effective and economical efforts (returns must be more than expenditure). He said that we must go for planned economy with the objective of welfare State.

Ranade opposed the policy of free trade. According to him, free trade will affect the interests of Indian industries badly. Thus, Ranade advocated and supported the policy of protection to India and mainly to Indian industries. He said that the government should follow a positive policy for the promotion and development of Indian industries. Later on, he said that the government must also promote large-scale farming.

According to Ranade, a balanced and land development of agriculture, industry and commerce is essential for promoting economic development of India.

There was also a problem of population pressure. To solve this problem, he advocated a balanced redistribution of population. It is possible by sending people from thickly populated areas to thinly populated areas. The government must also take care of the resettlement of the people.

Ranade also advocated changes in land policy. He said that these changes are essential for the interest of cultivators of soil. The farmers must be allowed to pay their tax in kind if it is convenient to them. He pleaded a permanent Ryotwari Land Settlement for a minimum period extending from 20 to 30 years. He also advocated the reorganisation of credit system. He said that we must set up committees of capitalists to finance agriculture.

Ranade's argument also rested upon a weakness in the classical position itself. Adam Smith was a 'fair trader' i.e., he would allow free trade only where it was advantageous to Britain. J.S.Mill favoured the institution of free trade when industrialisation of a country had crossed the stage of infancy. Ranade wanted that on this basis India should also adopt policy of protection till her industrial strength had grown.

His ideas of economic growth are closely linked with those of population, credit and investment, protection and other possible state actions. The need for capital accumulation was also put to the fore. He noticed that there was ample availability of capital funds. But the appropriate mechanism for their collection and utilisation was not there. The private sector was not able to attract these funds. Instead, there was an excessive demand for government securities which, therefore, commended a premium. There was also a surfeit of funds with the exchange banks. Therefore, the real deficiency was that of the lack of suitable financial intermediaries through which these funds could be channelled. In the country-side, there was a predominance of private lending which could not be considered the best. The need of the economy was to have developed system of institutional lending. Expansion of banking would be very helpful in this connection. It is remarkable that Ranade was able to realize

the role of institutional finance and its means (banking) at such an early time a policy whose worth is not fully realised. Apart from the financial side of the policy, Ranade also recognised that in his scheme of things (in which he was basically not concerned with economic justice as between individual members of the society) capital accumulation and technology were to be mainly the responsibility of bigger proprietors. And it was in the context of economic growth that Ranade would not ask for complete protection on two grounds. Firstly, it was bound to be unacceptable to the government in those hay-days of laissez-faire. Secondly, he believed in the fundamental strength of the case for free trade.

But he did believe that in the initial stages of industrial growth, protection was needed. Free trade was good between the parties of equal strength. “the Advanced Theory concedes freedom where the parties are equally matched in intelligence and resources; when this is not the case, all talk of equality and freedom adds insult to injury.” He therefore said: “We cannot, as with the governments of these (European countries and America) countries, rely upon differential tariff to protect Home Industries during their experimental trial. We cannot expect the government here to do what France and Germany do for their shipping out of general taxes. These are heresies according to English Political Economy, such as taught to us, and whether they are really so or not, it is useless to divert our energies in fruitless discussion and seek to achieve victory over free trade.”

In his idea on State action and planning, State was expected to operate and help the economy. Ranade’s ‘Policy of the Cultural System’ assumes the State to play positive and comprehensive role in the industrialisation of the country. We have also noticed the place which Ranade accorded to protection in this scheme of things. He advocated a systematic shift in government policy regarding purchase of stores in favour of Indian products. Thus, protection, store-purchases and such like actions would create demand for Indian industrial products.

2.2 R. C. DUTT ON IMPERIALISM

R.C Dutt was born in Bengal family. The economic ideas of Dutt are found in his two fundamental books namely Economic History of India (2volumes) and Famines in India (2 volumes).

2.2.1 R.C. Dutt on Imperialism:

India in the 18th century was a great manufacturing as well as great agricultural country and the products of the Indian looms were supplied in the markets of Asia and Europe. It is , unfortunately true that the East India Company and the British Parliament, following the selfish commercial policy discouraged Indian manufacturers in the early years of British rule in order to encourage the rising manufacturers of England. Their fixed policy was to make India subservient to the industries of Great Britain, and to make Indian people grow raw produce only in order to supply material for the looms and factories of Great Britain. This policy

was perused with unwavering resolution and with fatal success. Orders were sent to force Indian artisans to work in company's factories. Commercial residents were legally vested with extensive powers over villages and communities of Indian weavers. Prohibitive tariffs excluded Indian silk and cotton goods from England: England goods were admitted into India free of duty or on payment of a nominal duty.

Millions of Indian artisans lost their earnings. The population of India lost one great source of wealth and it resulted their helpless dependence on agriculture. The invention of power loom in Europe completed the decline of the Indian industries and when in recent the power loom was set up in India. An excise duty was imposed on the production of cotton fabrics in India which disabled the Indian manufacturer from competing with the manufacturers of Japan and China.

For when taxes are raised and spent in a country, the money circulates among the people, fructifies trade, industries, and agriculture, and in one shape or another reaches the mass of the people. But when the taxes raised in the country are remitted out of it, the money is lost to country forever; it does not stimulate her trades or industries, or reach the people in any form. Large amount of money was annually drained from the revenues of India.

These are the plain facts of economic situation in India. If manufacturers were crippled, agriculture over-taxed and a third of the revenue remitted out of the country any nation on earth would suffer from permanent poverty and recurring famines. Economic laws are the same in Asia as in Europe. If India is poor today, it is through the operation of economic causes. If India as prosperous under these circumstances, it would be an economic miracle. Science knows no miracles. Economic laws are constant and unvarying in the operation. These were the views of R.C.Dutt on imperialism.

2.2.2 R. C. Dutt views on Land taxation:

Agriculture was virtually the only remaining source of national wealth in India, and four-fifth of the Indian people depend on agriculture. But the Land tax levied by the British Government is only excessive but what is worse: it is fluctuating and uncertain in many provinces. In England, the Land Tax was between one shilling and four shillings in the pound, i.e., between 5 and 20 percent of rental. During 1798 it was made perpetual and redeemable by William Pitt. In Bengal the Land Tax was fixed at over 90% of the rental, and in northern India at over 80% of the rental between 1793 and 1882. In Madras, the Land tax first imposed by the East India Company was half of the gross produce of land.

In Madras and Bombay things were worse. There the Land Tax was paid generally by the cultivators of the soil there being, most parts of those provinces, no intervening landlords. The British government declared its intention in 1864 of realising as Land Tax about one-half of the economic rent, but what the British government does take as land Tax at the present day, sometimes approximates to the whole of the economic rent, leaving

the cultivators little beyond the wages of their labour and the profits of their agricultural stock.

The land tax is received once every thirty years. The cultivators do not know on what ground it is enhanced, he has to submit to each renewed assessment or to leave his ancestral fields and perish. This uncertainty of Land Tax paralyses agriculture, prevents savings and keeps the tiller of the soil in the state of poverty and indebtedness.

It will appear from the facts stated above that the Land Tax in India is not only heavy and uncertain, but what the very principle on which it is raised is different from the principle of taxation in all well-administered countries. In such countries the State promotes the accumulation of wealth, helps the people to put money into their pockets, like to see them prosperous and rich, and then demand a small share of their earnings for the expenses of State. In India, the State virtually interferes with accumulation of wealth from the soil. Intercepts the incomes and gains of the tillers, and generally adds to its land revenue demand at each recurring settlement, leaving the cultivators permanently poor. In England, in Germany, in the United States and in France and other countries, the State widens the income of the people, extend their markets, opens out new sources of wealth, identifies itself with the nation and the State grows richer with the nation. In India the State has fostered no new industries and revived no old industries for the people; on the other hand, it intervenes at each recurring land settlement to take what considers its share out of the produce of the soil. Each new settlement in Bombay and Madras is regarded by the people as a wrangle between them and the State as to how much the former will keep and how much the latter will take. It is a wrangle decided without any clear limits fixed by the law a wrangle in which the opinion of the revenue officials is final and there is no appeal to judges or law courts. The revenue increases and the people remain destitute.

Taxation raised by the King says the Indian poet is like the moisture of the earth sucked by the sun, to be returned to the earth as fertilising rain, but the moisture raised from the Indian soil now descends as fertilising rain largely on other lands, not on India. Every nation reasonably expects that the proceeds of taxes raised in the country should be mainly spent in the country, under the worst governments that India had in former times, this was the case. The vast sums which Afghan and Mughals emperors spent on their armies went to support great and princely houses, as well as hundreds of thousands of soldiers and their families. The gorgeous palaces and monuments they built, as well as the luxuries and displays in which they indulged, fed and encouraged the manufacturers and artisans of India. Nobles and commanders of the army, Subadars, Diwans, and Kazis, and host of inferior officers in every province and every district, followed the example of the court: and mosques and temples, roads, canals and reservoirs, attested to their wide liberality, or even to their vanity. Under wise rulers, as under foolish kings, the proceeds of taxation flowed back to the people and fructified their trade and industries.

But a change came over India under the rule of the East India Company. They considered India as a vast estate or plantation, the profits of which were to be withdrawn from India and deposited in Europe.

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The expenses of the mutiny wars had vastly added to Indian liabilities and demand increases in Taxation. Commerce could not be taxed against the wishes of British merchants and British voters; the increased taxes therefore fell on agriculture. Accordingly, from 1871, a number of new taxes were assessed on land, in addition to the land revenue. If the Land Revenue was 50%, of the rental, the total assessment on the soil, including the new taxes came to 56%, or 58%, or even 60% of the rental. And the people of India asked what was the object of limiting the land revenue, if the limits were exceeded by the imposition of additional burdens on agriculture.

Agriculture, as a source of the nation's income, has not been widened under British administration. Except where the land revenue is permanently settled it is revised and enhanced at each new settlement, once in thirty years or once in twenty years. It professes to take 50% of the rental or of the economic rent, but virtually takes a much larger share in Bombay and Madras. And to it are added other special taxes on and which can be enhanced indefinitely at the will of the State. The Land assessment is, thus excessive, and it is also uncertain. Place and country in the world, under the operation of these rule, and agriculture will languish. The cultivators of India are frugal, industrious, and peaceful, but they are nevertheless impoverished, resourceless, always on the brink of famines and starvation. This is not a state of things, which Englishmen can look upon with just pride. It is precisely the state of thing, which they are remedying in Ireland. It is a situation, which they will not tolerate in India when they have once grasped it.

Further R.C. Dutt states Agriculturalist who have lands are better off. They are better housed, better clothed, and have more sufficient food. But a severe Land Tax or rent takes away much from their earnings, and falls on the labouring classes also. For where the cultivator is lightly taxed and has more to paid. In Backergunj where the land is lightly rented and the cultivator is prosperous, the labourer employed by him get 10s,3d a month. In Salem, where the land is heavily taxed, and the cultivator is poor, the labourer employs earns 4s, 8ed a month. It is this fact which appeals strongly to the Indian economists familiar with the circumstances of his fellow-villagers; it is this fact which is ignored by the Settlement officer when he enhances the Land Tax. A moderate Land tax relieves the landless village labourer as much as the cultivator; labourer deprives him of work reduces his wages and renders an easy victim to the first onset of famines. We have in this page again and again urged a limitation of the Land Tax within moderate and definite limits because a moderate and defined land tax is calculated to improve the condition of the entire village population. Of British India all the 200 million who own lands and who labour on lands. And the Native States of India would soon follow the lead of British Government in this matter, as they do in other details of administration.

2.2.3 R. C. Dutt's Views on Public Finance:

Public Finance has many facets. A high level of land taxation was necessitated by the high cost of British Indian administration. These costs were increased by reason of expenditure undertaken on wars for the expansion of British dominion and for the maintenance in India of military establishments required for this purpose. Interest payment on unremunerative railway and other debts home charges, remittances of funds to England by public servants and others- all these resulted in a considerable drain of resources from the country.

In India, an empire had been acquired, wars had been waged and the administration had been carried out at the cost of the India people, the British nation had not contributed a Shilling.

The East India Company ceased to exist in 1858, their stock was paid off by loans which were made into an Indian debt, and the Indian people are thus paying dividends to this day, on the stock of an extinct company, in the shape of interest on debt.

It has been stated that the whole cost of wars in India and of civil administration was paid out of the resources of India, even after paying all these expenses, India showed a substantial surplus during the 46 years ending with the accession of Queen Victoria.

There were 32 years of surplus, and if the deficit amounted altogether to nearly seventeen million, the surplus amounted to nearly forty-nine million, but this money was not saved in India, nor devoted to irrigation or other works of improvements. It went as a continuous tribute to England to pay dividend to the company's shareholders and as the flow of the money from India was not sufficient to pay the dividends there was an increasing debt called the public debt of India.

Indian debt represents British capital sunk in the development of India. It shown in the body of this volume that this is not the genesis of the Public Debt of India. When the East India Company ceased to be rulers of India in 1858, they had piled up an Indian debt of 70 million. They had in the mean time drawn a tribute from India, financially an unjust tribute exceeding 150 millions, not calculating interest. They had also charged India with the cost of Afghan wars, Chinese wars, and other wars outside India. Equitably, therefore, India owed nothing at the close of the Company's rule; her Public Debt was myth: there was a considerable balance of over 100 millions in her favour out of the money that had been drawn from her.

Within the first 18 years of Administration of the Crown the Public Debt of India was doubled. It amounted to about 140 millions in 1877, where the Queen became the Empress of India.

This was largely owing to the cost of the Mutiny Wars, over 40 million sterling, which was thrown on the revenues of India. India was also made to pay a large contribution to the cost of the Abyssinian war of 1867.

Between 1877 and 1900, the Public Debt rose from 139 million to 224 millions. This was largely due to the construction of railways by Guaranteed Companies or by the State, beyond the pressing needs of India and beyond her resources. It was also largely due to the African Wars of 1878 and 1897. The history of the Indian Debt is a distressing record of financial un-wisdom and injustice and every impartial leader can reckon for himself how much of this Indian Debt is morally due from India.

Modern European nations create National Debts mainly to extend their conquests and colonies, and to maintain their position among rival nations. India seeks no conquest; she has no rivals in Asia; her position under a strong and good government is invulnerable. The cost of the British conquest of the country had been defrayed from her annual revenues; the cost of useful public works could be met from a country; and there was no need for continuously increasing it when people had followed the Mutiny wars and the administration had been assumed by the Crown. Lord Lawrence endeavoured to meet all expenditure from the annual income, Lord Mayo's plan of constructing Public Works with borrowed capital was a mistake. When money is easily borrowed it is easily spent, and the debt accumulates.

2.3 GOPAL GANESH AGARKAR

Agarkar is commemorated for his work as a social reformer, as a rationalist and as an educationist. It is also essential to understand and recognise his positions on many issues especially the ones on economics. He often wrote essays commenting on the nature of discourse on economics prevalent during his time. His essays are of particular significance to understand where exactly he stood as a 19th -century liberal and to comprehend the philosophical influences that propelled him to take those positions. The two essays that reveal his economic thoughts are titled 'Teen Arthashastre' – which can be broadly translated as 'Three Strands of Economics'.

He opens his first essay with the analogy of an ongoing 'Tug of war' between what he called the extremely ignorant people of India on one hand and an extremely self-serving British government in India. And the liberal-intellectuals in the society were dismayed by the self-serving policy initiatives of the British government and equally by the lack of logic in Indian demands for economic redressal. As a member of the third party of intellectuals, not aligning with the views of the government or the vast majority of Indian nationals, he advanced suggestions for both the government and the people of India.

Economics is about production, distribution and transactions or exchanges. India had a grave problem concerning all three aspects. India's production was diminutive and thus the wealth produced was limited. Therefore, the other two factors of a healthy economy were also impaired. This was a result of the foreign rule in India. Agarkar categorized the then-existing views on economics under three labels. These can be broadly called Axiomatic or Classical Economics, Practical Economics and Illusory

Economics. We shall discuss the three categories of the then prevalent thought in the same sequence as Agarkar did.

As per the tenets of Classical Economics, a government should stay away from interfering in production, distribution and trade in general. However, the British government in India used this very principle of non-intervention to ignore the grave economic conditions and to turn a blind eye toward the debilitating effects of its economic policies. It was obvious to Agarkar that the government chose to be brazenly opportune and abide by this principle where it helped serve the British national interest and it blatantly violated the same principle when it was not beneficial for its national interest.

Given the complex political relationship between the British government of India and the Indian people, the conventional rules of economics wouldn't apply to the Indian conditions. According to Agarkar political freedom and economic freedom were inextricably / inseparably intertwined and he was convinced that Indians would have to win them back in the same sequence in which they lost those to the British.

He further argued that the British held India as a precious possession not because they cared for India or her people, but because India was geographically important in continuing the trade with other Asian countries. The colonial masters valued India for the access it granted to Britain to the distant parts of the orient. The trade via India benefited the British more than their occupation of Indian possessions and the Indian resources.

Agarkar pointed out that India never had a consumerist culture. Wantonly enjoying different goods and services was yet to be deemed normal. This was one of the reasons why Indians never developed the skills, talents and means required to produce goods. Ironically, Indians had to depend on the British even for the essentials that could be easily and cost-effectively produced in India. This led to the infamous economic drain and rendered the nation vulnerable to rustification.

This begs a question that if the economic ordeal was real and so overt, then how did the government manage to govern India for decades after the first spark of consciousness among the Indian intellectuals?

The answer lies in the fact that the government mastered the art of controlling the impoverished masses by offering temporary relief in various ways. At times the government appointed a commission when the popular discontent was too conspicuous. On some other occasions, it offered some concessions to the farmers. Yet another time it dug canals and wells, distributed seeds of cotton or wheat, established farms to carry out experiments or even established veterinary hospitals.

Apart from these usual methods, Agarkar touched upon two more ways in which the government used its power supposedly for the redressal of grievances. One, the government at times sought to save the peasants by inflicting costs on the landlords – by pitting the classes against each other.

Secondly, the government opened up a ministry to manage agrarian affairs and manned it with intelligent bureaucrats. They had a lucrative remuneration for which Indians paid through their tax money. The government did all of this in the name of 'agrarian reforms' but none of the so-called reforms elevated the lifestyle of crores of poor Indians fundamentally.

As Agarkar put it "the fatal and deep wound of systemic impoverishment (that the economic policies of the government) inflicted on Indians could not be healed by mere band-aids." No amount of temporary relief could improve the economic condition of India. If India had to recover and reinvigorate herself, it would take some serious effort – a reliable 'tonic'. Increasing the volume of the production (and subsequently trade) was the only suitable tonic that could impart vitality among Indians. He argued that countries like France, the United States of America, Germany, Italy, Russia, Japan, Switzerland and even England worked toward increasing the trade when their industries were at a nascent stage. But, when this historical fact was brought to the notice the British officials would respond frantically as if the laws of classical economics had always been sacrosanct for them.

"Indian thinkers like Justice Telang, Justice Ranade and Dadabhai Naoroji had devised ways of stimulating Indian industries, commerce and agriculture without violating the laws of economics. But to what end?" Agarkar didn't hide his pessimism about the British nonchalance when he declared that these sane voices were falling on deaf ears. "After all one can be woken up from slumber if they are asleep, how can a person who pretends to be asleep be woken up?" – questioned Agarkar.

