

Economics of Gandhiji's Philosophy

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Gandhi says, 'Economics that hurts the moral well being of an individual or a nation is immoral and therefore sinful. He also said that economics is untrue which ignores or disregards moral values'. Gandhi conceived India as a 'Village economy', as India has an unimaginable magnitude of manpower especially village manpower. Although he spent a fair amount of his time in the UK, a developed country, he perceived his notion that India needs labour-intensive technology. Gandhian Thoughts on the country's economy was appreciated by the economist J.C Kumarappa as 'Gandhian Economics'. The word 'Gandhian Economics' was coined by J.C. Kumarappa, a close admirer of Gandhi. This paper aims at examining the type of Gandhian economic thought in the era of modernization and mechanization. Gandhian thoughts are looked upon as conventional and outdated and hence, most of the countries are moving very fast in the direction of growth and achievement. India, being a low-income country, holds a significantly large amount of the population below its poverty line, approximately 11 percent of it below \$11 PPP.¹ India is declared as the most dangerous country for women in the world. The number of people unemployed around the world stands at 188 million(Economic times, 21st Jan 2020) before the COVID-19 pandemic. In India, 24.3 % of the total population belongs to the unemployed category as on 24th May 2020 (Economic Times), "About 18.6 million Indians are rendered jobless and another 393.7 million work in poor-quality jobs vulnerable to displacement", states the Pew report. In such a situation, sidelining of villages and prioritising the cities(smart), might misdirect the economies in the wrong directions. Considering the current economic climate of India, neglecting the villages equate to putting the economy in distress. So a deep insight into Gandhian Philosophies will enlighten us for modern Gandhian Economics.

Growth versus Development:

There are two major theories in economics: growth and development. Growth is measured by an increase in that country's Gross Domestic Product, or GDP, per capita Gross Domestic Product, while a country's economic development is usually indicated by an increase in citizens' quality of life. Economic growth indicates an increase in Human Development

¹ <https://data.adb.org/dataset/basic-statistics-asia-and-pacific>

Index(HDI), education, health, per capita income, reduction in inequality, gender empowerment. Amartya Sen rightly points out, "economic growth is one aspect of the process of economic development". Though growth is the goal of any country, development has to be its vision. Unfortunately, many developing economies, including India, aim at achieving direct economic growth at the price of improving the quality of life of its citizens. In a research conducted by G.Datt and M.Ravallion² on 'why economic growth benefits poor more in some states than the other, it was observed that low basic education attainments are often identified as an impediment to development. This insinuates that mere increase in quantitative economic parameters like GDP does not ensure overall welfare of the nation. This ideology aligns with Gandhi's perspective on how economic growth must take place.

Gandhian Policies intend to focus more on the economic development of India.

Development of all sectors simultaneously is very important. Joseph Stiglitz,³ is asserting that development should result in an enhancement of the totality of a nation's four-fold capital stocks: the capital of material goods, natural capital, human capital and social capital. Our current pattern of economic development is by no means a balanced process resulting in the overall enhancement of the totality of these stocks.

Welfare Economics:

Gandhian economic thoughts were against the classical and neoclassical schools of thought-human beings as rational against aiming to achieve maximum satisfaction. Having been exposed to international economic ideas and being travelled to different countries like the United Kingdom, South Africa, etc, he evolved new ideas in economics.

While he saw the world moving in the direction of 'multiplication of wants', Gandhian ideas promoted satisfaction of basic human wants for the individuals and society mainly enhancing the maximum social welfare, as opined by Arthur Cecil Pigou. As he himself puts it, "The main motive of economic study is to help social improvement."⁴

His views were towards achieving Pareto optimality of maximum social welfare, a situation where no one can be better off without making someone worse off. Attentiveness to Pareto efficiency led welfare economists to overlook inequalities that were otherwise glaring

² Gaurav Datt and Martin Ravallion(2002), "Is India's Economic Growth leaving the poor behind?", Journal of Economic Perspectives

