

## **Mahatma Gandhi's Socio-Economic Thoughts on Economic Policy Making**

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### **Abstract**

Gandhiji is rightly credited with pioneering *Satyagraha*, resistance to tyranny through mass civil disobedience and vocalizing a transcendent message that helped the Indian National Congress acquire independence from the British in August 1947. Often forgotten or omitted by standard histories, however, are Gandhiji's idealistic leanings about RamRajya a state where there would be no representative government, no constitution, no army or police force. There would be no capitalism, no communism, no exploitation and no religious violence. Instead, a future Indian nation would be modelled off the India of the past. It would feature an agrarian economy, self-sustaining villages, an absence of civil law and a moral framework that would express the collective will of the people.

This paper aims at focussing on the socio economic thoughts of Mahatma Gandhi and its influence on India's economic policy making and concludes that modern India has travelled far in a direction quite the opposite of the one the Father of the Nation would have advocated.

### **Introduction**

**“Gandhi enunciated his economic position in the language of the people, rather than that of academic economists. And so the economists never noticed that he was, in fact, a very great economist in his own right...” Schumacher (1978).**

Mohan Das Karamchand Gandhi was one of the greatest twentieth century's transformative political and spiritual leaders. Gandhiji was an apt economist and his economic vision is full of a rich understanding of economic dynamics and processes as well as of human and social reality. For Gandhiji, the economy was meaningful to the extent that it opened out the possibility of well-being for all people. That implied a system of production, of distribution

and consumption defined by the essential needs of most deprived people in the society (*antyodaya*-‘the least’) with the aim of supporting the highest values of human life, recognizing human dignity, non-violence and creative labour.

### **Key concepts of Gandhian economy**

Gandhiji doesn’t give any theoretical model regarding economic development but gives some basic tenets.

- ❖ Contrary to the popular perception, voluntary reduction of wants is an indication of development and not the desire to satisfy unlimited wants.
- ❖ Each person is not always bent on “Maximizing” his/her profit but wishes that he/she gets enough to save for a rainy day after meeting the day to day requirement.
- ❖ Co-operation and not competition is a better principle of life.
- ❖ It is inappropriate to look down upon physical labour.
- ❖ There is latent talent in all individuals. Each person must have access to enough resources so that his/her basic livelihood needs can be taken care of.
- ❖ Too much dependence on the “state” is fatal.

### **In this light, one can clarify the key concepts of economy so central to Gandhiji**

- ❖ *Swaraj* is political and economic independence but also the liberation of the human being from all systems and ideologies which would undermine human dignity.
- ❖ *Swadeshi* is economic self-reliance, but the reappropriation of one’s own life and an apprenticeship in taking control of one’s own interior power.
- ❖ *Trusteeship*, predominance given to ethics and the common good.

#### **i. Swaraj**

An important axis of the economic thought of Gandhiji is the simplification of needs or more accurately, the self-limitation of desires. In this way many people think that he is the originator of the idea of a ‘zero-growth’ economy.

In the words of Gandhiji, “To live simply so that others can simply live, it is necessary to bring an end to this mad rush that drives one to always want more money. In what concerns my rule of life, I must say that I have never dared to possess that which I did not need”.

*Swaraj* thus rests upon the satisfaction of needs and not on the abundance created by mass production. “The earth supplies enough to satisfy the needs of each person but not greed of

each person. It is more greed and the hardness of heart rather than a scarcity of resources that have created the problem as much for this generation as for the following ones". Greed comes from the desire for excess, *Swaraj* aims to limit human desires and to satisfy first basic needs.

**ii. Gandhiji's concept of economic self-reliance through Swadeshi**

Gandhiji advocated to produce things in the place where you are and avoid the unnecessary circulation of goods, for that is where waste occurs and then there arise the work of the brokers, the speculators, the national politicians or others who have taken away the products on which the life of the people depends. You will be supporting or re-establishing the old village industries and you will be creating new ones. Gandhiji elaborated on this Village Centric Theory in an article published in 1944. "Independence must begin at the bottom. Thus, every village will be a republic having full powers". It follows, therefore, that every village has to be self-sustained and capable of managing its affairs even to the extent of defending itself against the whole world. It will be trained and prepared to perish in the attempt to defend itself against any onslaught from without.