Given the nature of British rule, Agarkar concluded that the general laws of classical economics were not entirely suitable for the then prevailing conditions. His explanation for deviating from classical thought was that the principles of classical economics cannot be applied to every society as their applicability hinges upon the level of economic development in a given society. Typically, the new colonies or underdeveloped countries require some modifications.

'If there are compelling reasons to believe that industry, if promoted, for the time being at least at the outset, can flourish and if it creates self-sustainable enterprises, it won't require the support of the state then such an industry should be incentivized by the state.' This state support would be purely temporary. This was the second and less prevalent view called Practical Economics. It was the one that Agarkar adhered to. However, this was his second-best and he considered it a transitional arrangement to reach the ideals of Classical Economics.

The Indian public intellectuals such as Agarkar and economists like Ranade demanded a specific, temporary and transient role for the state – one that of a facilitator for free trade and industry. But the British government naturally showed the proclivity to protect the British businesses from any emergent competition. More so, if it was coming

from the natives. On the other hand, Agarkar was also concerned with how many Indians extolled the so-called virtues of Indian products. He ridiculed them as people with a 'misplaced sense of patriotism'. He placed them in the third category of those who believed in Illusory Economics. Dismissing the false sense of being useful to the nation that one may derive by promoting Swadeshi, he declared that 'no one has ever benefited from buying a costly product just because it is 'swadeshi' or made in India.

Agarkar was convinced that both the British state and the Indian people had something in common. The extremely self-seeking character of the government and the naivety of the common people in India indeed had a point of concurrence – both the Indians and the British fell for protectionism of some sort. It clarifies that Agarkar wanted the state to create good conditions for industries to increase production, trade and commerce. He did not seek protection. His unequivocal rejection of the preferential treatment to products based on the place of their origin and opposition to state or society sponsored protection to businesses is testimony to his belief in fair play and competition.

2.4 QUESTIONS

1. Discuss Ranade's case of protection.
2. Write a note on R.C. Dutt's views on Imperialism.
3. Discuss R.C. Dutt's views on land tax.
4. Explain the views of R.C. Dutt on public finance.
5. Explain economic ideas of Gopal Ganesh Agarkar.

ECONOMIC THOUGHTS OF MAHATMA PHULE

Unit Structure

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Life Introduction
- 3.3 Books of Jyotirao Phule
- 3.4 Economic Thoughts Of Mahatma Phule
- 3.5 Summary
- 3.6 Questions
- 3.7 References

3.0 OBJECTIVES

- Students know about the work of Mahatma Jyotiba Phule.
- To study the thoughts of Mahatma Phule in relation to Indian agriculture and farmers' welfare.
- To study the history of economic exploitation of farmers.

3.1 INTRODUCTION

Mahatma Jyotirao Phule is known as the father of women's education in modern India. Mahatma Phule was the greatest social reformer of Maharashtra and India, he was a revolutionary thinker who analyzed the exploitation of the working class in the society and suggested solutions for it. Mahatma Jyotiba Phule tried his best to get equal rights for men and women in India. Mahatma Phule is the first leader of social freedom and decided the direction of the development of the oppressed, victimized and backward classes and worked hard in accordance with it. The economic thoughts of Mahatma Jyotiba Phule are responsible for bringing about comprehensive economic growth in the country. He has made various efforts to create an egalitarian system by rejecting the exploitative system and has organized his ideas through his literature. Mahatma Phule has called farmers as the cloth of the world. That is, farmers are described in terms of 'Jagacha Poshinda' "Feeder to the world". Farmers produce vital materials/commodities essential for world development and global human development in today's concept. Mahatma Phule has been given various rewards by citizens and intellectuals.

Jotirao Govindrao Phule was conferred the title of Mahatma by Rao Bahadur Wadekar on behalf of the people of Mumbai on 11 May 1888 in a ceremony at Koliwada, Mandvi, Mumbai. Maharshi Vitthal Ramji Shinde said in reference to Mahatma Phule that he was the first savior of Dalits.

So, “Log Muje Mahatma Kehete Hai Asli Mahatma To Jyotiba The” (People says Mahatma to me (Gandhiji) but real Mahatma is Mahatma Jyotiba Phule) said Mahatma Gandhi from Yerwada Jail in 1932. Sayajirao Gaikwad, the institutional king of Baroda, called Mahatma Phule, “The Booker Washington of Maharashtra”. Bharat Ratna, The Indian person who known as the symbol of knowledge in the world, Bharatratna Dr. Babasaheb Ambedkar considered Mahatma Phule as his ideological guru (Teacher).

3.2 LIFE INTRODUCTION

Mahatma Jyotirao Phule's full name is Jyotirao Govinda Phule. Jyotirao was born on April 11, 1827 in Pune in the Mali, a Shudra caste of Hindu religion. Jyotirao's mother Chimanabai died when he was child. In those days, education was not available to the common people, especially to the backward classes and to all women. But according to the British Charter of 1813, education was opened to all. Accordingly, in 1836, the British government at its own expense started experimental village schools in some villages of Pune district. Reading and writing were taught in it. Jyotirao was sent to a Marathi primary school at the age of seven. No one in his family had gone to school before him. But, one Pantoji, who is in contact with Govindrao, gets upset about going to Jotirao's school, Jyotirao will go to school and will not help your partner in the agriculture work. By making this kind of arrangement, Govindrao expelled Jyotirao from school and joined farming. Meanwhile, Jotirao had learned to read and write in school and was always fond of reading. In 1841 Ghaffar Begh Munshi, Pantoji of Urdu and Persian, and another Lidget Saheb told Govindrao the importance of education and asked him to send Jyotirao back to school. Accordingly, Jyotirao completed his education till 1847.

Jyoti Rao was an independent thinker and he felt that the country should become independent. Every Indian needs to strive for that and in that regard; Lahuji was doing the necessary training of exercise. There he learned swordsmanship, marksmanship and various types of outdoor sports. His friends were from all walks of life and religions. One of them is a friend of the Brahmin community and Jyotirao was walking with all the people during his wedding ceremony on the invitation of his Brahmin friend. But there were Brahmins in the Varat and how dare a Shudra run with the Brahmins, they were kicked out him. Mahatma Jyotirao Phule's thoughts moved from the freedom of the country to the freedom of the individual and the society from inhuman caste system. This incident turned his life upside down. From then on, he dedicated his life to revolutionizing the society to establish equality and unity in the society and bringing the backward classes and women into the stream of education and giving them their human rights.

Jyotirao got inspired to do social work from the biographies of Chhatrapati Shivaji Maharaj and George Washington. While reading Thomas Paine's book “*Rights of Man*” had a great impact on his mind and he started working for equal rights of Indian people.

Mahatma Jyotirao Phule first educated his wife Savitribai Phule and then started the first girls' school in Pune on 1st January, 1848. Where, Savitribai Phule was teaching girls with the guidance of Jyotirao Phule. Then in 1851 two more schools for girls were started and in 1852 Phule started a school for the children of Shudra. While doing this, they had to contend with society. Importantly, his father Govindrao kicked Jyotirao and his wife Savitribai Phule out of the house to avoid the wrath of Pantoji and the society. However, Mahatma Phule and Savitribai Phule continued the important work of education for the all sections of society throughout his life.

Apart from this, he attacked the bad religious practices, harmful practices in the society. Efforts were made to create a new structure of society on the basis of freedom, equality, and rationalism. In India there were inhumane concepts and practices like Sati with a dead husband, cutting a widow's hair, forcing her to remain celibate, harassing widows, denying widows the right to remarry. Jyotiba Phule tried to end such exploitative practices. Mahatma Phule organized the strike of the barber community to stop cutting hairs of widows. Not only that, but he ran a maternity home for abandoned, cheated orphan women in her own home, saving their lives and that of their babies with Savitribai Phule. To take care of the babies, they nurtured the children at home. Removed the Infanticide Prevention Home and established the Satishodhak Samaj to create a new humanitarian society.

3.3 BOOKS OF JYOTIRAO PHULE

- **Tritiya Ratna -Natak (1855):** In this, Phule shows how the poor peasants of India are robbed by the priests and Brahmins through superstition and the plight of the peasants.
- **Powada on Shivajiraje Bhosale (1869)** discusses Shivajiraje Bhosale's egalitarian state and his policies towards peasants.
- **Brahminanche Kasab (1869)** describes how the indigenous community of India was subjugated and exploited by the Brahmin class, especially the peasants.
- **Slavery (1873)** An analysis of how slavery was imposed on the native Indian society and how they adopted the tradition of slavery.
- **Shetkaryancha Asud (1883)** describes in detail the condition of the peasants in India and the state of Indian agriculture in this book. It discusses measures to improve the condition of the farmers.
- **“Ishara” Warning (1885)** In this, Phule has analyzed Indian agriculture and the poverty of the farmers and its causes.
- In addition, Phule produced literature such as Satsar Ank-1, Satsar Ank-2, Sarvajanik Satyadharma, Akhandadi Kavya Rachna etc.

3.4 ECONOMIC THOUGHTS OF MAHATMA PHULE

Mahatma Jyotirao Phule has not formulated anything like this in the form of theory in economics. But, the work done by him and the ideas put forward to lead the country and the economy towards inclusive and sustainable development from a holistic perspective. Therefore, the real intention behind keeping Mahatma Jyotirao Phule's economic thoughts for study is that the students should study the ideas presented from the point of view of his comprehensive development and develop the wisdom to find a way out of the current economic situation in India.

India is an agricultural country. But the methods of farming in India are traditional and the farming and farmers are found to be deprived of education. And how it is exploited in different ways by the priestly Brahmins as well as by the British government and how the farmers themselves become impoverished due to superstitions. Mahatma Phule has commented on this in his book 'Shetakrecha Asud' and his book 'Ishaara' describes the reasons for the poverty of farmers. Even today, the condition of farmers in India has not improved. Suicide rate is highest among farmers and farmers live in poverty even after 75 years of independence.

3.4.1 Mahatma Phule's Thoughts on Agriculture and Farmers:

Agriculture is the backbone of the economy i.e. the development of the country. The development of agriculture means the development of all other sectors of the economy. India is known as an agricultural country. In India, most of the citizens are dependent on the agriculture sector. Therefore, the importance of agriculture sector in Indian system is unique. Today, even in the 21st century, more than 65 percent of India's population depends on agriculture for their livelihood.

Many kings and palaces of the country of India fought with each other and the agriculture in India suffered tremendously. Agriculture was an important means for states to collect taxes. The product produced by the farmers was taken away by the Indian kings and their servants by levying heavy taxes on it. So, the farmer was not motivated to produce more. At the same time, Mahatma Phule has described in his book, Chatrapati Shivaji Maharaj was the only one king who worked for the welfare of the farmers and had different plans by giving them tax waivers in case of agricultural crisis.

Mahatma Phule on page number two of the book '*Warning*' describes the plight of the Indian farmers in the following words, "Until the end of the reign of Raobaji, the last Kuldeepak Purush of the Peshwa, "if the peasants fail to pay even a little, they should be made to stand in the sunshine at noon and be given a big stone on their backs or the wife of the farmer should be given his. The farmer was punished such inhuman by the Indian states if he could not pay the tax in such a way that he should be seated on his back and given the smoke of chillies from below". In addition, if the farmer took his grain or vegetables to the city for sale, the Munshi party in the city looted the farmers by levying an exorbitant excise tax on them.

This method of looting of farmers continued in India even after independence till the end of the twentieth century.

Considering the whole of India, Indian agriculture was backward and traditional as no king had made special efforts to bring about special improvements in agriculture in India, to provide water system for agriculture. Due to which Indian farmers remained weak, backward and underdeveloped as compared to other countries. The British ruled India by taking advantage of the caste system created by the caste system in India. The British appear to have made some minor improvements in agriculture during their rule. But those reforms have not enough to significantly improve the status of farmers and agricultural productivity. Therefore, in all such situations, the Indian farmers during the pre-British rule, during the British rule and even in post-independence India are seen as poor, economically backward.

3.4.2 Reasons given by Mahatma Phule why Indian farmers are poor:

Indian farming and farmers are being remains poor before British rule, during British rule and after the British rule. It is so because there were no special efforts are being taken to improve the conditions of farmers. Mahatma Jyotirao Phule has explained the deeply the causes of poor conditions of Indian farming and farmers in India as following.

1) Burden of growing population on agriculture:

Poverty is a major cause of population growth. In India, the rate of population growth was high and as more and more people depended on agriculture, increasing population increased the burden of population on agriculture. The people who were working or employed in the native institutes sat at home and started farming after coming of the British rule. Due to this, the burden on agriculture increased and the per capita income of farmers decreased.

2) Division and fragmentation of land:

Due to the increase in the burden of the population on agriculture, the number of people working in the farming increased and farming in the name of many members of the family led to fragmentation of agriculture. Loss of traditional business called other artisans worked other related profession were also depended on the farming. It resulted, division and fragmentation of land. It leads to the less income of the person compare to big land holders.

3) Loss of Traditional Businesses:

Since the beginning of the British rule in India, the businesses of small entrepreneurs or people like carpenters, blacksmiths, potters etc. have been closed. Because the material produced on the new machine from the England started selling in India at a low price, so the goods of the country were not bought. Due to this they had to live their lives by working on agriculture to survive. Due to the closure of this indigenous business, the

trade between the farmers and them was also stopped and the income of both was lost.

4) Exploitation of Farmers by Moneylenders:

Mahatma Phule describes that farmers had to take loans for various reasons due to their poor condition. The moneylenders from whom the loan was taken used to exploit the farmers by charging arbitrary interest rates and charging interest on the interest. As the loans were not being repaid by the farmers out of this growing debt, the moneylenders took the produce of the farmers. Not only this, the land of the farmers was also taken away.

5) Decreasing number of quality bulls:

As officers and shouldered of the British government consumed more meat of cows and bulls, the number of quality bulls started to decrease. Bullocks have traditionally played an important role in agricultural work. If the bullock is of working quality, more work will be done in less time and the productivity of the farm will increase. Therefore, it is necessary to have more quantity of quality bulls. There were draughts in India, the food was not available to survive for the Indians. To survive during such time, cows and bulls meat was being used as food. The second thing was in such drought situation bulls were unable to eat as much as it required.

But Considering the modern times, it is seen that since bullocks have been replaced by tractors, this issue is not so important for the farmer in today's situation.

6) Economic and Social Exploitation of farmers under the rule of Peshwas':

In the book '*Warning*', Mahatma Phule on page number two describes the plight of the Indian farmers in the following words, "Until the reign of Raobaji, the last Kuldeepak Purush of the Peshwas, the farmers, if they failed to pay even a little, put them on their backs in the sun at noon a big stone should be given or the farmer's wife should be placed on his back and the smoke of chilies should be given from below" the farmer was punished such by the Indian states if he could not pay the tax.

7) Ban on Education of Farmers' Children:

The Brahmin class in India created a situation where education was a monopoly of the Brahmins only, so the education of the Shudra farmer or his child was completely banned. An example of the Brahmin class trying to pollute the minds of the farmers so that the farmers do not send their children to school for education is an example of Mahatma Phule himself being made to stop the education. Analyzing the plight of the Shudra farmers due to education, Mahatma Phule writes; Education is the only mean through which anybody can cross any type of poverty. But the education was totally banned to the farmers and their children in the Indian social culture.

8) Exploitation of farmers in the name of religious rituals:

In Indian Hindu culture, various religious rituals are performed from the conception of a child to its death. Religious rituals are performed by chanting different types of mantras. To do this immense amount of money is extorted from the farmers by Brahmins. This pushes the already low income farmers further into the pit of poverty. But out of superstitious fear, the poor and illiterate farmers succumb to this machination and bring about their own downfall.

9) Robbery of Farmers by Rituals in Festivals:

During Chaturthi, Padwa, Saturday, Shani Amavasya, Ganeshotsav, Dussehra, Diwali, Gauri Pujan, Tulsi marriage etc., Brahmins take food from the farmers in the name of various Japanushthans and Dakshina amount take Brahmins from the farmers. As a result, the farmer has become poorer. These practices existed even then and are still observed in India especially in rural areas.

10) Expenditure on Japanusthana for Peace of Rashi and Planets:

A planet has entered your Rashi and a restless planet is troubling you. Brahmins used to extort money from the farmers to perform Japonusthana in the name of planetary peace by giving the false idea that if it is pacified, the farmer will have good days. Due to such unproductive spending of the farmer's money, the farmer became poorer and more indebted.

11) Winding of Farmers' Wealth through Marriage Ritual:

Every person in the country marries boys and girls with great enthusiasm. Farmers also try to get boys and girls married despite the circumstances. In this marriage ceremony, all the rituals are performed by the Brahmins, starting from the chanting of Mangalashtaka. To do that money is taken from farmers by Brahmins. That expenditure and the expenditure incurred on marriage work and the loan taken for it does not fit the whole life of the farmer and he becomes indebted and poor.

12) Expenditure on recitation of mythological stories:

Farmers in rural areas are charged exorbitant expenses by advising them on reciting and reciting mythological stories. For example, Ramayana, Bhagwat Saptaha, Pandava Pratap, Garuda Purana, Satyanarayana Pooja, Radha-Krishna Leela, etc. are recited and extorted from the poor farmers through Dakshina along with cloths.

13) Looting farmers by creating bogus fathers:

Mahatma Phule writes, the upper castes in the system take a bindok, gullible, idle person from among them, dress him in saffron clothes, grow his beard and hair and make him a maharaja, and two or four people walk behind him and sing his praises and extort money from poor farmers in his name.

14) Creation of Forest Department by British:

The British made a forest reservation law so that those who were small landholders could contribute to their income by rearing cattle on the resources of the forest apart from agriculture. But the British restricted the income of the farmers by creating forest accounts. As a result, the smallholder farmers became totally depended on the very less farm land.

15) Deprivation of Farmers from International Trade Benefit and Technology Transformation:

Due to widespread superstition among Indians that it is a sin not to emigrate, the superstition in Indian society also blocked the way of earning more money by selling the produce produced by the farmer in the region. While studying international economics, you realize that, 'international trade is an important tool for economic development' but this trade is closed due to superstitions, a way of development of the farmer is blocked by his own religious scriptures. The second important thing which will improve the productivity of farm product that is new technology developed about the farming in developed countries not transform in India because of banned on immigration to the foreign.

16) Corruption and Extortion of Farmers by Civil Servant:

Due to the prohibition of education to farmers, the children of the peasant class do not study and get jobs. Only Brahmin employees used to work on government posts or jobs and doing corruption on a large scale. If the farmer had some work in the government office, he had to pay a large amount of bribe to these employees. Without it, they could not work. Even after 75 years of independence in India, this scourge of corruption has not abated. So even today in India according to 2011 statistics 29.5 percent people live below the poverty line.

17) Municipal Tariff Tax:

The British introduced Excise Tax in the municipalities in the cities under their rule in India. When a farmer takes his produce, grains, vegetables or fruits to the city for sale, a large amount of tax was collected from these farmers in the name of Jakat Kar (Tariffs). This means that the additional tax burden falls on the farmer and the income of the farmer is further reduced. Such Jakat Kar was collected in India till 1991-92 from farmers for selling their produces in cities.

18) Lack of Irrigation Facilities:

Availability of irrigation facilities is one of the most important factors for increasing agricultural productivity and production. But before the arrival of the British in India, no any Indian king built dams, canals to provide irrigation facilities. There was no construction of ponds or wells. Therefore, agriculture was completely dependent on nature's rains. Due to this, a lot of land was lying fallow and the farmers of the place where the drought happened used to go to land. Their financial situation would be

ruined. Although the British made water available through dams and canals to a small extent, the British government extorted money from the farmers by levying huge fees on canal water. Some get water while some farmers have to deposit money in the government account as soon as even they don't get water.