³ Kalim Siddiqui, David Ricardo's Comparative Advantage and Developing Countries: Myth and Reality, In International Critical Thought, Vol 8, issue 3.

https://pure.hud.ac.uk/ws/portalfiles/portal/14132571/David_Ricardo_s_Comparative_Trade_Theory.pdf

⁴ A.C.Pigou(1929), 'The Economics of Welfare', Macmillan and Co.

because they considered only the society's total welfare, not how it is distributed, and judged actions and policies only according to their consequences for that sum. Economic development should be measured by indicators like health, education, life expectancy, gender equality, income, not only by income. The fourth Nobel laureate of India, Amartya Sen, points out that "economic growth without investment in human development is unsustainable- and unethical."

Trusteeship: The concept of Basic Income:

As per the trusteeship principle of Gandhi, 'when some people have the capacity to work and earn more, their surplus wealth should be accumulated for the welfare of the poor and less privileged'.

According to him, anybody possessing wealth in excess of reasonable requirements is a thief. This concept of co-operative culture was evolved by Gandhi. This method will transform the capitalist order of society into an egalitarian one. Under state-regulated trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction in disregard to the interests of society. This model targets to provide a decent minimum living wage.

Socialist Democrat: A new socialist order of Trusteeship:

Trusteeship transforms the present capitalist order of society into egalitarian one. This gives no quarter to capitalism. Trusteeship does not recognize private ownership right of property. Though Gandhi does not exclude legislation of the ownership, he does not promote any right of private ownership of property. According to him, the owner is the trustee who has to take care of the wealth not only for personal welfare but ethically for the welfare of many. In 1942, when Gandhiji's secretary (Pyarelal) asked how trusteeship could be realized in the present world. He replied "the only democratic way of achieving the ideal of trusteeship today is by cultivating opinion in its favour."

Moreover, Gandhi always vouched for the democratic way of decision making, a view shared by many, including Noel Thompson who says , "In the absence of democracy, planning objectives reflected what the planners or a political elite desired, not what society wanted."⁵

The character of production should be determined by **social need** and **not by personal greed**.

Socialism-Sarvodaya:

⁵ Noel Thompson(1996), 'Political Economy and the Labour Party- The economics of democratic socialism 1884-2005', Routledge

Gandhiji visualized a model of no private property. Sarvodaya is a term meaning '*Universal Uplift*' or '*Progress of All*'. The term was first coined by Mohandas Gandhi in the title of his 1908 translation of John Ruskin's tract on political economy, "*Unto This Last*", and Gandhi came to use the term for the ideal of his own political philosophy

Agriculture will be so planned that all the people will have enough to consume. Industry will be conducted on a cottage basis till all the people in the village are gainfully employed. The needs of the village will be determined by the people of the village themselves, through the Village Council, representative of the whole village.

Unlike Milton Friedman, who clearly asserted that "...capitalism leads to less inequality than alternative systems of organization..⁶" and explicitly promoted capitalistic views, Gandhi was not its proponent. In fact, his famous words "the world has enough for everyone's need, not everyone's greed⁷", suggests quite the same.

Political Economics- Self Rule and Swarajya:

Gandhiji believed in democratic decision making: Self Rule and Swarajya is his notion of political economics. Gandhi focused on three types of freedom, Political freedom: one about the country's national freedom from Britishers, Second the Economic Freedom: the country's freedom from poverty, Individual freedom: Swarajya or self rule democratic.

Gandhi, being a self proclaimed anarchist philosophically, once said, "the ideally nonviolent state would be an ordered anarchy."⁸ Essentially, his ideal version of self rule or swaraj for India did not just signify national freedom, but true self rule constitutes every person ruling themselves and there is no state imposing law upon people.

Development Economics:

Micro Production: His thoughts were always over the small scale industries, man-oriented production, agricultural-based production, handmade and local raw material-oriented production. The advent of profit minded corporations in our nation has done nothing but widen the gap between the rich and the poor, the urban and the rural population Development can take place, but not at the cost of exploitation.