19) Lack of modern technology:

High yielding seeds and animals were discovered in advanced countries and based on that the agricultural production of that country increased tremendously. However, in India, as agriculture is done in a traditional way and the old varieties that give fewer yields are used in agriculture, the productivity remains low. In India, land was not tilled using new machinery. There was also a superstition in India that Mahatma Phule used the water of the dam to get rid of the superstition that farmers should use dam water for farming.

As observed in the Indian economy, if agriculture develops, the industry and service sector develop in the second year. This principle was presented by Mahatma Phule in the nineteenth century in the words 'if agriculture improves, the country improves'. Farmers in India have lived in poverty for years, centuries. Mahatma Phule has elaborated the scientific reasons behind his poverty in his literature. An important reason for the poverty of farmers is that all the governments in India so far have not made any special efforts to improve the conditions of agriculture and farmers. Lack of education among peasants and this leads to superstition, godlessness, blind faith, inordinate expenditure on festivals, expenditure on planetary peace etc.

3.5 SUMMARY

Mahatma Phule is called the originator of inclusive economic development because Mahatma Phule worked throughout his life to eliminate economic and social disparities between countries. He has presented his thoughts through books. According to him, it is more important to improve agriculture and the factors that lead to the backwardness of farmers. In this context, Mahatma Phule himself brought many practical reforms and suggested measures on how governments, farmers and Brahmin classes should behave, so as to improve the condition of Indian agriculture and farmers. Those amendments are briefly suggested as follows by Mahatma Phule.

- 1) Government should build dams at right places and provide water to farmers at low cost through canals.
- 2) Toti (meter) should be installed on the water of this canal so that the farmer has to pay for the amount of water he uses and the water usage is consistent.
- 3) The farmer should dig and construct wells in his fields where there are water sources and government should provide fund for it.

- 4) With the hands of sitting soldiers, small dams should be built in the farmers' fields on the embankment and on the hills, so that the water seeps into the soil, the soil is not eroded, and the wells of the farmers in the vicinity have water available for twelve months.
- 5) The government should waive the interest of farmers just as it waives the interest of big entrepreneurs.
- 6) Tax should not be levied on farmers' produce and all taxes on farmers should be waived during drought.
- 7) Free education should be made available to all and a person from the farmer's family should be appointed as a teacher to teach the children of the farmers.
- 8) Equal opportunities should be provided to all in government jobs.
- 9) Seeds of new varieties of food grains and new species of domesticated and useful animals like goats and sheep should be brought to India from abroad.
- 10) Farmers should be protected from wild animals so that the farmer can sleep comfortably at night which will improve his health and increase his productivity and agriculture will not be damaged.
- 11) The government should periodically organize agricultural exhibitions at taluka places and send the clever son of the farmer to foreign countries at government expense to learn about agriculture in developed countries.
- 12) Excessive expenditure on government domestic and foreign employees should be avoided and the remaining money should be used for improving agriculture.
- 13) Farmers should learn and use their own heads to conduct business and transactions. No one else's religion should be followed by superstition.
- 14) Don't spend excessively on festivals and weddings and celebrations and don't spoil yourself by falling into the trap of planetary peace.
- 15) Make yourself more enterprising and focus on how to generate more income by keeping your house clean and producing more.

Mahatma Phule has put forward the ideas that the conditions of Indian agriculture and farmers can be improved by suggesting reforms etc. The measures suggested by Mahatma Phule have not yet been fully implemented in India. So even today, the condition of agriculture and farmers in our country is seen to be not good as much as Mahatma Phule required.

3.6 QUESTIONS

Long answer question:

- 1) Explain the Economic thoughts of Mahatma Phule were for Inclusive Economic Development of India.
- 2) Explain the causes of poverty among Indian farmers written by Mahatma Phule.

Short Answer Questions:

- 1) Explain in brief the conditions of farmers in India during pre British Rule.
- 2) What are suggestions suggested by Mahatma Phule improvement of Indian farming and farm conditions.

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ECONOMIC THOUGHTS OF MAHATMA GANDHI

Unit Structure

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4.0 OBJECTIVES

- To study economic thought of Mahatma Gandhi.
- To study the concept of self-sufficient village.
- To study labor dignity, trusteeship, rural economy and Sarvodaya

4.1 INTRODUCTION

Mahatma Gandhi is known all over the world as a prominent leader who played an important role in India's freedom struggle. Mahatma Gandhi has presented his thoughts from the point of view of economic development of the country. The ideas of Gandhi about economics are being studied here. Mahatma Gandhi's full name is Mohandas Karamchand Gandhi. Gandhi was born on 2nd October 1869, in Porbandar, of the Gujarat state. He completed his matriculation education in India and completed his further education from England. His highest degree is Barrister from England. Then, Mahatma Gandhi went to South Africa in 1893 in reference to a case matter. When he saw the unequal treatment among the black and white, he started fight against the government of South Africa by the way of 'Satyagrah' "*Struggle for truth*". Mahatma Gandhi came to the India and first toured India and then started working in the Indian National Congress. From 1920, Gandhi took all the reins of the movement run by the Indian National Congress and carried out various agitations in the form of Satyagraha. Among them, the major movements were 'Asahkar Andolan 1920', 'Dandi Yatra 1930', 'Civil Disobedience', 'Chale Jav Andolan 1942' etc. Mahatma Gandhi was assassinated by a thug

named Nathuram Godse on January 30, 1948 after India gained independence.

Mahatma Gandhi is also known as Father of the nation. After getting freedom from British Government, he started to focus on the socio-economic and political issues of the India. He had the vision for the overall development of the India from rural area to urban area. He was always against of economic inequality, social inequality regional and political inequality. He had believed on the equality through trusteeship and Sarvodaya community. He focused especially on the rural development to make villages self sufficient.

It can be said that Mahatma Gandhi's thoughts were pragmatic from an economic point of view in the context of the then situation. During the period of British rule and India's social conditions, the caste system and high level of poverty existed on huge level. Gandhiji has presented his economic philosophy by assuming minimum needs and simple living for a person to be happy in the countries. According to him, ethics and economics cannot be separated from each other. Mahatma Gandhi's economic thoughts are based on principles of truth, non-violence, dignity of labor, simplicity etc. While studying Gandhi's economic thought, Gandhiji's economy is presented through concepts such as trusteeship, Sarvodaya and Sarvodaya Samaj, Gramswaraj and self sufficiency of villages, thoughts regarding mechanization, thoughts regarding decentralization, use of indigenous goods, thoughts regarding dignity of labor and communist ideology.

Here we are going to study Mahatma Gandhi's views on self-sufficient villages, labor dignity, trusteeship and Sarvodaya concepts.

4.2 MAHATMA GANDHI'S ECONOMIC THOUGHTS ON SELF SUFFICIENT VILLAGE ECONOMY

Gandhiji has proposed the concept of self-sufficient village. According to him, 'True India lives in the villages', so, he has also given a call to go to the villages. If the villages develop, the country also develops because the proportion of population living in villages is very high. Earlier in the villages, the needs of the citizens of the villages were less and they were fulfilled by villages. Hence, the village was self-sufficient and the people were happy and contented. Therefore, Gandhi wanted such self-sufficient villages to be created in the country.

The small artisans of the villages were used to make and sell the necessary goods needed by the people of the village. Foodgrains, vegetables and fruits were bought from farmers. The money of the village stayed in the village and there was a practical harmony between them as financial transactions with each other continued. The people of the villages were living a happy life. But since the coming of the British government, the villages have become dependent. Due to the closure of village businesses, the unemployment specifically disguised unemployment rate among the people has increased. Gandhi's concept of Gram Swaraj was primarily

based on economically self-sufficient villages. They expected every village to be a perfect republic.

Mahatma Gandhi has mentioned some characteristics of an ideal village in terms of how an ideal village should be.

- Every village should be self sufficient in terms of food and clothing.
- Every village should have proper sewage system and clean roads and beautify.
- Every village should have schools, clinics, clean drinking water, community temples and hospices.
- Every village should have playgrounds for children.
- Free basic education should be available to all.
- All industries and businesses in the village should be run on cooperative principle.
- Gram Panchayat (Local Government) should be administered through democratically elected members.
- Gram Panchayats (Local Government) should have powers to enact laws and enforce them.
- A good market should be available in the village.
- Each village should be economically self-sufficient.
- Farmers should produce food grains along with other vegetables, fruits and cash crops from the land.
- Emphasis should be placed on providing abundant water to agriculture by developing irrigation facilities in villages.

Villages in India are beset by many problems today. Such as poverty, lack of health facilities, lack of education, lack of irrigation, lack of drinking water, non-availability of roads etc. rural life can be happy only; Mahatma Gandhi was of the opinion that first of all, emphasis should be placed on solving this problem. Along with this, rural industries should be revived, for example khadi industry, soap making, paper making, leather tanning etc. should be given more emphasis on setting up industries in rural areas. So that the unemployment created in agriculture especially the disguised unemployment can be reduced. In all these, Gandhiji laid more emphasis on increasing Khadi production.

4.3 MAHATMA GANDHI'S ECONOMIC THOUGHTS ON DIGNITY OF LABOUR

Just as Annabhau Sathe said while giving dignity to labour, "Earth does not rest on the head of a cobra, it rests on the palms of hardworking workers", similarly Mahatma Gandhi also gave dignity to labour. Labor is

an important asset of a country. Importance of labour is not less than capital. Labor should be worshiped for good health and every man should do labor for at least two hours a day if he wants to maintain good health. If not, there is a possibility of deterioration in his health and a happy life can be destroyed. Gandhi understood labor as a law of nature. A person who violates this law of nature can surely get into trouble. Gandhi believed that physical labor not only improves health but also increases mental strength. He believed that one of the sacred duties of man is physical labor. He considered every work, every profession as equal. The work is not small or big, every productive work is equally important for the development of the country. He always felt that a man should get dignity in the society through labour. He himself did physical labor for at least two hours every day.

Labor is considered as the major factor of production. To increase the national income of the country, it is necessary to increase the production and productive capacity of the country. Labor plays an important role in increasing productivity and output. As important as engineers, doctors, managers, professors, teachers and other employees are manual laborers. Therefore labor must be given dignity, which was given by Mahatma Gandhi.

4.4 MAHATMA GANDHI'S ECONOMIC THOUGHTS ON TRUSTEESHIP

The concept of Trusteeship has arisen from the idea of Aparigraha. The tendency not to collect is Aparigraha. According to Gandhiji, the system in society is the cause of economic disparity. This includes the rich and the poor who are classified by Gandhiji as the *Ahire* and the *Naher* classes. Ahire means that even though there is no legal restriction on how much wealth the rich can own, as part of morality and as an approach to get everything for all, the rich should consistently spend a portion of their wealth on the poor and not keep more wealth for themselves.

Poverty rate was very high in India and still there is huge poverty among Indians. After independence, citizens needed to come out of poverty, but in India, the population of poor or below poverty line is increasing day by day. There were more poor people in India in 2011 than the population of India in 1951. On the other hand, it can be seen that there were 102 billionaires in India in January 2021, which increased to 142 in January 2022. That is, on one side the number of billionaires is increasing and on the other side the number of poor is also increasing. In such a situation Gandhiji's concept of Trusteeship is a guide from a moral point of view.

Gandhiji was a follower of truth and non-violence. Capitalists in India had and still have huge wealth with them. Gandhi did not think it was right to take away their property by force. Therefore, they constantly wanted to change the heart of this capitalist class and transfer their wealth to the poor. By nature, every human being likes to accumulate more and more wealth. However, these individuals should be informed about the far-reaching effects on the rest of society if only a few people keep more

wealth for themselves. Mahatma Gandhi thought that those capitalists should act as trustees and use the wealth for the society. Just as Gandhiji protested against the British government through non-violence, fought for freedom, changed the hearts of the British. In this way it was hoped that the heart of the capitalist classes and the wealthy classes of the country would be converted and the idea of trusteeship would be inculcated in them.

According to Mahatma Gandhi, if the idea of trustees is realized, equality will be established on earth. Because the class struggle will disappear when the idea of trusteeship becomes a reality. The capitalist class will take care of the workers. Will it take care of their interests? It will distribute some share of its wealth to the surrounding poor society so that the fear of the capitalist class will also disappear and the poor will get timely income to meet their needs. There will be a tendency towards peace and non-violence in the society.

While explaining the importance of concept trusteeship, Gandhiji tells everyone that, "The World is big enough to satisfy the needs of any person, but too small to satisfy human greediness". Therefore, everyone should reduce his needs and use the rest of his wealth to fulfill the needs of others, no matter how much wealth he has, he is not satisfied.

After Gandhiji, the concept of Trusteeship was mainly taken forward by Vinoba Bhave. There was resentment among the landlord class when land reforms were being carried out in India and large landlords were handing over land to smallholders or land labourers. In such a situation, Vinoba Bhave implemented the land donation movement in India so that instead of taking the land by law, they should donate the land by making them trustees.

4.5 MAHATMA GANDHI'S ECONOMIC THOUGHTS ON SARVODAYA

Sarvodaya means the rise of all or the welfare of all. Mahatma Gandhi made the idea of Sarvodaya the basis of his life. According to Gandhi, Sarvodaya is the panacea for all kinds of political, economic and social ills. John Ruskin's book 'Unto the Last' was translated by Gandhi as "Sarvodaya".

4.5.1 Characteristics of the Sarvodaya concept envisioned by Gandhi:

- Welfare of all means Sarvodaya. This means that the well-being of all includes the well-being of the individual.
- The life of hard workers, farmers, artisans and others should be happy.
- Everyone's work should be of equal quality. In short, the work and status of a housekeeper or a lawyer should be equal and the value of that work should be equal.

- Every person should have the fundamental right to earn and live.
- Every person should have access to equal opportunities to fulfill their needs.
- Equality should be achieved for all.

Gandhiji's important role behind the spread of Sarvodaya is the overall development of the society. If a particular character, a particular caste, a particular group or a particular person develops in the society, then the overall welfare of the society is achieved. So, only if every individual, every caste and every group gets economic development, then the welfare of the society and in turn the welfare of the country will be real. Therefore, Gandhiji wanted Sarvodaya society to be established and work to be done.

4.5.2 Conceptual aspects of how Sarvodaya society should be:

- People in Sarvodaya society will live in equality.
- All castes and religions will be respected.
- Will be committed to overall development of the society.
- There will be no untouchability in this society.
- All will have equal access to education.
- There will be no conflict between workers and employers.
- There will be no conflict between landlords and clans.
- There will be more scope for small enterprises and there will be limits to the expansion of large enterprises.
- Labor intensive production techniques will be increasingly used in industries.

4.5.3 Program Bulletin of Sarvodaya:

- Workers and farmers should form their own organizations so that workers are not exploited by capitalists and farmers by landlords in any way.
- Concrete measures should be planned to increase the standard of living of the farmers and working class of the country.
- Education and technical training should be provided to every section of the society and adults during non-work hours.
- Efforts should be made to set up industries in rural areas to develop backward villages and rural areas as a whole.
- All infrastructure facilities should be provided in rural areas.
- Special focus on health and sanitation in rural areas.

- Development schemes of the government should aim at self-sufficiency of rural areas or villages.
- Every family in the rural areas if spinning business along with their main business will increase their income and improve their economic condition.
- Special efforts should be made to establish economic equality in the country.
- Harmony should be created between different religions and castes.
- All forms of power should be decentralized.
- All useful services should be nationalized.

As Mahatma Gandhi was assassinated within a few days after the independence of the country, the concepts of Sarvodaya and Trusteeship which he had decided did not actually materialize for the overall development of the country. The ideas of Sarvodaya or Trusteeship did not materialize in India as the government established after him did not plan in this way on a large scale. To some extent there were efforts towards completion of some matters by Vinoba Bhave and Jaiprakash Narayan after Gandhiji. But it does not appear to have been a complete success.

4.6 MAHATMA GANDHI'S ECONOMIC THOUGHTS ON SWADESHI

Mahatma Gandhi made it clear that the citizens of India should buy and use only the goods produced in the country. Domestic goods should be used instead of foreign goods, even if domestic goods are expensive compared to foreign goods and are inferior in quality. Because, by using the goods of the country, more workers are created in the industries that produce those goods in the country, the production increases, the income of the nation increases. Money that goes abroad from the nation is saved. It can be used by the nation for social welfare. Before the British came to India, India had very little international trade. The import of foreign goods into the country was minimal. Therefore, the small entrepreneurs and artisans of the country used to get a large amount of employment. Their income would increase. As their income increased, the production of farmers was in demand. But due to the increase in the use of imported goods by the citizens of the country, the financial wealth of our country started going abroad and the country and the people of the country became poor. So every Indian should use indigenous products. While doing this, Gandhiji is found to have burned foreign goods.

4.7 SUMMARY

Mahatma Gandhi has presented important ideas for the economic development of the country. Which we study from the point of view of Mahatma Gandhi's economic thought. Mahatma Gandhi is a pioneer in fighting for freedom through truth and non-violence. All Indians should

use indigenous products. A person should become a fiduciary which means that whatever amount of wealth comes one should try to distribute it equally among others without hoarding it. Also, thoughts are presented in the context of reducing economic disparity. Gandhiji proposed the concept of Sarvodaya Samaj from the point of view of creating Sarvodaya Samaj. India is still referred to as the country of villages. The proportion of population living in villages in India is still up to 68 percent. If these villages are developed and self-sufficient, India will have an all-round development. Therefore, the idea of 'Going to the village' and bringing development to the villages has been proposed. Gandhi was opposed to total mechanization but he was not completely against mechanization. So they wanted mechanization to be based on labor intensive technology. Gandhiji has advised farmers, farm laborers and every businessman in rural areas to have a second business along with their main business. The important thing is that if everyone does the business of spinning yarn, his income can increase.

According to critics, the economic ideas propounded by Mahatma Gandhi are idealistic ideas like Trusteeship, Sarvodaya etc. In reality, however, there are very few people who act on these ideas. Therefore, even though Mahatma Gandhi has put forward these ideas, no entrepreneur or capitalist or rich person is seen following this idea. On the contrary, capitalists are seen doing the opposite. Even though India has completed 75 years of independence, poverty has not been eradicated from India. And on the other side, the number of billionaires has reached 142. Such a chasm of economic disparity is widening in the country. Social disparity is also found to be large.

4.8 QUESTIONS

(Long question)

- 1) Explain Mahatma Gandhi's economic thought.
- 2) Elaborate Mahatma Gandhi's views on trusteeship.

(Short questions)

- 1) State the concept of Sarvodaya and write its characteristics.
- 2) Explain Mahatma Gandhi's concept of self-sufficient.
- 3) How will the country develop through the use of Swadeshi?

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ECONOMIC THOUGHT OF DR. B. R. AMBEDKAR

Unit Structure

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Dr.Ambedkar's Case for State Socialism
- 5.3 Problem of Rupee
- 5.4 Public Finance
- 5.5 Summary
- 5.6 Questions

5.0 OBJECTIVES

- To help the learner comprehend the Economic Thought of Dr. B.R.Ambedkar.
 - To enable the learner understand and analyse Dr. Ambedkar's views on State Socialism, Problem of Rupee and Public Finance
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5.1 INTRODUCTION

Bhimrao Ramji Ambedkar (14 April 1891 - 6 December 1956) was an Indian jurist, economist, social reformer and political leader who headed the committee drafting the Constitution of India from the Constituent Assembly debates, served as Law and Justice minister in the first cabinet of Jawaharlal Nehru, and inspired the Dalit Buddhist movement after renouncing Hinduism.

Ambedkar graduated from Elphinstone College, University of Bombay, and studied economics at Columbia University and the London School of Economics, receiving doctorates in 1927 and 1923 respectively and was among a handful of Indian students to have done so at either institution in the 1920s. He also trained in the law at Gray's Inn, London. In his early career, he was an economist, professor, and lawyer.

His later life was marked by his political activities; he became involved in campaigning and negotiations for India's independence, publishing journals, advocating political rights and social freedom for Dalits, and contributing significantly to the establishment of the state of India. In 1956, he converted to Buddhism, initiating mass conversions of Dalits.

In 1990, the Bharat Ratna, India's highest civilian award, was posthumously conferred on Ambedkar.

5.2 DR.AMBEDKAR'S CASE FOR STATE SOCIALISM

State socialism is one of the alternative approaches for the development of all the sections of society. It can act as a solution to the problems inherent in capitalism and socialism. Ambedkar strongly believed that the involvement of state is essential for economic development. He believed that the state should take a proactive role in development so that the vulnerable and the poor can be benefitted.

State socialism provides better opportunities to communities and also curbs regional inequalities and exploitation of masses. Ambedkar believed that division and unequal distribution of resources was the main cause for suppression and exploitation of masses. So long as the exploitation exists in the system, the development would be impossible and a dream. Only the state could reduce this exploitation through state socialism.

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 enterprises and also provide for the equitable distribution of wealth.'

Accordingly, Ambedkar suggested an economic policy framework aimed at providing protection to the vulnerable sections of society against economic exploitation. This plan, elaborated in Clause 4, Article 2 of his Memorandum to the Constituent Assembly, is outlined as follows:

- Agriculture would be State industry.
- Key industries would be owned and run by the State.
- A life insurance policy would be compulsory for every adult citizen.
- The State would acquire the subsisting rights in agricultural land held by private individuals as owners, tenants or mortgages, key and basic industries and the insurance sector and compensate the owners by issuing debentures.
- The agricultural land acquired would be divided into farms of standard size and would be let out to residents of villages as tenants without distinction of caste or creed.

Ambedkar's plan thus proposes state ownership of agriculture with a collectivised method of cultivation and a modified form of state socialism in the field of industry. According to Ambedkar:

Consolidation of holdings and tenancy legislations are worse than useless. They cannot bring about prosperity to agriculture. Neither consolidation nor tenancy legislation can be of any help to landless labourers.

Industry and agriculture should go together in the current state of development. The agriculture sector is witnessing a low level of productivity and the productivity of labour has been declining with the advancement of various forces. With the spread of technology and the

advent of market forces, the agriculture sector and small industry are at stake. Profitability and sustainability have become a question.

Ambedkar rightly advocated that the state must address such issues. While addressing the issues of the poor and the marginalised, the state has to take initiative in providing basic resource distribution. Hence, it can be argued that state socialism is one of the alternative approaches to bring about equal distribution of wealth and welfare to the masses.

In the Indian context, the post-reform period has bridge the gap between poor and rich, between class and caste. This is the epoch of affirmative action by the government. Alternative opportunities are now available to the masses and the marginalised sections. However, unfortunately, this has not effectively happened with an active role of the state. So, as rightly stressed upon by Ambedkar, it is the need of the hour for the state to take an active and lead role.

5.3 PROBLEM OF RUPEE

Ambedkar was a monetary economist. He obtained a doctorate from London School of Economics in 1923 under the supervision of Prof. Edwin Canaan. His thesis, “The Problem of the Rupee: Its Origin and Solution” was on the problems of the rupee, and was published in book form in 1923. In his thesis, Ambedkar examined the causes for the rupee’s fall in value.

The main focus of his thesis in London School of Economics (LSE) was on managing Indian monetary affairs. Unlike J.M. Keynes who favoured the gold exchange standard, Ambedkar favoured the gold standard. He looked into the problems of the rupee at a time when there was a clash between the colonial administration and Indian business entrepreneurs over the value of rupee. Indian businessmen blamed the colonial administration for maintaining an overvalued exchange rate of the Indian currency to support British exporters who sold goods in India. The Congress supported Indian entrepreneurs and demanded devaluation in the Indian currency. Eventually, London agreed to set up the Hilton Young Commission to look into the matter. When this commission, then known as the Royal Commission on Indian Currency and Finance, came to India, each of its members was holding the book, The Problem of Rupee: Its Origin and Its Solution, which Ambedkar wrote in 1923.

In his book, Ambedkar raised the following basic questions:

- Should India stabilise its exchange?
- What should be the ratio at which India should stabilise its exchange?

Ambedkar argued in favour of limited devaluation of rupee, somewhere in between the then prevailing exchange rate and the point of agreement between the Congress and British colonial administration. He said that this limited devaluation would help both the business class as well as the earning class. A devaluation of currency increases inflation. A steep

devaluation results in steep inflation which reduces real wages of the earning class. Ambedkar, in his statement to the Royal Commission said:

The more important point is, supposing that there is a gain arising from low exchange, where does this gain arise? It is held by most businessmen that it is a gain to the export trade and so many people have blindly believed in it that it must be said to have become an article of faith common to all that a low exchange is a source of gain to the nation as a whole. Now if it realized that low exchange means high internal prices, it will at once become clear that this gain is not a gain coming to the nation from outside, but is a gain from one class at the cost of another class in the country.

Ambedkar posited the following facts before the commission to reform the Indian currency:

- Coinage of Indian rupee should be stopped absolutely by closing the mints.
- Minting of gold coin should be opened for the coinage of a suitable gold coin.
- Ratio between the gold coin and rupee should be fixed.
- Both the rupee and gold should not be convertible to each other but they may be circulated as unlimited legal tender at a ratio fixed by law.

Problems of Rupee:

i) Double Standard in Mughal Period:

The Indian money consisted of both gold and silver in the mid-eighteenth century. Hindu emperors supported gold coins while Muslim emperors favoured silver ones (Princep 1834). For example, in south India, a silver coin, pagoda, was used as a medium of exchange. Hence both the gold mohur and the silver rupee were in circulation without any fixed exchange ratio between them. Further, different kingdoms in India decided the minting quality of coins; hence metallic contents differed considerably across kingdoms. As a result, the currency lost its primary quality of general and ready acceptability.

A common medium of exchange between the coins in circulation being absent, plurality of medium of exchange created problems in trade. It encouraged barter trading in the markets. The society suffered from diseased money which drove away good money. Consequently Indian economy suffered significantly.

The value of the coin circulated in the Mughal period depended on the fluctuation in the value of metals. When the value of gold increased more than its value when the coin was minted, the circulation of the gold coin got reduced because people would store gold coins at home instead of using them. Similarly, when the value of silver increased more than its

value at the time of fixation of the proportion of gold and silver, the circulation of the silver coin got reduced because people would store the silver coins at home instead of using them. This fluctuation in the relative value 14 Economic Philosophy became a continual problem for trade. Traders started demanding circulation of monometallic coins in place of bimetallic ones.

ii) From Double Standard to Silver Currency:

In 1833 an Imperial system of administration was set up by an Act of parliament which centralized all legislative and executive authorities over India. It replaced local coinage by imperial coinage. Therefore, a common currency, as a sole legal tender, was introduced in India by an Act of the Imperial government (XVII of 1835), which is also known as the Currency Act of 1835. According to this act, no gold coin was permitted as a legal tender of payment in any of the territories of the East India Company. This was a turning point in India's monetary reforms because monometallic silver, 180 grains in weight, became the sole legal tender throughout the country. Adoption of silver coinage decreased the revenue collected through seignorage (tax collected on total price of a coin including metal contents and production cost). It created a commercial problem in trade, which was demanding credit that could not be met by silver coinage due to insufficiency of supply of silver.

iii) Free Banking System:

In the nineteenth century, India followed the free banking system in which every bank was empowered to issue notes. However, notes issued by the Presidency Bank enjoyed more acceptances by the Government for revenue repayment. In 1920, by the Banking Act XLVII, three Presidency Banks were amalgamated into one bank, called the Imperial Bank of India. No discretion was left to the Government regarding paper currency. The Government was empowered to regulate silver mining. According to law, Rs. 979 only could be issued against 1000 to lakh of silver coins. The Indian Paper Currency Law was able to control the volume of issue of notes. Banks were empowered to invest Rs. 4.00 crore in 1861, Rs. 6.00 crore in 1871 and Rs. 8.00 crore in 1890. Denominations of 10, 20, 50, 100, 500 and 1000 notes were being issued in 1861. However, even the lowest denomination (Rs. 10) was too large to displace the metallic currency. Perhaps this was the reason why the paper currency could not have as much share as silver coins in total circulated currency (i.e. silver coins plus paper currency). A 5- rupee note was issued for the first time in 1871.

iv) Lack of Universal Encashability:

The country was divided into different circles for issuing paper currencies. Paper currencies were encashable only in the circle office from where they were issued. They were not encashable in another circle. Thus the Indian paper currency lacked universal encashability despite being legal tender.

v) Irregular Supply of Money:

Both the demand and the supply of money should be kept equal, to keep a check on prices. But in any economy, the demand for money can never be pre-determined because it depends on the population, trade and seasonal variations (for example, demand is slack in summer and brisk in autumn). Only money supply can be adjusted according to the fluctuation in the demand for money. Financial management involves managing circulation of both metallic and paper money. But the Indian Paper Currency Act did not permit an increase in supply beyond a limit. Paper notes became inelastic in nature. The demand for money, Financial Management and the Problem of Rupees 15 therefore, increased substantially, more than the supply because the purchasing medium of exchange is a function of both money and credit. It resulted in more demand for metallic money than for paper currency because the supply of the latter was restricted and inelastic.

vi) No Cheque System:

Credit was given in cash, not by cheque. This created a shortage of liquidity in banks.

vii) No Connection between Treasury and Banking Operation:

The government treasury operated independently without any connection with the banking operation.

viii) Inelastic Credit Media:

Amount of credit in operation was limited due to unavailability of cheque system and limited paper currency. This severely affected purchasing power.

ix) Low Profit Margin to Businessmen;

Businessmen dependent on banking operations for borrowing capital were subjected to seasonal fluctuations. Their profit margins could be wiped out because of the fluctuations. A sudden rise or fall in the rate of discount resulted in under trading or over trading. This increased business risk.

x) Rupee-Sterling Exchange Variation:

Both the Indian silver rupee and England's gold were made of different metals which were subject to vary in value over a period of time. However, the exchange rate was almost steady up to 1873 at the ratio of 1 to 15.5, but after that, the value of the Indian rupee fell substantially because of demonetization of silver in the international market and less production of silver. It affected trade between the two countries. India paid a higher amount of gold to England due to appreciation of gold value. Consequently British administration in India increased taxes to raise revenue.

xi) Switching over to Gold Standard:

India was following the silver standard while most of the prominent countries were following the gold standard. Under the prevalent system, the Government was to pay in rupees in return for gold, in every case, and gold for rupees only in case of foreign remittances (Lindsay Committee 1898). The Government of India had two reserves of currencies-paper currency reserve and gold standard reserve. The difference between the two is summarized in the following table:

The paper currency reserve was held fully in rupees while gold standard reserve was held partly in gold and partly in rupee. The gold reserve was in the possession of the secretary of state located in London and the rupee reserve was in the possession of the 16 Economic Philosophy Government of India located in India. The secretary of state was empowered to sell “Council Bill” when there was a want of rupee and the Government of India was empowered to sell “Reverse Council” when there was a want of gold. The basic points of the Indian currency system can be cited below.

- The gold sovereign was a full legal tender.
- The silver rupee was also a full legal tender.
- The Government of India undertook to give rupees for sovereigns but did not undertake to give sovereigns for rupees, that is, rupee was an inconvertible currency, unlimited in issue.

5.4 PUBLIC FINANCE

Ambedkar examined the changes in administration and finance of the East India Company during the period 1792 to 1858, which led him to conclude that colonial rulers had imposed injustice on Indians. His detailed analysis of gross revenue and expenditure of colonial India revealed that the company had surplus revenue for 36 years and was in deficit for the remaining 30 years, though the combined surplus was in excess of the combined deficit. The main reason for the deficit was that money was not saved in India. It went as a tribute and dividends to company shareholders. The money flow was not sufficient in India to pay to dividends and it had an impact on increasing debt or public debt of India.

The Indian debt was increased because the company borrowed money. There were two ways to raise loans:

- i) Within India by accepting exchange of loan notes
- ii) Home bond debt raised in England by issuing bonds.

Ambedkar had found that the Indian debt rose from 70 lakh pounds to 607 lakh pounds, an increase of 767 per cent in the years 1792-1857. However, the Home bond debt never exceeded 66 lakh pounds during the years 1800-1857. The surprising fact was that Indian debt was more than home bond debt. The Home bond debt did not increase because the English

parliament's regulation limited the borrowing capacity of East India Company.

The tax that the British government imposed on land was not only excessive; it was fluctuating and uncertain in many provinces. The tax rate for Indians ranged from 80 to 90 per cent while in England it was between 5 and 20 per cent for 100 years up to 1798. The British government generated huge revenue during the period 1792 -93 to 1885-86. The major components of average revenue are given below:

- Land tax: 54 per cent
- Tax on salt: 11 per cent
- Opium duties: 8.7 per cent
- Customs duty: 6.2 per cent.

During the period 1800 -1857, the British government spent between 45 per cent and 64 per cent of expenditure on military alone, whereas they spent negligible amount on public works in India. Ambedkar quoting John Bright wrote that a single city of Manchester in England had spent more on a single item, water, than the money spent on all kind of public works in India.

The British administration and finance of East India Company benefited from financial settlement. The East India Company ceased to be a commercial corporation as per the Act of 1834. After this Act, the company benefited in the following ways:

- 15 per cent payment for territorial charges to England
- 12 per cent for liquidation of part of home debt
- 13 per cent for redemption of capital stock of the company

The public debt of India was entirely due to wars and India had to bear the burden of debt. The company had spent 6,94,73,484 pounds on wars and this unproductive expenditure was placed on the shoulder of the poverty-stricken Indians. The revenue from India was spent outside India for non-Indian purpose. Ambedkar dissected the Act of 1858 and showed it to be unfavorable to India and having evil administrative objectives such as autocracy, secrecy and irresponsibility towards Indians.

From an economic point of view, India contributed immensely to the prosperity of England but did not get any economic benefits in return. England's contribution lay in the uneconomic realm, such as maintenance of peace, introduction of western Education, building modern institutions including administrative and judicial system.

Ambedkar's contribution to the field of public finance and his earlier work on administration and finance of East India Company gave substantive inferences and criticism. He further developed his Ph. D thesis on the Evolution of Provincial Finance in British India. This work explores the

central-state financial relationship in British India during the period 1833-1921. He criticized the British government for its excessive revenue collection through taxation; however a poor country like India had limits to taxation. As the result, the problem of equitable distribution of burden on various forms of government such as the central, provincial and local government assumed significance.

The centralization of government finances was a failure on account of faulty fiscal system marked by injurious taxes and extravagant expenditure. The financial system collapsed due to imprudent and unsound fiscal policy. British India suffered its fiscal malady during 1792-1870 mainly because of the inadequacy of imperial system of finance. Financial inadequacy resulted in chronic budget deficit.

Ambedkar in his study cautioned the British government that chronic budget deficit should be corrected not only by increasing the revenue, but also by increasing the stability and productivity of the nation. The taxing capacity of the country must give the benefit to the treasury and the people. He observed that land tax in India was very high which prevented the prosperity of agriculture. Custom taxes hampered Indian manufacturers; internal and external customs blocked trade and repressed industry

He urged that tax was not equitable: landlords enjoyed conspicuous consumption and led a life of leisure while exploiting poor tenants. European civil servants revelled in the many exemptions and privileges and lived with pomp, while the Indian poor was harassed by taxes on salt and other items. The government was unable to alleviate the burden of taxes from the injurious revenue system. Ambedkar argued that when revenue laws are harmful to the people, the government can only blame itself for its empty treasury. The bulk of government revenue rose out of injurious taxes and it spent them on unproductive uses. The government wasted between 52 and 80 per cent of its revenue on war services. The salary of a European soldier was four times higher than that of an Indian. Though the war was fought in the name of peace, it did not bring any progress. Education formed no part of the expenditure incurred and useful public works were far and few between. There were no long term plans in the imperial budget for the following sectors:

- Railways
- Canals for navigation
- Irrigation
- Other aids to the development of commerce and industry

A weak economy and chronic deficit prevailed in 1833 when the centralization of imperial finance and government was established. The imperial administration was not de jure but de facto. Administration of provinces was under the primary units of executive and the Imperial administration was the co-coordinating authority. The dichotomy was

dangerous for government finance. The expenditure budget was prepared by provincial governments but the responsibility of finding resources rested on the government of India, with the result that the government of India came under financial strain. It was then realized that the provincial governments must draw up their own revenue and expenditure budget. In 1871 provincial budgets came into force.

Ambedkar observed that in Budget Assignment, there were high taxes and inequitable taxation; the imperial government reduced income tax due to outcry of the richer classes which led to additional deficit, hence it curtailed the assignments of the provinces. The provinces therefore, had to resort to higher taxation and again impose tax and cesses on an already overburdened class of tax payers, namely landholders. As a matter of justice, the income tax should have been under the state for their relief. This justice was absent for a long time from Financial Secretariat of Government of India. Ambedkar criticised in a healthy way the financial inadequacy of the new arrangement; the government had not been able to marshal in the two revenue sources properly, viz. land

Critique on Monetary Economy in Colonial India:

At the time two types of money systems were in use: silver standard and gold standard. Due to uncertainties in international exchange rate, it was difficult to define how much gold was equal to how much silver. The exchange rate between the rupee and the sterling was stable at 1 Rupee = 1 shilling and 10-1/2 pence prior to 1873 and its reflections in the exchange rate between gold and silver was 1 to 15-1/2. However, after 1873, the rupee - sterling parity was dislocated, which resulted in gold-silver exchange ratio losing its growth.

Since India, a silver standard country was bound to a gold standard country, in reality, the economic and financial life of India was controlled by relative values of gold and silver, which governed the rupee-sterling exchange. It was obvious that if India had to make gold payments to England, India had to bear the burden of the increasing value of gold. The payments included the following:

- Interest on debt and stock of guaranteed railway companies
- Expenses on European troops maintained in India
- Pension and non-effective allowances payable in England
- Cost of home administration
- Supplies purchased in England for use or consumption in India

Because of the appreciation of gold value (more than the revenue from India), a high tax and rigid financial economy was imposed to compensate for the increase in the cost of sterling. The English investor did not invest in Indian rupee securities due to fall in the gold value of silver and fall in the gold value of rupee securities. Even Indian trade and industry was affected by the fall in the value of rupee; ultimately foreign trade showed

significant buoyancy, not Indian trade. The central government treasury was diminishing by the loss due to exchange. The fall of exchange and instability of silver, both affected the fixed income groups, including a large section of Indian people, government, and Europeans. So to establish stable monetary conditions, restoration of common standard of value was needed.