Friedrich Engels, one of the major contributors to socialist economics aside Karl Marx, had aptly remarked, " large manufacturers and merchants enjoy great advantage over their

⁶ Milton Friedman (1962), "Capitalism and Freedom", University of Chicago Press

⁷ M.K.Gandhi (1958), " Collected Works of Mahatma Gandhi", Vero Verlag

⁸ Bidyut Chakrabarty(2006),Social and Political thoughts of Mahatma Gandhi,Routledge

small rivals...The result is that now under normal conditions, large capital and large landed property swallow small capital and small landed property.”⁹

Employment Generation: Gandhi believed that small scale industries will generate more employment. Gandhi wrote in 1934, ‘Mechanization is good when the hands are too few for the work intended to be accomplished. It is an evil when there are more hands than required for the work.

Self Sustainability: Producing products for oneself. He weaved dhoti for himself using Hand *Rattai*. He was against dependency on any foreign country. He called that as Swarajya. His concept of Sarvodaya, Satyagraha and Swaraj were towards the target of self-sustainability. He firmly believed that the sustenance of villages depended solely on their self-reliance. He said, “Every village has to be self-sustained and capable of managing its affairs even to the extent of defending itself against the whole world.”¹⁰

Minimalism: Minimalism was practiced by him in this world of consumerism. Excessive consumerism has resulted in a lot of problems like mechanisation, urbanisation, pollution, global, etc. Gandhi foresaw what consequences materialistic living would create to our ecology and always preached against it. The key takeaway from his practice is that minimalism does not primarily mean lack of pleasure. Voluntarily leading a minimalist lifestyle negates the clutter of many futile possessions which are irrelevant to the main purpose of life.

Decentralisation, Localisation and the power of democracy:

To Gandhi, India lives in villages. In his words, ‘Under my scheme, nothing will be allowed to be produced by villages. He thought that the development of rural civilization on the basis of self-sufficient villages would result in political and economic power. Empowering the Panchayath Raj, rather than being deeply engrossed in the development of smart cities, results in making the country a real superpower. In the words of the father of Economics, Adam Smith, “.....the greatest improvements in the productive powers of labour.....seem to have been the effects of the division of labour..”¹¹

⁹ T.W.Hutchison(1978), Friedrich Engles and Marxist Economic Theory, Journal of Political Economy

¹⁰ M.K.Gandhi(1947), ‘Harijan’, Navajivan Publishing House

¹¹ Adam Smith(1776),The Wealth of Nations,W. Strahan and T. Cadell, London

Gandhi was against centralisation of governance and was against decentralization. Labourers should be used by the nearby villages. If not they will be forced to migrate to other cities. The product of village labourers should have linkage directly to the nearby cities.

Poor Economics:

As named by the Nobel Laureate Abhijith Banerjee, Gandhi's approach is for a Poor Economy. He defines Poor Economics is about 'the very rich economics that emerges from understanding the economic lives of the poor'. Countries like India have forgotten to make their plans for the poor. Decisions of money allotment in the budget do not focus on the majority of the share for the poor population. There should be proportionate allotment in every budget for every class. Allotting 10 percent and more for defence and less than one percent for education and health does not fit into any theory of logic. India, as stated before, is a country with a countless number of poor people in the world. Systematic analysis should be done for proportionately allocating the income generated by the government among all classes. Gandhi speaks about the prioritization of education (*Nai Talim*, which focuses on skill-based education), village industries, agriculture, health prioritization, small scale, . These are for the poor and his economics is about poor economics.

Environmental Economics:

Environmental Economics is one of the most niche branches of economics in today's world, due to the rising concerns for the environment in current times. Man exploits mother Nature, where he was supposed to co-exist with the beings around him. Gandhi was always in support of small scale industries, which are environmentally sustainable. Gandhi was against unrestricted industrialism and materialism' Gandhi spoke on conservation of everything for the future generation.