Ambedkar was in favour of a gold standard and criticized Keynes who favoured a gold exchange standard, because gold exchange standard does not have the stability of the gold standard. In the gold standard, additions to the supply of currency are so small that the stability of the standard does not get affected. On the other hand, in the gold exchange standard, the supply of currency is dependent of the will of the issuer and hence its stability is more easily jeopardized. This was evident in India where, prices varied much less under the gold exchange standard.

5.5 SUMMARY

In this unit we have discussed Ambedkar's views on state socialism and his contemplation towards the emancipation of human welfare and his deliberation on alternatives to capitalism and socialism. Ambedkar's state socialism is an alternative to both capitalism and socialism. His economic system aims to achieve the ideals of socialism in a parliamentary form of democracy. He balances both economic equality and social equality in his scheme of development. He is concerned with both production and distribution of wealth. Ambedkar argues for state ownership of agriculture and key industries. The state has to mimic a welfare state in minimizing the social and economic inequalities among people. In this time of globalization, Ambedkar's economic insights ensure economic growth along with social justice. We have learned how B. R. Ambedkar looked into the problems of the rupee at a time when there was a clash between the colonial administration and Indian entrepreneurs and businessmen over the value of rupee. The Indian rupee was suffering from a number of problems.

We have also learned how B. R. Ambedkar looked into the problems of the rupee at a time when there was a clash between the colonial administration and Indian entrepreneurs and businessmen over the value of rupee. The Indian rupee was suffering from a number of problems.

We also learned Ambedkar's views on public finance, which helped us to understand how India was thus forced to remain an underdeveloped country because its resources were exploited by England for its own economic development.

5.6 QUESTIONS

1. Critically analyse Ambedkar's economic views on an alternative to capitalism and socialism
2. Compare state socialism and mixed economy system. At the present state of development, which one do you think would be a better solution for development?
3. What problems were being faced by Indian currency before independence?
4. Discuss Ambedkar's views on Public Finance.

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ECONOMIC THOUGHT OF G. K. GOKHALE AND DR. MANMOHAN SINGH

Unit Structure

6.0 Objectives

6.1 G.K.Gokhale: Introduction

6.2 G.K.Gokhale on Development and Welfare

6.3 Dr. Manmohan Singh's 'Three Steps' to Stem India's Economic Crisis

6.4 Summary

6.5 Questions

6.0 OBJECTIVES

- To help the learner comprehend the Economic Thoughts of G.K.Gokhale and Dr. Manmohan Singh
- To enable the learner understand and analyse Economic Thoughts of G.K.Gokhale and Dr. Manmohan Singh

6.1 G.K.GOKHALE: INTRODUCTION

Gopal Krishna Gokhale CIE was an Indian 'moderate' political leader and a social reformer during the Indian Independence Movement. Gokhale was a senior leader of the Indian National Congress and the founder of the Servants of India Society.

Gokhale's economic and social ideas constitute a part of his political thinking. He was not an economist in the strict sense of the term. Neither was he a social thinker with deep sociological insight. However, as a leader of the Congress and as a member of the legislature Gokhale had to ponder over many socioeconomic issues of the time which, in turn, gave birth to his economic and social ideas. These ideas reflected his way of thinking which considerably influenced the process of social change of his time.

6.2 G.K.GOKHALE ON DEVELOPMENT AND WELFARE

Gokhale's economic ideas owed much to Justice M.G. Ranade and Prof. List, a German economist. Both Ranade and List differed from the classical economists such as Adam Smith and Ricardo. Ranade argued that 'Political Economy being a Hypothetical Science, its propositions are not based upon axiomatic truths like those of Euclid and do not absolutely and universally hold good, like the latter, true in all times.'

Therefore, if a particular economic policy was suited to England it was not necessarily valid for India as well. It was on this ground that Ranade opposed the policy of free trade in India as advocated by the classical English economists. Ranade argued that it was not the policy of free trade but that of protection which India needed. Ranade noticed that in Germany it was because of state initiative that the country was able to transform itself into a first rate modern power, and hence he pleaded that the state should take initiative in accelerating the process of industrialization. Like Prof. List, Ranade thought that the trade policy of the country is integrated with its general economic policy and therefore he felt that 'the government should guarantee or subsidise private efforts till private enterprise could support itself... should advance loans to private capitalist at low interest and help them in the choice of places and the selection of the form of investment.' According to Ranade, the grave problem before India was that of poverty and it could not be removed until the process of industrialization set in. The policies of free trade, open competition, as followed by the British administrators were not conducive to the growth of industrialization in India and hence Ranade advocated state intervention in the economic life of the Country.

Gokhale made a careful study of Indian finance from 1874 to 1909 dividing this period into four phases comparing the growth in expenditure with the growth of revenue. On the basis of his study Gokhale concluded that the growth in expenditure tended to more than the growth in revenue, whereas in fact it was essential to keep the two in balance. Moreover, there was no point in having a surplus budget while the budget of the common man failed to balance itself.

During a period of budgetary surplus, Gokhale recommended that the state adopt the following measures:

- i) A reduction in state demand on land by 25 to 30%
- ii) The creation of a fund of million sterling to rescue the Indian agriculturists from the load of debt
- iii) The activation of co-operative credit societies through establishing agricultural banks on Egyptian model
- iv) The promotion of industrial and technical education and the sanctioning of the increased expenditure for this purposes
- v) Free and compulsory primary education, vi) improvement of the finances of the local bodies

It is evident from the above proposals suggested by Gokhal that he was of the opinion that it was of no use to have surplus budget when the budget of the common man failed to balance itself. If there was to be a surplus budget the surplus must be devoted to the work of promoting development functions of the state.

Gokhale was also aware of the state of the agricultural life in India. He saw that the agricultural industry in India was in a serious depression and the crop yield per acre was low. In such circumstances he resented the increase in the land revenue demanded by the state. He made it clear that he regarded land revenue and the indirect taxes as together placing an unbearable burden on the poor. He wanted the state to give importance to irrigation and scientific agriculture as measures for agricultural prosperity. He disapproved the excise duty on cotton textiles which in his opinion was imposed to counter balance the duties on imports. Gokhale thought that such a duty further burdened the poor.

Following the German economist Prof. List, Gokhale pleaded protection for the new industries in India on the ground that she was an industrially backward country. Gokhale observed: "...he (List) says that when a country is industrially backward ... comes into vortex of universal competition-competition with countries which use steam and machinery... in their production-the first effect is to sweep of local industries and the country is thrust back on agriculture for some time. But then, he says, comes in the duty of the state. When such a situation is reached, the state should step forward and by a judicious system of protection it should foster such industries as are capable of being fostered so that the country may once again enter on its industrial path with the aid of the latest appliances and ultimately stand successfully the competition of the whole world. India should follow this advice of List.' In short, Gokhale stood for the industrial development, advocated state initiative to further the process of industrialization, demanded protection for infant industries and thus paved the way for capitalist development.

Gokhale did not stop at merely criticizing the fiscal policy of the government but also advocated the cause of Swadeshi. However, he did not identify Swadeshi with boycott. To him the Swadeshi movement was both a patriotic and an economic movement. So far as its patriotic aspect concerned it meant devotion to motherland but the movement on its mate. It ensured a ready consumption of such articles as were produced in the country and furnished a perpetual stimulus to production by keeping up the demand for indigenous thing. To - Gokhale the question of production was a question of capital, enterprise and skill - and whoever could help in one of those fields could be called a worker in the Swadeshi cause. Gokhale did not mind even to seek governmental co-operation in the cause of Swadesh. Through the Swadesh movement Gokhale sought to lay the foundations of indigenous capitalism.

In the sphere of social reforms Gokhale sided with Ranade. Like Ranade, Gokhale also believed that social reforms must go along with political reforms. As early as in 1890 Ranade had advocated certain reforms viz.

- (i) Not more than a year's income should be expended on the marriage ceremonies of son or daughter;
- (ii) That the boys should not be married before the ages 16, 18 or 20 and the girls before the ages of 10, 12 and 14;

- (iii) Polygamy should be prohibited;
- (iv) No one should marry after the age of 60;
- (v) That efforts should be made to promote female education.

By and large Ranade believed that all these reforms should be introduced gradually, and the state might be utilised to bring about social change through legislative procedure whenever it was absolutely necessary. But on an average, Ranade believed, that 'popular initiation' rather than 'imposed laws' would be helpful in reforming the society. However, it must be noted here that Ranade was not totally against the state-intervening to promote social reforms as Tilak was.

Gokhale followed Ranade in this respect. He was of the opinion that the state must help the progressive elements in the society. He thus supported the motion on the Civil Marriage Bill. With the support of an influential and enlightened minority Gokhale wanted the state to proceed with measures of social change.

Gokhale suggested free and compulsory elementary education for the masses. To him the elementary education meant something more than a mere capacity to read and I write. It meant the greater moral and economic efficiency of the individual-and hence he strove hard to insist on compulsory free education. He also suggested the prohibition of liquor and other measures of public health so as to remove hindrances and hardships from the path of the development of individual personality.

6.3 DR. MANMOHAN SINGH'S ' THREE STEPS' TO STEM INDIA'S ECONOMIC CRISIS

Dr. Manmohan Singh listed out a three-step solution to stem the current economic crisis and restore normalcy.

First of the three immediate steps is to "ensure people's livelihoods are protected and they have spending power through a significant direct cash assistance".

The second remedy according to Singh is to make available sufficient capital for businesses via "government-backed credit guarantee programmes".

For the third step, he recommends "institutional autonomy and processes" for fixing the country's financial sector.

According to him, deep and prolonged economic slowdown" was "inevitable", however, words like 'depression' should not be used in a cavalier fashion. This economic slowdown is caused by a humanitarian crisis. It is important to view this from the prism of sentiments in our society than mere economic numbers and methods.

Dr Singh believes the Coronavirus-induced nationwide lockdown announced in March, 2020 was in line with what other countries were

doing. He said, "Perhaps a lockdown at that stage was an inevitable choice. But the government's shock and awe approach to the lockdown has caused tremendous pain to people. The suddenness of the announcement and the stringency of the lockdown were thoughtless and insensitive".

According to him Public health emergencies such as COVID 19 are best dealt with locally by local administrators and public health officials, with broad guidelines from the Centre. Perhaps, government should have devolved the Covid-19 battle to the state and local administrations much sooner."

As the debate on how to revive the economy rages on, Dr Singh says "higher borrowing is inevitable." While this can impact India's debt to GDP ratio, he said, "(if it) can save lives, borders, restore livelihoods and boost economic growth, then it's worth it."

"India's track record as a borrower from multilateral institutions is impeccable, It is not a sign of weakness to borrow from these institutions," he added.

The former Finance Minister, who famously helmed the reforms of the 1990s, also warned against protectionism - imposing high import duties. He reminded that India's trade policy over the last three decades brought "enormous economic gains to not just the top but across all sections of our population."

"The previous crises were macroeconomic crises for which there were proven economic tools. Now we have an economic crisis caused by an epidemic which has induced fear and uncertainty in society and monetary policy as an economic tool to counter this crisis is proving to be blunt," he added.

6.4 SUMMARY

Although G.K.Gokhale was not an economist in the strict sense of the term. Neither was he a social thinker with deep sociological insight. However, as a leader of the Congress and as a member of the legislature Gokhale had to ponder over many socio - economic issues of the time which, in turn, gave birth to his economic and social ideas.

Dr. Manmohan Singh, the former Finance Minister, who famously helmed the reforms of the 1990s, also warned against protectionism - imposing high import duties. He reminded that India's trade policy over the last three decades brought "enormous economic gains to not just the top but across all sections of our population."

6.5 QUESTIONS

1. Critically evaluate G.K.Gokhale's economic thoughts on Development and Welfare.
2. Analyse Dr. Manmohan Singh's ' Three Steps' to Stem India's Economic Crisis.

NOBEL PRIZE WINNERS IN ECONOMICS: DR. AMARTYA SEN & ROBERT. A. MUNDELL

Unit Structure

7.0 Objectives

7.1 Introduction

7.2 Nobel Prize Winner in Economics: Dr. Amartya Sen

7.3 Nobel Prize Winner in Economics: Robert A. Mundell

7.4 Questions

7.5 References

7.0 OBJECTIVES

The main objectives behind the study of this unit are as follows -

- To know about the Nobel Prize.
- To know about the Nobel Prize Winner in Economics: Dr. Amartya Sen.
- To know about the Nobel Prize Winner in Economics: Robert A. Mundell

7.1 INTRODUCTION

ABOUT THE PRIZE:

In 1968, Sveriges Riksbank (Sweden's central bank) established the Prize in Economic Sciences in Memory of Alfred Nobel, founder of the Nobel Prize. The prize is based on a donation received by the Nobel Foundation in 1968 from Sveriges Riksbank on the occasion of the bank's 300th anniversary. The first prize in economic sciences was awarded to Ragnar Frisch and Jan Tinbergen in 1969.

The prize in economic sciences is awarded by the Royal Swedish Academy of Sciences, Stockholm, Sweden, according to the same principles as for the Nobel Prizes that have been awarded since 1901.

The Man Behind The Prize – Alfred Nobel:

For the greatest benefit to humankind

Alfred Nobel was an inventor, entrepreneur, scientist and businessman who also wrote poetry and drama. His varied interests are reflected in the prize he established and which he lay the foundation for in 1895 when he

wrote his last will, leaving much of his wealth to the establishment of the prize.

Since 1901, the Nobel Prize has been honoring men and women from around the world for outstanding achievements in physics, chemistry, physiology or medicine, literature and for work in peace.

Alfred Nobel (1833-1896) was born in Stockholm, Sweden, on 21 October 1833. His family was descended from Olof Rudbeck, the best-known technical genius in Sweden in the 17th century, an era in which Sweden was a great power in northern Europe. Nobel was fluent in several languages, and wrote poetry and drama. Nobel was also very interested in social and peace-related issues, and held views that were considered radical during his time. Alfred Nobel's interests are reflected in the prize he established. Learn more about his life and his interests – science, inventions, entrepreneurship, literature and peace work.

Nobel Prize Facts:

On 27 November 1895, Alfred Nobel signed his last will and testament, giving the largest share of his fortune to a series of prizes in physics, chemistry, physiology or medicine, literature and peace – the Nobel Prizes. In 1968, Sveriges Riksbank (Sweden's central bank) established The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel. Learn more about the Nobel Prize laureates here.

615 Nobel Prizes:

Between 1901 and 2022, the Nobel Prizes and the prize in economic sciences were awarded 615 times.

Nobel Prize	Number of prizes	Number of laureates	Awarded to one laureate	Shared by two laureates	Shared by three laureates
Physics	116	222	47	32	37
Chemistry	114	191	63	25	26
Medicine	113	225	40	34	39
Literature	115	119	111	4	–
Peace	103	110+30	69	31	3
Economic sciences	54	92	25	20	9
Total:	615	989	355	146	114

In the statutes of the Nobel Foundation it says: “A prize amount may be equally divided between two works, each of which is considered to merit a prize. If a work that is being rewarded has been produced by two or three

persons, the prize shall be awarded to them jointly. In no case may a prize amount be divided between more than three persons.”

Process of Nomination And Selection:

The Economic Sciences Prize Committee sends confidential forms to persons who are competent and qualified to nominate.

Qualified Nominators:

The right to submit proposals for the award of a Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel shall, by statute, be enjoyed by:

- Swedish and foreign members of the Royal Swedish Academy of Sciences;
- Members of the Prize Committee for the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel;
- Persons who have been awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel;
- Permanent professors in relevant subjects at the universities and colleges in Sweden, Denmark, Finland, Iceland and Norway;
- Holders of corresponding chairs in at least six universities or colleges, selected for the relevant year by the Academy of Sciences with a view to ensuring the appropriate distribution between different countries and their seats of learning; and
- Other scientists from whom the Academy may see fit to invite proposals.
- Decisions as to the selection of teachers and scientists referred to in paragraphs 5 and 6 above shall be taken each year before the end of the month of September.

Selection of economic sciences laureates:

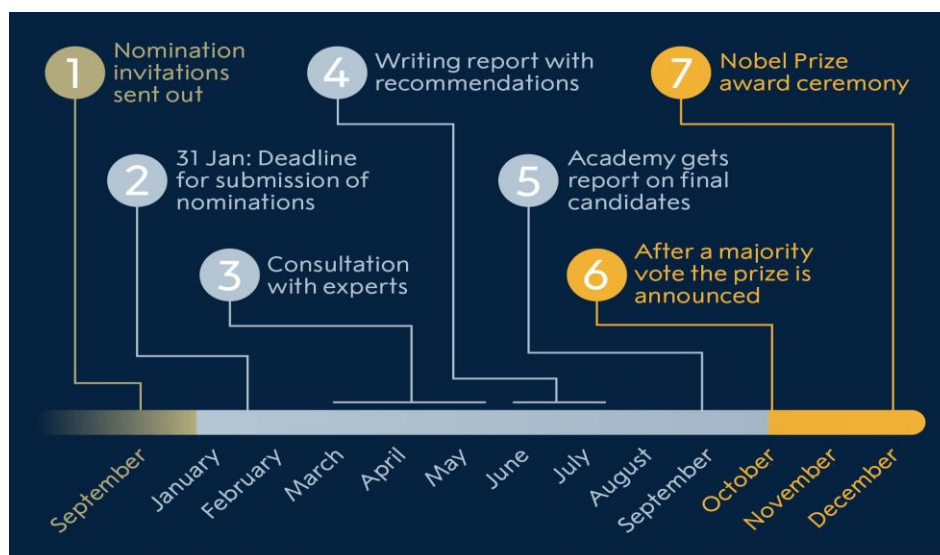
The Royal Swedish Academy of Sciences is responsible for the selection of the economic sciences laureates from among the candidates recommended by the Economic Sciences Prize Committee. The Committee is the working body that screens the nominations and selects the final candidates. It consists of five members, but for many years the Committee has included adjunct members with the same voting rights as members.

Who is eligible for the prize in economic sciences?

The candidates eligible for the prize in economic sciences are those nominated by qualified persons who have received an invitation from the Economic Sciences Prize Committee to submit names for consideration. No one can nominate himself or herself.

How are the economic sciences laureates selected?

Nobel Prize Winners In Economics:
Dr. Amartya Sen & Robert. A.
Mundell



Below is a brief description of the process involved in choosing the economic sciences laureates.

1) September – Nomination forms are sent out.

The Economic Sciences Prize Committee sends out confidential forms to around 3,000 individuals – selected professors at universities around the world, economic sciences laureates, and members of the Royal Swedish Academy of Sciences, among others.

2) February – Deadline for submission.

The completed forms must reach the Economic Sciences Prize Committee no later than January 31 of the following year. The Committee screens the nominations and selects the preliminary candidates. About 250-350 names are nominated as the same names are often submitted by several nominators.

3) March-May – Consultation with experts.

The Economic Sciences Prize Committee sends the names of the preliminary candidates to specially appointed experts for their assessment of the candidates' work.

4) June-August – Writing of the report.

The Economic Sciences Prize Committee puts together the report with recommendations to be submitted to the Academy. The report is signed by all members of the Committee.

5) September – Committee submits recommendations.

The Economic Sciences Prize Committee submits its report with recommendations on the final candidates to the members of the Academy.

The report is discussed at two meetings of the Economic Sciences Section of the Academy.

6) October – Economic sciences laureates are chosen.

In early October, the Academy of Sciences selects the economic sciences laureates through a majority vote. The decision is final and without appeal. The names of the economic sciences laureates are then announced.

7) December – Economic sciences laureates receive their prize.

The Nobel Prize award ceremony takes place on 10 December in Stockholm, where the Nobel Prize laureates receive their Nobel Prize, which consists of a Nobel Prize medal and diploma, and a document confirming the prize amount.

Are the nominations made public?

The statutes of the Nobel Foundation restrict disclosure of information about the nominations, whether publicly or privately, for 50 years. The restriction concerns the nominees and nominators, as well as investigations and opinions related to the award of a prize.

Not a Nobel Prize:

The prize in economic sciences is not a Nobel Prize. In 1968, Sveriges Riksbank (Sweden's central bank) instituted "The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel", and it has since been awarded by the Royal Swedish Academy of Sciences according to the same principles as for the Nobel Prizes that have been awarded since 1901. The first prize in economic sciences was awarded to Ragnar Frisch and Jan Tinbergen in 1969.

7.2 NOBEL PRIZE WINNER IN ECONOMICS: DR. AMARTYA SEN

Amartya Kumar Sen (born on 3 November 1933) is an Indian economist and philosopher, who since 1972 has taught and worked in the United Kingdom and the United States. Sen has made contributions to welfare economics, social choice theory, economic and social justice, economic theories of famines, decision theory, development economics, public health, and measures of well-being of countries.

He is currently a Thomas W. Lamont University Professor, and Professor of Economics and Philosophy at Harvard University. He formerly served as Master of Trinity College at the University of Cambridge. He was awarded the Nobel Memorial Prize in Economic Sciences in 1998 and India's Bharat Ratna in 1999 for his work in welfare economics. The German Publishers and Booksellers Association awarded him the 2020 Peace Prize of the German Book Trade for his pioneering scholarship addressing issues of global justice and combating social inequality in education and healthcare.

Early life and education:

Nobel Prize Winners In Economics:
Dr. Amartya Sen & Robert. A.
Mundell

Amartya Sen was born in a Hindu Baidya family in Santiniketan, Bengal, British India. Rabindranath Tagore gave Amartya Sen his name. Sen's family was from Wari and Manikganj, Dhaka, both in present-day Bangladesh. His father Ashutosh Sen was Professor of Chemistry at Dhaka University, Development Commissioner in Delhi and then Chairman of the West Bengal Public Service Commission. He moved with his family to West Bengal in 1945. Sen's mother Amita Sen was the daughter of Kshiti Mohan Sen, the eminent Sanskritist and scholar of ancient and medieval India, who was a close associate of Rabindranath Tagore. K.M. Sen served as the second Vice Chancellor of Visva Bharati University from 1953 to 1954.

Sen began his school education at St Gregory's School in Dhaka in 1940. In the fall of 1941, Sen was admitted to Patha Bhavana, Shantiniketan, where he completed his school education. The school had many progressive features, such as distaste for examinations or competitive testing. In addition, the school stressed cultural diversity, and embraced cultural influences from the rest of the world. In 1951, he went to Presidency College, Calcutta, where he earned a B.A. in economics with First in the First Class, with a minor in Mathematics, as a graduating student of the University of Calcutta. While at Presidency, Sen was diagnosed with oral cancer, and given a 15% chance of living five years. With radiation treatment, he survived, and in 1953 he moved to Trinity College, Cambridge, where he earned a second B.A. in economics in 1955 with a First Class, topping the list as well. At this time, he was elected President of the Cambridge Majlis. While Sen was officially a PhD student at Cambridge (though he had finished his research in 1955–56), he was offered the position of First-Professor and First-Head of the Economics Department of the newly created Jadavpur University in Calcutta. He is still the youngest chairman to have headed the Department of Economics. He served in that position, starting the new Economics Department, from 1956 to 1958.

Meanwhile, Sen was elected to a Prize Fellowship at Trinity College, which gave him four years of freedom to do anything he liked; he made the radical decision to study philosophy. Sen explained: "The broadening of my studies into philosophy was important for me not just because some of my main areas of interest in economics relate quite closely to philosophical disciplines (for example, social choice theory makes intense use of mathematical logic and also draws on moral philosophy, and so does the study of inequality and deprivation), but also because I found philosophical studies very rewarding on their own." His interest in philosophy, however, dates back to his college days at Presidency, where he read books on philosophy and debated philosophical themes. One of the books he was most interested in was Kenneth Arrow's Social Choice and Individual Values.

In Cambridge, there were major debates between supporters of Keynesian economics, and the neo-classical economists who were skeptical of

Keynes. Because of a lack of enthusiasm for social choice theory in both Trinity and Cambridge, Sen chose a different subject for his PhD thesis, which was on "The Choice of Techniques" in 1959. The work had been completed earlier, except for advice from his adjunct supervisor in India, Professor A.K. Dasgupta, given to Sen while teaching and revising his work at Jadavpur, under the supervision of the "brilliant but vigorously intolerant" post-Keynesian, Joan Robinson. Quentin Skinner notes that Sen was a member of the secret society Cambridge Apostles during his time at Cambridge.

During 1960–61, Amartya Sen visited the Massachusetts Institute of Technology, on leave from Trinity College.

Research work:

Sen's work on 'Choice of Techniques' complemented that of Maurice Dobb. In a developing country, the Dobb-Sen strategy relied on maximising investible surpluses, maintaining constant real wages and using the entire increase in labour productivity, due to technological change, to raise the rate of accumulation. In other words, workers were expected to demand no improvement in their standard of living despite having become more productive. Sen's papers in the late 1960s and early 1970s helped develop the theory of social choice, which first came to prominence in the work by the American economist Kenneth Arrow. Arrow had most famously shown that when voters have three or more distinct alternatives (options), any ranked order voting system will in at least some situations inevitably conflict with what many assume to be basic democratic norms. Sen's contribution to the literature was to show under what conditions Arrow's impossibility theorem applied, as well as to extend and enrich the theory of social choice, informed by his interests in history of economic thought and philosophy.

In 1981, Sen published *Poverty and Famines: An Essay on Entitlement and Deprivation* (1981), a book in which he argued that famine occurs not only from a lack of food, but from inequalities built into mechanisms for distributing food. Sen also argued that the Bengal famine was caused by an urban economic boom that raised food prices, thereby causing millions of rural workers to starve to death when their wages did not keep up.

Sen's interest in famine stemmed from personal experience. As a nine-year-old he witnessed the Bengal famine of 1943, in which three million people died. This staggering loss of life was unnecessary, Sen later concluded. He presents data that there was an adequate food supply in Bengal at the time, but particular groups of people including rural landless labourers and urban service providers like barbers did not have the means to buy food as its price rose rapidly due to factors that include acquisitions by the military, panic buying, hoarding, and price gouging, all of them connected to the war in the region. In *Poverty and Famines*, Sen revealed that in many cases of famine, food supplies were not significantly reduced. In Bengal, for example, food production, while down on the previous year, was higher than in previous non-famine years. Sen points to a number of

social and economic factors, such as declining wages, unemployment, rising food prices, and poor food-distribution, which led to starvation. His capabilities approach focuses on positive freedom, a person's actual ability to be or do something, rather than on negative freedom approaches, which are common in economics and simply focuses on non-interference. In the Bengal famine, rural laborers' negative freedom to buy food was not affected. However, they still starved because they were not positively free to do anything, they did not have the functioning of nourishment, nor the capability to escape morbidity.

In addition to his important work on the causes of famines, Sen's work in the field of development economics has had considerable influence in the formulation of the "Human Development Report", published by the United Nations Development Programme. This annual publication that ranks countries on a variety of economic and social indicators owes much to the contributions by Sen among other social choice theorists in the area of economic measurement of poverty and inequality.

Sen's revolutionary contribution to development economics and social indicators is the concept of "capability" developed in his article Equality of What. He argues that governments should be measured against the concrete capabilities of their citizens. This is because top-down development will always trump human rights as long as the definition of terms remains in doubt (is a "right" something that must be provided or something that simply cannot be taken away?). For instance, in the United States citizens have a right to vote. To Sen, this concept is fairly empty. In order for citizens to have a capacity to vote, they first must have "functionings". These "functionings" can range from the very broad, such as the availability of education, to the very specific, such as transportation to the polls. Only when such barriers are removed can the citizen truly be said to act out of personal choice. It is up to the individual society to make the list of minimum capabilities guaranteed by that society. For an example of the "capabilities approach" in practice, see Martha Nussbaum's Women and Human Development.

He wrote a controversial article in The New York Review of Books entitled "More Than 100 Million Women Are Missing" (see Missing women of Asia), analyzing the mortality impact of unequal rights between the genders in the developing world, particularly Asia. Other studies, including one by Emily Oster, had argued that this is an overestimation, though Oster has since then recanted her conclusions.

In 1999, Sen further advanced and redefined the capability approach in his book Development as Freedom. Sen argues that development should be viewed as an effort to advance the real freedoms that individuals enjoy, rather than simply focusing on metrics such as GDP or income-per-capita. Sen was inspired by violent acts he had witnessed as a child leading up to the Partition of India in 1947. On one morning, a Muslim daily labourer named Kader Mia stumbled through the rear gate of Sen's family home, bleeding from a knife wound in his back. Because of his extreme poverty, he had come to Sen's primarily Hindu neighbourhood searching for work;

his choices were the starvation of his family or the risk of death in coming to the neighbourhood. The price of Kader Mia's economic unfreedom was his death. Kader Mia need not have come to a hostile area in search of income in those troubled times if his family could have managed without it. This experience led Sen to begin thinking about economic unfreedom from a young age.

In *Development as Freedom*, Sen outlines five specific types of freedoms: political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security. Political freedoms refer to the ability of the people to have a voice in government and to be able to scrutinize the authorities. Economic facilities concern both the resources within the market and the market mechanism itself. Any focus on income and wealth in the country would serve to increase the economic facilities for the people. Social opportunities deal with the establishments that provide benefits like healthcare or education for the populace, allowing individuals to live better lives. Transparency guarantees allow individuals to interact with some degree of trust and knowledge of the interaction. Protective security is the system of social safety nets that prevent a group affected by poverty being subjected to terrible misery. Before Sen's work, these had been viewed as only the ends of development; luxuries afforded to countries that focus on increasing income. However, Sen argues that the increase in real freedoms should be both the ends and the means of development. He elaborates upon this by illustrating the closely interconnected natures of the five main freedoms as he believes that expansion of one of those freedoms can lead to expansion in another one as well. In this regard he discusses the correlation between social opportunities of education and health and how both of these complement economic and political freedoms as a healthy and well-educated person is better suited to make informed economic decisions and be involved in fruitful political demonstrations etc. A comparison is also drawn between China and India to illustrate this interdependence of freedoms. Both countries were working towards developing their economies, China since 1979 and India since 1991.

Welfare economics seeks to evaluate economic policies in terms of their effects on the well-being of the community. Sen, who devoted his career to such issues, was called the "conscience of his profession". His influential monograph *Collective Choice and Social Welfare* (1970), which addressed problems related to individual rights (including formulation of the liberal paradox), justice and equity, majority rule, and the availability of information about individual conditions, inspired researchers to turn their attention to issues of basic welfare. Sen devised methods of measuring poverty that yielded useful information for improving economic conditions for the poor. For instance, his theoretical work on inequality provided an explanation for why there are fewer women than men in India and in China despite the fact that in the West and in poor but medically unbiased countries, women have lower mortality rates at all ages, live longer, and make a slight majority of the population. Sen claimed that this skewed ratio results from the better

health treatment and childhood opportunities afforded boys in those countries, as well as sex-selective abortions.

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Governments and international organisations handling food crises were influenced by Sen's work. His views encouraged policy makers to pay attention not only to alleviating immediate suffering but also to finding ways to replace the lost income of the poor for example through public works and to maintain stable prices for food. A vigorous defender of political freedom, Sen believed that famines do not occur in functioning democracies because their leaders must be more responsive to the demands of the citizens. In order for economic growth to be achieved, he argued, social reforms such as improvements in education and public health must precede economic reform.

In 2009, Sen published a book called *The Idea of Justice*. Based on his previous work in welfare economics and social choice theory, but also on his philosophical thoughts, Sen presented his own theory of justice that he meant to be an alternative to the influential modern theories of justice of John Rawls or John Harsanyi. In opposition to Rawls but also earlier justice theoreticians Immanuel Kant, Jean-Jacques Rousseau or David Hume, and inspired by the philosophical works of Adam Smith and Mary Wollstonecraft, Sen developed a theory that is both comparative and realisations-oriented (instead of being transcendental and institutional). However, he still regards institutions and processes as being equally important. As an alternative to Rawls's veil of ignorance, Sen chose the thought experiment of an impartial spectator as the basis of his theory of justice. He also stressed the importance of public discussion (understanding democracy in the sense of John Stuart Mill) and a focus on people's capabilities (an approach that he had co-developed), including the notion of universal human rights, in evaluating various states with regard to justice.

Career:

Sen began his career both as a teacher and a research scholar in the Department of Economics, Jadavpur University as a professor of economics in 1956. He spent two years in that position. From 1957 to 1963, Sen served as a fellow of Trinity College, Cambridge. Between 1960 and 1961, Sen was a visiting professor at Massachusetts Institute of Technology in the United States, where he got to know Paul Samuelson, Robert Solow, Franco Modigliani, and Norbert Wiener. He was also a visiting professor at the University of California, Berkeley (1964–1965) and Cornell University (1978–1984). He taught as Professor of Economics between 1963 and 1971 at the Delhi School of Economics (where he completed his magnum opus *Collective Choice and Social Welfare* in 1969).

During this time Sen was also a frequent visitor to various other premiere Indian economic schools and centres of excellence like Jawaharlal Nehru University, Indian Statistical Institute, Centre for Development Studies, Gokhale Institute of Politics and Economics and Centre for Studies in

Social Sciences. He was a companion of distinguished economists like Manmohan Singh (ex-Prime Minister of India and a veteran economist responsible for liberalizing the Indian economy), K. N. Raj (advisor to various prime ministers and a veteran economist who was the founder of Centre for Development Studies, Trivandrum, which is one of India's premier think tanks and schools) and Jagdish Bhagwati (who is known to be one of the greatest Indian economists in the field of international trade and currently teaches at Columbia University). This is a period considered to be a Golden Period in the history of DSE. In 1971, he joined the London School of Economics as a professor of economics, where he taught until 1977. From 1977 to 1988, he taught at the University of Oxford, where he was first a professor of economics and fellow of Nuffield College, and then the Drummond Professor of Political Economy and a fellow of All Souls College, Oxford, from 1980.

In 1987, Sen joined Harvard as the Thomas W. Lamont University Professor of Economics. In 1998 he was appointed as Master of Trinity College, Cambridge, becoming the first Asian head of an Oxbridge college. In January 2004, Sen returned to Harvard. He also established the Eva Colorni Trust at the former London Guildhall University in the name of his deceased wife.

In May 2007, he was appointed as chairman of Nalanda Mentor Group to examine the framework of international cooperation, and proposed structure of partnership, which would govern the establishment of Nalanda International University Project as an international centre of education seeking to revive the ancient center of higher learning which was present in India from the fifth century to 1197.

He chaired the Social Sciences jury for the Infosys Prize from 2009 to 2011, and the Humanities jury from 2012 to 2018.

On 19 July 2012, Sen was named the first chancellor of the proposed Nalanda University (NU). Sen was criticized as the project suffered due to inordinate delays, mismanagement and lack of presence of faculty on ground. Finally teaching began in August 2014. On 20 February 2015, Sen withdrew his candidature for a second term.

Memberships and associations:

He has served as president of the Econometric Society (1984), the International Economic Association (1986–1989), the Indian Economic Association (1989) and the American Economic Association (1994). He has also served as president of the Development Studies Association and the Human Development and Capability Association. He serves as the honorary director of the Academic Advisory Committee of the Center for Human and Economic Development Studies at Peking University in China.

Sen has been called "the Conscience of the profession" and "the Mother Teresa of Economics" for his work on famine, human development theory, welfare economics, the underlying mechanisms of poverty, gender

inequality, and political liberalism. However, he denies the comparison to Mother Teresa, saying that he has never tried to follow a lifestyle of dedicated self-sacrifice. Amartya Sen also added his voice to the campaign against the anti-gay Section 377 of the Indian Penal Code.

Sen has served as Honorary Chairman of Oxfam, the UK based international development charity, and is now its Honorary Advisor.

Sen is also a member of the Berggruen Institute's 21st Century Council.

Sen is an Honorary Fellow of St Edmund's College, Cambridge.

He is also one of the 25 leading figures on the Information and Democracy Commission launched by Reporters Without Borders.

Media and culture:

A 56-minute documentary named Amartya Sen: A Life Re-examined directed by Suman Ghosh details his life and work. A documentary about Amartya Sen, titled The Argumentative Indian (the title of one of Sen's own books), was released in 2017.

A 2001 portrait of Sen by Annabel Cullen is in Trinity College's collection. A 2003 portrait of Sen hangs in the National Portrait Gallery in London.

In 2011, he was present at the Rabindra Utsab ceremony at Bangabandhu International Conference Centre (BICC), Bangladesh. He unveiled the cover of Sruti Gitobitan, a Rabindrasangeet album comprising all the 2222 Tagore songs, brought out by Rezwana Chowdhury Bannya, principal of Shurer Dhara School of Music.

Max Roser said that it was the work of Sen that made him create Our World in Data.

Political views:

Sen was critical of Indian politician Narendra Modi when he was announced as its prime ministerial candidate by the BJP. In April 2014, he said that Modi would not make a good Prime Minister. He conceded later in December 2014 that Modi did give people a sense of faith that things can happen. In February 2015, Sen opted out of seeking a second term for the chancellor post of Nalanda University, stating that the Government of India was not keen on him continuing in the post.

In August 2019, during the clampdown and curfew in Kashmir for more than two weeks after the Indian revocation of Jammu and Kashmir's special status, Sen criticized the government and said "As an Indian, I am not proud of the fact that India, after having done so much to achieve a democratic norm in the world – where India was the first non-Western country to go for democracy – that we lose that reputation on the grounds of action that have been taken". He regarded the detention of Kashmiri political leaders as "a classical colonial excuse" to prevent backlash

against the Indian government's decision and called for a democratic solution that would involve Kashmiri people.

Sen has spent much of his later life as a political writer and activist. He has been outspoken about Narendra Modi's leadership in India. In an interview with the New York Times, he claimed that Modi's fearmongering among the Indian people was anti-democratic. "The big thing that we know from John Stuart Mill is that democracy is government by discussion, and, if you make discussion fearful, you are not going to get a democracy, no matter how you count the votes." He disagreed with Modi's ideology of Hindu nationalism, and advocated for a more integrated and diverse ideology that reflects the heterogeneity of India.

Sen also wrote an article for the New York Times documenting the reasons why India trails behind China in economic development. He advocates for healthcare reform, because low-income people in India have to deal with exploitative and inadequate private healthcare. He recommends India implement the same education policies that Japan did in the late 19th century. However, he realizes that there is a tradeoff between democracy and progress in Asia because democracy is a near reality in India and not in China.

In a 1999 article in The Atlantic, Sen recommended for India a middle path between the "hard-knocks" development policy that creates wealth at the expense of civil liberties, and radical progressivism that only seeks to protect civil liberties at the expense of development. Rather than create an entirely new theory for ethical development in Asia, Sen sought to reform the current development model.