John Stuart Mill, a classical economist initiated the concept of Environmental economics by saying, 'there not the earth itself, its forests and waters, and all other natural riches, above and below the surface? These are the inheritance of the human race, and there must be regulations for the common enjoyment of it. What rights, and under what conditions, a person shall be allowed to exercise over any portion of this common inheritance cannot be left undecided.'¹²

¹² JS Mill(1848), 'Principles of political economy: Collected works of John Stuart Mill, Vol.2, University of Toronto Press, J.S Mill, 'Political Economy' Gutenberg ebook,

¹³ Arthur Cecil Pigou asserts that ‘for this smoke in large towns inflicts a heavy uncharged loss on the community, in injury to buildings and vegetables, expenses for washing clothes and cleaning rooms, expenses for the provision of extra artificial lights, and in many other ways.’”

J.C. Kumarappa, the great Indian Economist, who is fondly called as ‘Green Gandhi’ developed the environmental ideas of Gandhi as great philosophies of Environmental Economics. Gandhi says, “I need no inspiration other than Nature's. She has never failed me as yet. She mystifies me, bewilders me, sends me to ecstasies’

Agricultural Economics:

“To forget how to dig the earth and tend the soil is to forget ourselves.” This infamous quote from Gandhi, the man himself, highlights how quintessential agriculture is to our agro based nation, its economy and the people in it. Yet we never fail to overlook it in constant pursuit of “economic development”. Gandhi was against fertilizers and was in support of natural manure. J.C Kumarappa who was a follower of Gandhi says, ‘Forest should be managed with the goal of water conservation rather than the revenue maximization’.

Industrial Economics: small scale industry and village industry:

Very big mechanized industries take away the jobs of many people. Again, these mechanized industries create dependency on other countries. Hence, Gandhi wanted to promote small scale industries and village-based industries. In the words of Gandhi, ‘I have no doubt also that true Swadeshi consists of encouraging and reviving these home industries. It also provides an outlet for the creative faculties and resourcefulness of the people. It can also usefully employ hundreds of youths in the country who are in need of employment. It may harness all the energy that at present runs to waste’. He advocated small scale village industries

Marketing of agricultural Products:

Gandhi says that the proper function of cities is to serve as ‘clearing houses’ for village products. The cities should market village products.

Democratic Socialism:

The preamble of the constitution says that the citizens together aim for a Democratic, Social, Economic society. The directive principles say that the livelihood of the people should be

¹³ Arthur Cecil Pigou, ‘*Wealth and Welfare*’ Macmillan

protected and the concentration of wealth should be tackled. The **Trusteeship Principle** of Gandhi says that wealthy people should part with their wealth to help the poor. Gandhi says, ‘Supposing I have come by a fair amount of wealth- either by way of legacy, by means of trade and industry-I must know that all the wealth does not belong to me; what belongs to me is the right to an honourable livelihood by millions of others. The rest of my wealth belongs to the community and must be used for the wealth belonging to the community and must be used for the welfare of the community’.

Policy formation and Legal Expert:

Charles R. Di Salvo, College of Law at West Virginia University in his book says, “Gandhi was a lawyer for 25 years before becoming a pacifist reformer in India. I was astounded because he became a civil disobedient as a practicing lawyer.”. As he grew, he rose to the occasion as a leader. But since he completed his law in the United Kingdom and practiced law in India and in South Africa, he has enormous knowledge of Indian and international laws.

Value-Based Economics: Ethics in Business

Gandhi says, ‘Economics that hurts the moral well being of an individual or a nation is immoral and therefore sinful.- - - Economics is untrue which ignores or disregards moral values’. The distinguished father of economics, Adam Smith, delved into the idea of incorporating ethics and morals into economics. He came to the conclusion that “social morality flows from a balancing of self-interest and natural human sympathy.”¹⁴

He, however did so, to emphasize on the fact that “it is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.” This is where Gandhi’s school of thought differs. He manifested every ounce of morality into his economic thoughts. Thus, his entire concept of economics is purely based on morality.