Personal life and beliefs:

Sen has been married three times. His first wife was Nabaneeta Dev Sen, an Indian writer and scholar, with whom he had two daughters: Antara, a journalist and publisher, and Nandana, a Bollywood actress. Their marriage broke up shortly after they moved to London in 1971. In 1978 Sen married Eva Colorni, an Italian economist, daughter of Eugenio Colorni and Ursula Hirschmann and niece of Albert O. Hirschman. The couple had two children, a daughter Indrani, who is a journalist in New York, and a son Kabir, a hip hop artist, MC, and music teacher at Shady Hill School. Eva died of cancer in 1985. In 1991, Sen married Emma Georgina Rothschild, who serves as the Jeremy and Jane Knowles Professor of History at Harvard University.

The Sens have a house in Cambridge, Massachusetts, which is the base from which they teach during the academic year. They also have a home in Cambridge, England, where Sen is a Fellow of Trinity College, Cambridge, and Rothschild is a Fellow of Magdalene College. He usually spends his winter holidays at his home in Shantiniketan in West Bengal, India, where he used to go on long bike rides until recently. Asked how he relaxes, he replies: "I read a lot and like arguing with people."

Sen is an atheist. In an interview, he noted:

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“In some ways people had got used to the idea that India was spiritual and religion-oriented. That gave a leg up to the religious interpretation of India, despite the fact that Sanskrit had a larger atheistic literature than exists in any other classical language. Madhava Acharya, the remarkable 14th century philosopher, wrote this rather great book called Sarvadarshansamgraha, which discussed all the religious schools of thought within the Hindu structure. The first chapter is "Atheism" a very strong presentation of the argument in favor of atheism and materialism.”

Awards and honours:

- 1) Sen has received over 90 honorary degrees from universities around the world. In 2019, London School of Economics announced the creation of the Amartya Sen Chair in Inequality Studies.
- 2) Adam Smith Prize, 1954
- 3) Foreign Honorary Member of the American Academy of Arts and Sciences, 1981
- 4) Honorary fellowship by the Institute of Social Studies, 1984
- 5) Resident member of the American Philosophical Society, 1997
- 6) Nobel Memorial Prize in Economic Sciences, 1998
- 7) Bharat Ratna, the highest civilian award in India, 1999
- 8) Honorary citizenship of Bangladesh, 1999
- 9) Order of Companion of Honour, UK, 2000
- 10) Leontief Prize, 2000
- 11) Eisenhower Medal for Leadership and Service, 2000
- 12) 351st Commencement Speaker of Harvard University, 2001
- 13) International Humanist Award from the International Humanist and Ethical Union, 2002
- 14) Lifetime Achievement Award by the Indian Chamber of Commerce, 2004
- 15) Life Time Achievement award by Bangkok-based United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)
- 16) National Humanities Medal, 2011
- 17) Order of the Aztec Eagle, 2012
- 18) Chevalier of the French Legion of Honour, 2013

- 19) 25 Greatest Global Living Legends in India by NDTV, 2013
- 20) Top 100 thinkers who have defined our century by The New Republic, 2014
- 21) Charleston-EFG John Maynard Keynes Prize, 2015
- 22) Albert O. Hirschman Prize, Social Science Research Council, 2016
- 23) Johan Skytte Prize in Political Science, 2017
- 24) Bodley Medal, 2019
- 25) Friedenspreis des Deutschen Buchhandels, 2020
- 26) Princess of Asturias Award, 2021
- 27) In 2021, he received the prestigious Gold Medal from The National Institute of Social Sciences.

7.3 NOBEL PRIZE WINNERS IN ECONOMICS: ROBERT. A. MUNDELL

Introduction:

Robert Alexander Mundell CC (October 24, 1932 – April 4, 2021) was a Canadian economist. He was a professor of economics at Columbia University and the Chinese University of Hong Kong.

He received the Nobel Memorial Prize in Economic Sciences in 1999 for his pioneering work in monetary dynamics and optimum currency areas. Mundell is known as the "father" of the euro, as he laid the groundwork for its introduction through this work and helped to start the movement known as supply-side economics. Mundell was also known for the Mundell–Fleming model and Mundell–Tobin effect.

Early Life:

Mundell was born Robert Alexander Mundell on October 24, 1932, in Kingston, Ontario, Canada, to Lila Teresa (née Hamilton) and William Mundell. His mother was an heiress while his father was a military officer and taught at the Royal Military College of Canada. He spent his early years in a farm in Ontario and moved to British Columbia with his family when his father retired at the end of World War II. He completed his high school education in British Columbia where he was known to have participated in boxing and chess events during this time.

He earned his Bachelor of Arts in economics and Russian at the Vancouver School of Economics of the University of British Columbia, and went on a scholarship to the University of Washington in Seattle. He went on to complete his PhD from the Massachusetts Institute of Technology while continuing to study at the London School of Economics.

In 2006 Mundell earned an honorary Doctor of Laws degree from the University of Waterloo. He was Professor of Economics and Editor of the Journal of Political Economy at the University of Chicago from 1965 to 1972, Chairman of the Department of Economics at the University of Waterloo 1972 to 1974 and since 1974 he had been Professor of Economics at Columbia University. He also held the post of Repap Professor of Economics at McGill University.

Career:

From 1974 until his death he had been a professor in the Economics department at Columbia University; and from 2001 he had held Columbia's highest academic rank – University Professor. After completing his post-doctoral fellowship at the University of Chicago in 1957, he began teaching economics at Stanford University, and then Paul H. Nitze School of Advanced International Studies at Johns Hopkins University during 1959–1961. In 1961, he went on to staff the International Monetary Fund. Mundell returned to academics as professor of economics at the University of Chicago from 1966 to 1971, and then served as professor during summers at the Graduate Institute of International Studies in Geneva until 1975. In 1989, he was appointed to the post of Repap Professor of Economics at McGill University. In the 1970s, he laid the groundwork for the introduction of the euro through his pioneering work in monetary dynamics and optimum currency forms for which he won the 1999 Nobel Prize in Economics. During this time he continued to serve as an economic adviser to the United Nations, the IMF, the World Bank, the European Commission, the Federal Reserve Board, the United States Department of Treasury and the governments of Canada and other countries. He was the Distinguished Professor-at-Large of The Chinese University of Hong Kong. His 1971 Princeton tract The dollar and the policy mix is credited with founding supply-side economics (Bartlett 1971, p 101).

Among his major contributions are:

- Theoretical work on optimum currency areas.
- Contributions to the development of the euro.
- Helped start the movement known as supply-side economics.
- Historical research on the operation of the gold standard in different eras
- Predicted the inflation of the 1970s
- Mundell–Fleming model
- Mundell–Tobin effect

International monetary flows:

Mundell is best known in politics for his support of tax cuts and supply-side economics; however, in economics it is for his work on currency areas and international exchange rates that he was awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel by the Bank of Sweden (Sveriges Riksbank). Nevertheless, supply-side economics featured prominently in his Bank of Sweden prize speech.

In the 1960s, Mundell's native Canada floated its exchange rate: this caused Mundell to begin investigating the results of floating exchange rates, a phenomenon not widely seen since the 1930s "Stockholm School" successfully lobbied Sweden to leave the gold standard.

In 1962, along with Marcus Fleming, he co-authored the Mundell–Fleming model of exchange rates, and noted that it was impossible to have domestic autonomy, fixed exchange rates, and free capital flows: no more than two of those objectives could be met. The model is, in effect, an extension of the IS/LM model applied to currency rates.

According to Mundell's analysis:

- Discipline under the Bretton Woods system was more due to the US Federal Reserve than to the discipline of gold.
- Demand side fiscal policy would be ineffective in restraining central banks under a floating exchange rate system.
- Single currency zones relied, therefore, on similar levels of price stability, where a single monetary policy would suffice for all.

His analysis led to his conclusion that it was a disagreement between Europe and the United States over the rate of inflation, partially to finance the Vietnam War, and that Bretton Woods disintegrated because of the undervaluing of gold and the consequent monetary discipline breakdown. There is a famous point/counterpoint over this issue between Mundell and Milton Friedman.

This work later led to the creation of the euro and his prediction that leaving the Bretton Woods system would lead to "stagflation" so long as highly progressive income tax rates applied. In 1974, he advocated a drastic tax reduction and a flattening of income tax rates.

Mundell, though lionized by some conservatives, has many of his harshest critics from the right: he denied the need for a fixed gold-based currency or currency board (he still often recommended this as a policy in hyperinflationary environments) and he was both a fiscal and balance of payments deficit hawk. He is well known for stating that in a floating exchange rate system, expansion of the money supply can come about only by a positive balance of payments.

In 2000, Mundell recommended that Canada permanently tie its dollar's value to the U.S. dollar

Father of the Euro:

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Robert Mundell was considered the "father of the euro" for his early work encouraging a European monetary union. Starting in the 1960s, Mundell supported the constitution of a European Economic and Monetary Union and pushed for the creation of the euro.

In 2000, he predicted that before 2010, the eurozone would expand to cover 50 countries, while the U.S. dollar would spread throughout Latin America, and much of Asia would look towards the yen. Such predictions have proved highly inaccurate.

In his 2012 article "Robert Mundell, evil genius of the euro", Greg Palast affirms that Mundell advocated for the euro because its implementation would have the effect of removing democratic control over monetary policy. As such, when a crisis hits, eurozone governments would not be able to stimulate the economy by creating money, as is prescribed by Keynesian economics. They would thus be forced to resort to other means to curtail unemployment, such as deregulating businesses, privatizing state industries, cutting taxes, and weakening the social safety net.

In 2014, Mundell voiced his opposition to proposals of a fiscal union between the European states. He declared that "it would be insane to have a central European authority that controls all the taxes and duties of the states ... controlled in the Union. This transfer of sovereignty is far too big". He also voiced his opposition to the prospect that countries could be liable for other countries' debt.

Awards and honours:

Mundell was awarded the Guggenheim Fellowship in 1971 and the Nobel Memorial Prize in Economics in 1999. In 2002 he was made a Companion of the Order of Canada.

In 1992, Mundell received a Docteur honouris Causa from the University of Paris. Mundell's honorary professorships and fellowships were from Brookings Institution, the University of Chicago, the University of Southern California, McGill University, the University of Pennsylvania, the Bologna Center and Renmin University of China. He became a Fellow of the American Academy of Arts and Sciences in 1998. In June 2005 he was awarded the Global Economics Prize World Economics Institute in Kiel, Germany, and in September 2005 he was made a Cavaliere di Gran Croce del Reale Ordine del Merito sotto il Titolo di San Ludovico by Principe Don Carlo Ugo di Borbone Parma.

The Mundell International University of Entrepreneurship in the Zhongguancun district of Beijing, People's Republic of China, is named in his honour.

Mundell won the Nobel Memorial Prize in Economic Science in 1999 and gave as his prize lecture a speech titled "A Reconsideration of the Twentieth Century". According to the Nobel Prize Committee, he got the

honour for "his analysis of monetary and fiscal policy under different exchange rate regimes and his analysis of optimum currency areas".

Mundell concluded in that lecture that "the international monetary system depends only on the power configuration of the countries that make it up". He divided the entire twentieth century into three parts by different periods of time:

- The first third of the century, from its beginning to the Great Depression of the 1930s, economics was dominated by the confrontation of the Federal Reserve System with the gold standard.
- The second third of the century was from World War II to 1973, when the international monetary system was dominated by fixing the price of gold with the US dollar.
- The last third of the century started with the destruction of the old monetary system due to the problem of inflation.

With the destruction of the old monetary system, a new international monetary system was finally founded. Controlling inflation by each country became a main topic during this era.

Television appearances:

Mundell appeared on CBS's Late Show with David Letterman. His first appearance was on October 17, 2002, where he gave The Top 10 List on "Ways My Life has Changed Since Winning the Nobel Prize." In March 2004 he told "You might be a redneck" jokes, followed in May 2004 with "Yo Mama" jokes. In September 2004 he appeared again, this time to read excerpts from Paris Hilton's memoir at random moments throughout the show. In November 2005 he told a series of Rodney Dangerfield's jokes. On February 7, 2006, he read Grammy Award nominated song lyrics, the night before CBS aired the 48th Grammy Awards.

Mundell also appeared on Bloomberg Television many times, mainly speaking on euro-related topics and other European financial issues.

Mundell has also appeared on China Central Television's popular Lecture Room series. He was also a special guest making the ceremonial first move in Game Five of the 2010 World Chess Championship between Viswanathan Anand and Veselin Topalov. He also played the opening move at the Pearl Spring Chess Tournament.

Personal Life:

Mundell was married to Velerie Natsios-Mundell. The couple had a son and lived in Monteriggioni, Siena, Tuscany, Italy, starting the late 1970s. He had two sons and a daughter from an earlier marriage. One of his sons had predeceased him in a car accident. Mundell died on April 4, 2021, from cholangiocarcinoma, a cancer of the bile duct. He was aged 88.

7.4 QUESTIONS

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Mundell

- Q1. Write explanatory note on Nobel prize winner in Economics Dr. Amartya Sen.
- Q2. Write explanatory note on Nobel prize winner in Economics Robert A. Mundell.
- Q3. Write note on 'Nobel Prize'.

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NOBEL PRIZE WINNERS IN ECONOMICS: JOSEPH STIGLITZ & DR. ABHIJEET BANARJEE

Unit Structure

8.0 Objectives

8.1 Introduction

8.2 Nobel Prize Winner in Economics: Joseph Stiglitz

8.3 Nobel Prize Winners in Economics: Dr. Abhijeet Banarjee

8.4 Questions

8.5 References

8.0 OBJECTIVES

The main objectives behind the study of this unit are as follows -

- To know about the Nobel Prize Winner in Economics: Joseph Stiglitz.
- To know about the Nobel Prize Winners in Economics: Dr. Abhijeet Banarjee.

8.1 INTRODUCTION

Nobel Prize, any of the prizes (five in number until 1969, when a sixth was added) that are awarded annually from a fund bequeathed for that purpose by the Swedish inventor and industrialist Alfred Nobel. The Nobel Prizes are widely regarded as the most prestigious awards given for intellectual achievement in the world. To browse Nobel Prize winners alphabetically, chronologically, and by prize, see below.

In the will he drafted in 1895, Nobel instructed that most of his fortune be set aside as a fund for the awarding of five annual prizes “to those who, during the preceding year, shall have conferred the greatest benefit on mankind.” These prizes as established by his will are the Nobel Prize for Physics, the Nobel Prize for Chemistry, the Nobel Prize for Physiology or Medicine, the Nobel Prize for Literature, and the Nobel Prize for Peace. The first distribution of the prizes took place on December 10, 1901, the fifth anniversary of Nobel’s death. An additional award, the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel, was established in 1968 by the Bank of Sweden and was first awarded in 1969. Although not technically a Nobel Prize, it is identified with the award; its winners are announced with the Nobel Prize recipients, and the Prize in Economic Sciences is presented at the Nobel Prize Award Ceremony.

After Nobel’s death, the Nobel Foundation was set up to carry out the provisions of his will and to administer his funds. In his will, he had

stipulated that four different institutions—three Swedish and one Norwegian—should award the prizes. From Stockholm, the Royal Swedish Academy of Sciences confers the prizes for physics, chemistry, and economics, the Karolinska Institute confers the prize for physiology or medicine, and the Swedish Academy confers the prize for literature. The Norwegian Nobel Committee based in Oslo confers the prize for peace. The Nobel Foundation is the legal owner and functional administrator of the funds and serves as the joint administrative body of the prize-awarding institutions, but it is not concerned with the prize deliberations or decisions, which rest exclusively with the four institutions.

In this unit we will study about the nobel prize winners in economics Joseph Stiglitz and Dr. Abhijit Banarjee in detail.

8.2 NOBEL PRIZE WINNER IN ECONOMICS: JOSEPH STIGLITZ

About Joseph Eugene Stiglitz:

Joseph Eugene Stiglitz (born February 9, 1943) is an American New Keynesian economist, a public policy analyst, and a full professor at Columbia University. He is a recipient of the Nobel Memorial Prize in Economic Sciences (2001) and the John Bates Clark Medal (1979). He is a former senior vice president and chief economist of the World Bank. He is also a former member and chairman of the (US president's) Council of Economic Advisers. He is known for his support for the Georgist public finance theory and for his critical view of the management of globalization, of laissez-faire economists (whom he calls "free-market fundamentalists"), and of international institutions such as the International Monetary Fund and the World Bank.

In 2000, Stiglitz founded the Initiative for Policy Dialogue (IPD), a think tank on international development based at Columbia University. He has been a member of the Columbia faculty since 2001, and received the university's highest academic rank (university professor) in 2003. He was the founding chair of the university's Committee on Global Thought. He also chairs the University of Manchester's Brooks World Poverty Institute. He was a member of the Pontifical Academy of Social Sciences. In 2009, the President of the United Nations General Assembly Miguel d'Escoto Brockmann, appointed Stiglitz as the chairman of the U.N. Commission on Reforms of the International Monetary and Financial System, where he oversaw suggested proposals and commissioned a report on reforming the international monetary and financial system. He served as the chair of the international Commission on the Measurement of Economic Performance and Social Progress, appointed by the French President Sarkozy, which issued its report in 2010, *Mismeasuring our Lives: Why GDP doesn't add up*, and currently serves as co-chair of its successor, the High Level Expert Group on the Measurement of Economic Performance and Social Progress. From 2011 to 2014, Stiglitz was the president of the International Economic Association (IEA). He presided over the

organization of the IEA triennial world congress held near the Dead Sea in Jordan in June 2014.

Stiglitz has received more than 40 honorary degrees, including degrees from Cambridge and Harvard, and he has been decorated by several governments including Bolivia, South Korea, Colombia, Ecuador, and most recently France, where he was appointed as a member of the Legion of Honor, Officer.

In 2011, Stiglitz was named as one of the 100 most influential people in the world by the Time magazine. Stiglitz's work focuses on income distribution from a Georgist perspective, asset risk management, corporate governance, and international trade. He is the author of several books, the latest being *People, Power, and Profits* (2019), *The Euro: How a Common Currency Threatens the Future of Europe* (2016), *The Great Divide: Unequal Societies and What We Can Do About Them* (2015), *Rewriting the Rules of the American Economy: An Agenda for Growth and Shared Prosperity* (2015), and *Creating a Learning Society: A New Approach to Growth Development and Social Progress* (2014). He is also one of the 25 leading figures on the Information and Democracy Commission launched by Reporters Without Borders. According to the Open Syllabus Project, Stiglitz is the fifth most frequently cited author on college syllabi for economics courses.

Life and career:

Stiglitz was born in Gary, Indiana into a Jewish family. His mother was Charlotte (née Fishman), a schoolteacher, and his father was Nathaniel David Stiglitz, an insurance salesman. Stiglitz attended Amherst College, where he was a National Merit Scholar, active on the debate team, and president of the student government. During his senior year at Amherst College, he studied at the Massachusetts Institute of Technology (MIT), where he later pursued graduate work. In Summer 1965, he moved to the University of Chicago to do research under Hirofumi Uzawa who had received an NSF grant. He studied for his PhD from MIT from 1966 to 1967, during which time he also held an MIT assistant professorship. Stiglitz stated that the particular style of MIT economics suited him well, describing it as "simple and concrete models, directed at answering important and relevant questions."