Demography:

Gandhi was against the method of Population control through contraceptives, while he supported birth control through Brahmacharya or self-control. Reverend Robert Malthus argued that an exponentially growing population will self-correct through war, famine, and disease. Malthus cautioned that in order to avoid catastrophe such as famine and war, people

¹⁴ Adam Smith,(1759),The Theory of Moral Sentiments,printed for Andrew Millar, in the Strand; and Alexander Kincaid and J. Bell, in Edinburgh

should enact deliberate population control, such as birth control and celibacy. Malthus was also against abortion like Gandhiji¹⁵

Labour Economics:

Gandhi always believed in the concept of fair wages to be paid to the labourers, as evidently seen in the well known satyagraha of Ahmedabad, where he fought for the mill workers, who were not being paid adequately to sustain their families. Gandhiji believed in the dignity of labour, especially manual labour. Gandhiji believed in 8 hours of work and 8 hours for sleep and 8 hours for social and cultural pursuits. All jobs are equally respectful. He was against mechanization as it will displace laborers out of employment. 'The problem of poverty will never be solved by an indiscriminate importation of machinery and technical skill... What we need to do is to add to our capacity for labour with our hands and feet, the necessary technical skill, so that we may devise our own machinery suitable to our requirements', he said. Gandhi described machinery as a 'great sin'. It is necessary to realize that machinery is too bad. In *Harijan*, Gandhi wrote, "...if I could produce all my country's wants by means of 30,000 people instead of 30 million, I should not mind it provided that the thirty million are not rendered idle." He considers machinery merely helps a few to ride on the back of millions.

Manual labour and bread labour:

Everyone must work to live. One can do any type of work to earn his bread, which is also called bread labour. One may be engaged in any type of mental work, at the same time he has to engage in some amount of physical work to earn his bread. Gandhiji says, "Labour is far superior to capital. Without labour, gold, silver and copper are a useless burden. It is labour which extracts precious ore from the bowels of the earth. Labour is priceless, not gold. I want a marriage between capital and labour. They can work wonders in cooperation." Through physical labour, a man can be saved from injuring society as well as himself. Except for extraordinary circumstances, adults must do their personal work by themselves. At the same time, they must take the service of children, disabled, the old and the sick.

Labour Intensive Technique

¹⁵ Malthus, 'An Essay on Principles of Population', 1798

Gandhiji agreed that since large scale industries are based on capital intensive techniques, he wanted to avoid that. Because he said that capital intensive techniques of production will create unemployment and poverty. He was always for labour intensive technique. He liked Production by masses than by mass production. Because it will create more employment and prosperity.

Village Industrialisation and Khadi:

Khadi means handspun and handwoven cloth. In 1918, Mahatma Gandhi started his movement for Khadi as a relief programme for the poor masses living in India's villages. In India, Khadi and village industries commission is introduced based on his ideas. But, this commission is not actively functioning. If properly done, all village industries can earn a heavy profit through this KVIC. As per the recent definition, a 'Village Industry' means any industry located in a rural area that produces any goods or renders any service with or without the use of power in which the fixed capital investment per head of an artisan or a worker does not exceed Rs. 1.00 Lakh in plain areas and Rs. 1.50 Lakhs in hilly areas or such other sum as may be by notification in the official gazette, be specified from time to time by the Central Government.

In 1942-43, Gandhiji had sessions with worker groups and village organizers to reorganize the whole programme on a larger scale throughout the nation. R.V.Rao advocates for Gandhi's opinion on the dire need for rural industrialisation and its benefits to the Indian Economy. He says '...village economy must be resuscitated....khadi and village industries symbolised economic freedom and equality.'¹⁶

¹⁶ R.V.Rao(1978), 'Rural Industrialisation in India', Concept Publishing Company