From 1966 to 1970 he was a research fellow at the University of Cambridge. Stiglitz initially arrived at Fitzwilliam College, Cambridge as a Fulbright Scholar in 1965, and he later won a Tapp Junior Research Fellowship at Gonville and Caius College, Cambridge which was instrumental in shaping his understanding of Keynes and macroeconomic theory. In subsequent years, he held academic positions at Yale, Stanford, Oxford - where he was Drummond Professor of Political Economy - and Princeton. Since 2001, Stiglitz has been a professor at Columbia University, with appointments at the Business School, the Department of Economics and the School of International and Public Affairs (SIPA), and

is an editor of The Economists' Voice journal with J. Bradford DeLong and Aaron Edlin.

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He also takes classes for a double-degree program between Sciences Po Paris and École Polytechnique in 'Economics and Public Policy'. He has chaired The Brooks World Poverty Institute at the University of Manchester since 2005. Stiglitz is widely considered a New-Keynesian economist, although at least one economics journalist says his work cannot be so clearly categorised.

Stiglitz has played a number of policy roles throughout his career. He served in the Clinton administration as the chair of the President's Council of Economic Advisers (1995–1997). At the World Bank, he served as a senior vice-president and the chief economist from 1997 to 2000. He was fired by the World Bank for expressing dissent with its policies.

Stiglitz has advised American president Barack Obama, but has criticized the Obama Administration's financial-industry rescue plan. He said whoever designed the Obama administration's bank rescue plan is "either in the pocket of the banks or they're incompetent."

In October 2008, he was asked by the President of the United Nations General Assembly to chair a commission drafting a report on the reasons for and solutions to the financial crisis. In response, the commission produced the Stiglitz Report.

On July 25, 2011, Stiglitz participated in the "I Foro Social del 15M" organized in Madrid, expressing his support to the 15M Movement protestors.

Stiglitz was the president of the International Economic Association from 2011 to 2014.

On September 27, 2015, the United Kingdom Labour Party announced that Stiglitz was to sit on its Economic Advisory Committee along with five other world-leading economists.

Contributions to economics:

After the 2018 mid-term elections in the United States he wrote a statement about the importance of economic justice to the survival of democracy worldwide.

Risk aversion:

After getting his Ph.D. from M.I.T. in 1967, Stiglitz co-authored one of his first papers with Michael Rothschild for the Journal of Economic Theory in 1970. Stiglitz and Rothschild built upon works by economists such as Robert Solow on the concept of risk aversion. Stiglitz and Rothschild showed three plausible definitions of a variable X being 'more variable' than a variable Y were all equivalent - Y being equal to X plus noise, every risk-averse agent preferring Y to X, and Y having more weight in its tails, and that none of these were always consistent with X having a higher

statistical variance than Y - a commonly used definition at the time. In a second paper, they analyzed the theoretical consequences of risk aversion in various circumstances, such as an individual's savings decisions and a firm's production decisions.

Henry George theorem:

Stiglitz made early contributions to a theory of public finance stating that an optimal supply of local public goods can be funded entirely through capture of the land rents generated by those goods (when population distributions are optimal). Stiglitz dubbed this the 'Henry George theorem' in reference to the radical classical economist Henry George who famously advocated for land value tax. The explanation behind Stiglitz's finding is that rivalry for public goods takes place geographically, so competition for access to any beneficial public good will increase land values by at least as much as its outlay cost. Furthermore, Stiglitz shows that a single tax on rents is necessary to provide the optimal supply of local public investment. Stiglitz also shows how the theorem could be used to find the optimal size of a city or firm.

Information asymmetry:

Stiglitz's most famous research was on screening, a technique used by one economic agent to extract otherwise private information from another. It was for this contribution to the theory of information asymmetry that he shared the Nobel Memorial Prize in Economics with George A. Akerlof and A. Michael Spence in 2001 "for laying the foundations for the theory of markets with asymmetric information".

Much of Stiglitz's work on information economics demonstrates situations in which incomplete information prevents markets from achieving social efficiency. His paper with Andrew Weiss showed that if banks use interest rates to infer information about borrowers' types (adverse selection effect), or to encourage their actions following borrowing (incentive effect), then credit will be rationed below the optimal level, even in a competitive market. Stiglitz and Rothschild showed that in an insurance market, firms have an incentive to undermine a 'pooling equilibrium', where all agents are offered the same full-insurance policy, by offering cheaper partial insurance that would only be attractive to the low-risk types, meaning that a competitive market can only achieve partial coverage of agents. Stiglitz and Grossman showed that trivially small information acquisition costs prevent financial markets from achieving complete informational efficiency, since agents will have an incentive to free-ride on others' information acquisition, and acquire this information indirectly by observing market prices.

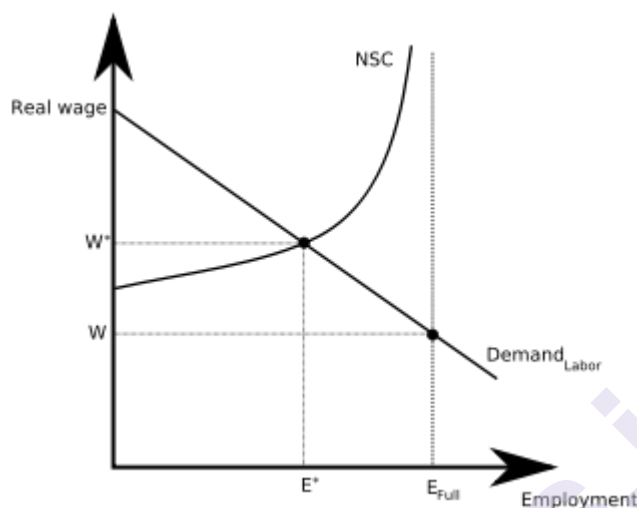
Monopolistic competition:

Stiglitz, together with Avinash Dixit, created a tractable model of monopolistic competition that was an alternative to traditional perfect-competition models of general equilibrium. They showed that in the presence of increasing returns to scale, the entry of firms is socially too

small. The model was extended to show that when consumers have a preference for diversity, entry can be socially too large. The modeling approach was also influential in the fields of trade theory, and industrial organization, and was used by Paul Krugman in his analysis of the non-comparative advantage trading patterns.

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Shapiro–Stiglitz efficiency wage model:



In the Shapiro–Stiglitz model of efficiency wages, workers are paid at a level that dissuades shirking. This prevents wages from dropping to market clearing levels. Full employment cannot be achieved because workers would shirk if they were not threatened with the possibility of unemployment. Because of this, the curve for the no-shirking condition (labeled NSC) goes to infinity at full employment.

Stiglitz also did research on efficiency wages, and helped create what became known as the "Shapiro–Stiglitz model" to explain why there is unemployment even in equilibrium, why wages are not bid down sufficiently by job seekers (in the absence of minimum wages) so that everyone who wants a job finds one, and to question whether the neoclassical paradigm could explain involuntary unemployment. An answer to these puzzles was proposed by Shapiro and Stiglitz in 1984: "Unemployment is driven by the information structure of employment". Two basic observations undergird their analysis:

1. Unlike other forms of capital, humans can choose their level of effort.
2. It is costly for firms to determine how much effort workers are exerting.

A full description of this model can be found at the links provided. Some key implications of this model are:

1. Wages do not fall enough during recessions to prevent unemployment from rising:

If the demand for labour falls, this lowers wages. But because wages have fallen, the probability of 'shirking' (workers not exerting effort) has risen. If employment levels are to be maintained, through a sufficient lowering of wages, workers will be less productive than before through the shirking effect. As a consequence, in the model, wages do not fall enough to maintain employment levels at the previous state, because firms want to avoid excessive shirking by their workers. So, unemployment must rise during recessions, because wages are kept 'too high'.

2. Possible corollary:

Wage sluggishness. Moving from one private cost of hiring (w^*) to another private cost of hiring (w^{**}) will require each firm to repeatedly re-optimize wages in response to shifting unemployment rate. Firms cannot cut wages until unemployment rises sufficiently (a coordination problem).

3. The outcome is never Pareto efficient:

Each firm employs too few workers, because the cost of employing too many workers would be faced by the firm alone, while the cost of unemployment is shared by the firm and its competitors, indeed it is shared by all firms that pay taxes in the country. This means that firms do not "internalize" the "external" cost of unemployment – they do not factor how large-scale unemployment harms society when assessing their own costs. This leads to a negative externality as marginal social cost exceeds the firm's marginal cost ($MSC = \text{Firm's Private Marginal Cost} + \text{Marginal External Cost of increased social unemployment}$)

4. There are also positive externalities:

Each firm increases the asset value of unemployment for all other firms when they hire during recessions. By creating hypercompetitive labor markets, all firms (the winners when laborers compete) experience an increase in value. However, this effect of increased valuation is very unapparent, because the first problem (the negative externality of sub-optimal hiring) clearly dominates since the 'natural rate of unemployment' is always too high.

5. Practical implications of Stiglitz's theories:

The practical implications of Stiglitz's work in political economy and their economic policy implications have been subject to debate. Stiglitz himself has evolved his political-economic discourse over time.

Once incomplete and imperfect information is introduced, Chicago-school defenders of the market system cannot sustain descriptive claims of the Pareto efficiency of the real world. Thus, Stiglitz's use of rational-expectations equilibrium assumptions to achieve a more realistic understanding of capitalism than is usual among rational-expectations theorists leads, paradoxically, to the conclusion that capitalism deviates

from the model in a way that justifies state action – socialism – as a remedy.

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The effect of Stiglitz's influence is to make economics even more presumptively interventionist than Samuelson preferred. Samuelson treated market failure as an exception to the general rule of efficient markets. But the Greenwald-Stiglitz theorem posits market failure as the norm, establishing "that government could potentially almost always improve upon the market's resource allocation." And the Sappington-Stiglitz theorem "establishes that an ideal government could do better running an enterprise itself than it could through privatization"

Objections to the adoption of positions suggested by Stiglitz's do not come from economics itself but mostly from political scientists, especially in the field of sociology. As David L. Prychitko discusses in his "critique" to Whither Socialism? (see below), although Stiglitz's main economic insight seems generally correct, it still leaves open great constitutional questions such as how the coercive institutions of the government should be constrained and what the relation is between the government and civil society.

Economic views:

Market efficiency

For Stiglitz, there is no such thing as an invisible hand, in the sense that free markets lead to efficiency as if guided by unseen forces. According to Stiglitz:

Whenever there are "externalities" – where the actions of an individual have impacts on others for which they do not pay or for which they are not compensated – markets will not work well. But recent research has shown that these externalities are pervasive, whenever there is imperfect information or imperfect risk markets – that is always. The real debate today is about finding the right balance between the market and government. Both are needed. They can each complement each other. This balance will differ from time to time and place to place.

In an interview in 2007, Stiglitz explained further:

The theories that I (and others) helped develop explained why unfettered markets often not only do not lead to social justice, but do not even produce efficient outcomes. Interestingly, there has been no intellectual challenge to the refutation of Adam Smith's invisible hand: individuals and firms, in the pursuit of their self-interest, are not necessarily, or in general, led as if by an invisible hand, to economic efficiency.

The preceding claim is based on Stiglitz's 1986 paper, "Externalities in Economies with Imperfect Information and Incomplete Markets", which describes a general methodology to deal with externalities and for calculating optimal corrective taxes in a general equilibrium context. In the opening remarks for his prize acceptance at Aula Magna, Stiglitz said:

I hope to show that Information Economics represents a fundamental change in the prevailing paradigm within economics. Problems of information are central to understanding not only market economics but also political economy, and in the last section of this lecture, I explore some of the implications of information imperfections for political processes.

Land value tax (Georgism):

Stiglitz argues that land value tax would improve the efficiency and equity of agricultural economies. Stiglitz believes that societies should rely on a generalized Henry George principle to finance public goods, protect natural resources, improve land use, and reduce the burden of rents and taxes on the poor while increasing productive capital formation. Stiglitz advocates taxing "natural resource rents at as close to 100 percent as possible" and that a corollary of this principle is that polluters should be taxed for "activities that generate negative externalities." Stiglitz therefore asserts that land value taxation is even better than its famous advocate Henry George thought.

Views on taxation:

Stiglitz maintained the super-rich should pay taxes up to 70% to help deal with increasing inequality. Stiglitz stated a worldwide income tax rate of 70% on biggest earners "would clearly make sense". Stiglitz maintained society would become more egalitarian and cohesive. Stiglitz said a wealth taxes on fortunes acquired during many generations would have a larger influence. Stiglitz maintains most billionaires acquired much of their wealth through luck. He maintains Elizabeth Warren proposing a 2% tax for people with assets of over \$50m and 3% on those with over \$1bn was "very reasonable" and would raise significant revenues that could improve some United States problems.

Awards and honors:

- In addition to being awarded the Nobel Memorial prize, Stiglitz has over 40 honorary doctorates and at least eight honorary professorships as well as an honorary deanship.
- Stiglitz was elected to the American Academy of Arts and Sciences in 1983, the National Academy of Sciences in 1988, and the American Philosophical Society in 1997.
- In 2009, he received the Golden Plate Award of the American Academy of Achievement presented by Awards Council member Archbishop Desmond Tutu at an awards ceremony at St. George's Cathedral in Cape Town, South Africa.
- He received the 2010 Gerald Loeb Awards for Commentary for "Capitalist Fools and Wall Street's Toxic Message".
- In 2011, he was named by Foreign Policy magazine on its list of top global thinkers.

- In February 2012, he was awarded the Legion of Honor, in the rank of Officer, by the French ambassador in the United States François Delattre.
- Stiglitz was elected a Foreign Member of the Royal Society (ForMemRS) in 2009.
- Stiglitz was awarded the 2018 Sydney Peace Prize.

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Personal life:

Stiglitz married Jane Hannaway in 1978 but the couple later divorced. He married for the third time on October 28, 2004 to Anya Schiffrin, who works at the School of International and Public Affairs at Columbia University. He has four children and three grandchildren.

8.3 NOBEL PRIZE WINNERS IN ECONOMICS: DR. ABHIJEET BANARJEE

Abhijit Vinayak Banerjee (born 21 February 1961) is an Indian-American economist who is currently the Ford Foundation International Professor of Economics at Massachusetts Institute of Technology. Banerjee shared the 2019 Nobel Memorial Prize in Economic Sciences with Esther Duflo and Michael Kremer "for their experimental approach to alleviating global poverty". He and Esther Duflo, who are married, are the sixth married couple to jointly win a Nobel Prize.

Early life and education:

Abhijit Banerjee was born to a Bengali family in Mumbai. His father, Dipak Banerjee, was a professor of economics at Presidency College, Calcutta, and his mother Nirmala Banerjee (née Patankar), a professor of economics at the Centre for Studies in Social Sciences, Calcutta. His father, Dipak Banerjee, earned a PhD in economics from the London School of Economics.

He received his school education in South Point High School, a renowned educational institution in Calcutta. After his schooling, he took admission at Presidency College, then an affiliated college of the University of Calcutta and now an autonomous university, where he completed his BSc(H) degree in economics in 1981. Later, he completed his M.A. in economics at the While studying in JNU, he was arrested and imprisoned in Tihar Jail during a protest after students gheraoed the then Vice Chancellor PN Srivastava of the university. He was released on bail and charges were subsequently dropped against the students. Later, he went on to obtain a PhD from Harvard University in 1988. The subject of his doctoral thesis was "Essays in Information Economics."

Academic career:

Banerjee is currently the Ford Foundation International Professor of Economics at the Massachusetts Institute of Technology; he has taught at

Harvard University and Princeton University. He has also been a Guggenheim Fellow and an Alfred P. Sloan Fellow.

His work focuses on development economics. Together with Esther Duflo he has discussed field experiments as an important methodology to discover causal relationships in economics. He was elected a fellow of the American Academy of Arts and Sciences in 2004. In 2009, he received the Infosys Prize in the social sciences (economics) category. He served on the Social Sciences jury for the Infosys Prize in 2018. In 2012, he shared the Gerald Loeb Award Honorable Mention for Business Book with co-author Esther Duflo for their book *Poor Economics*.

In 2013, he was named by the United Nations Secretary General Ban Ki-Moon to a panel of experts tasked with updating the Millennium Development Goals after 2015 (their expiration date).

In 2014, he received the Bernhard-Harms-Prize from the Kiel Institute for the World Economy.

In 2019, he delivered Export-Import Bank of India's 34th Commencement Day Annual Lecture on Redesigning Social Policy.

In 2019, he was awarded the Nobel Prize in Economics, together with Esther Duflo and Michael Kremer, "for their experimental approach to alleviating global poverty."

2019 Nobel Memorial Prize in Economic Sciences:

The 2019 Nobel Memorial Prize in Economic Sciences was awarded jointly to the economist couple Abhijit Banerjee (1961), Esther Duflo-Banerjee (1972) and their colleague Michael Kremer (1964) "for their experimental approach to alleviating global poverty." Banerjee and Duflo are the sixth married couple to jointly win a Nobel Prize. The pressed release of the Royal Swedish Academy of Sciences noted:

"The research conducted by this year's Laureates has considerably improved our ability to fight global poverty. In just two decades, their new experiment-based approach has transformed development economics, which is now a flourishing field of research. They have laid the foundations of the best way to design measures that reduce global poverty"

Their key contribution to economics is the usage of randomized controlled trials (RCT) in development economics.

Research and work in India:

Banerjee and his co-workers try to measure the effectiveness of actions (such as government programmes) in improving people's lives. For this, they use randomized controlled trials, similar to clinical trials in medical research. For example, although polio vaccination is freely available in India, many mothers were not bringing their children for the vaccination

drives. Banerjee and Prof. Esther Duflo, also from MIT, tried an experiment in Rajasthan, where they gave a bag of pulses to mothers who vaccinated their children. Soon, the immunization rate went up in the region. In another experiment, they found that learning outcomes improved in schools that were provided with teaching assistants to help students with special needs.

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Banerjee is a co-founder of Abdul Latif Jameel Poverty Action Lab (along with economists Esther Duflo and Sendhil Mullainathan). In India he serves on the academic advisory board of Plaksha University, a science and technology university established in 2010.

Personal life

Abhijit Banerjee was married to Dr. Arundhati Tuli Banerjee, a lecturer of literature at MIT. Abhijit and Arundhati had one son together and later divorced. Their son, born in 1991, died in an accident in 2016.

In 2015, Banerjee married his co-researcher, MIT professor Esther Duflo; they have two children. Banerjee was a joint supervisor of Duflo's PhD in economics at MIT in 1999. Duflo is also a Professor of Poverty Alleviation and Development Economics at MIT.

8.4 QUESTIONS

- Q1. Write explanatory note on Nobel prize winner in Economics Joseph Stiglitz.
- Q2. Write explanatory note on Nobel prize winner in Economics Dr. Abhijit Banarjee.

8.5 REFERENCE

<https://www.nobelprize.org/>

Question Paper Pattern (For IDOL Students Only)
TYBA SEM VI (Economics) – for all Six papers

Time: Three Hours

Total Marks: 100 Marks

Please Check whether you have got the right question paper.

N.B. 1) All questions are compulsory. Attempt Sub question (A) or (B) of Question no. 5

2) Figures to the right indicate marks.

3) Draw neat diagrams wherever necessary.

Q1. Answer any TWO questions of the following. 20 Marks

a.

b.

c.

Q2. Answer any TWO questions of the following. 20 Marks

a.

b.

c.

Q3. Answer any TWO questions of the following. 20 Marks

a.

b.

c.

Q4. Answer any TWO questions of the following. 20 Marks

a.

b.

c.

Q5. (A) Write short notes on any TWO of the following. 20 Marks

a.

b.

c.

d.

OR

**(B) Multiple choice questions, select an appropriate option
(20 MCQs) 20 Marks**