**Political independence through economic independence.**

As per Mahatma Gandhi, the unique goal of the economy was not economic development as such, but rather the development of the human person, of their interior peace, the elevation of their spirit and their liberation.

**Seven criteria characterize economic independence according to Gandhi:**

- ❖ Elimination of poverty and the minimizing of wealth.
- ❖ Self-sufficiency of each unit in its basic needs.
- ❖ Identification of basic human needs and the means of meeting them.
- ❖ Agriculture that is respectful of the environment as a basis for the creation of a durable economy.
- ❖ Production that is based as far as possible on small groups.
- ❖ Control and elimination of distorted views by basic education and technical formation.
- ❖ Limitations to the concentration of economic power.

**iii. Trusteeship : The guardianship of ethics and spirituality over economics**

The Gandhian idea of trusteeship emerges from his faith in the law of non-possession. It is based on the belief that all things come from God and belong to God. All the resources of the universe therefore are ordained for humanity as a whole and not for particular individuals. When an individual obtains more than their respective share, they become a trustee of that portion, they have control of it for the sake of all of humanity. In essence, Gandhiji proposed this idea as a solution to the financial inequalities of inheritance and income, a sort of non-violent solution to resolve the social and economic conflicts in the world. It is the dignity of the human being, and not their material prosperity, which the centre of Gandhiji's economic thought. The Gandhian economy envisages a redistribution of material wealth as way of guaranteeing human dignity. Private property is not absolute but is subordinated to the common good.

- ❖ An individual cannot retain and used their wealth for egotistic satisfaction, ignoring the interests of society.
- ❖ The differences in income ought to be reasonable, equitable and variable over time—with the tendency toward reducing the discrepancies.
- ❖ Production should be determined by need and not by personal whim.

#### **The connection between ethics and economics:**

“The true economy is never in opposition with the highest ethical principles, in the same way that true ethics, to deserve that name, has to become at the same time a good economics...The true economy defends social justice; it promotes the good of all through an equality that includes the weakest; and it is indispensable for a good life”; “The fact of extending the law of non-violence to the domain of the economy signifies nothing less that taking moral values into consideration when determining the rules of international commerce.”

#### **Gandhian Influences on India's Economic Policymaking**

Having taken a broad review of the important aspects of Gandhian economic thought, we will now try to assess the impact that his philosophy seems to have had on India's planned industrialisation strategy in the post-independence era. In this context, it may be useful to distinguish three distinct phases of the Indian economy, guided by three differing economic philosophies.

##### **Phase 1 (1947-1965)**

The first period is broadly the Nehruvian period (1947-1965), which encompassed the first [www.ijellh.com](http://www.ijellh.com)

three Five Year Plans, and in which the prevailing economic philosophy is usually viewed as a highly centralised system of planning but incorporating some scope for markets.

As is well known, the actual policy which emerged in the two decades post-independence was one based on aggressive Soviet-style modernisation with a heavy-industry tilt. This strategy was adopted largely under the influence of Nehruvian ideology with its emphasis on science and technology. Nehru's economic ideas had always been in sharp conflict with those of Gandhiji. Nehru sought to assuage Gandhiji's reservations about industrialisation by emphasising that many of its alleged evils (such as concentration of economic power and conspicuous consumption of the wealthy) would be kept in check by the principle of democratic socialism, which he (Nehru) proposed as the central guiding political philosophy in Independent India. to provide an ideal compromise solution – a rapid industrialisation programme but one which protected the village handicrafts, especially khadi. This compromise also had an economic rationale – modernisation with its emphasis on capital intensive heavy industry just could not provide the increases in employment needed to absorb the rapidly growing labour force; the role of a reservoir for the unemployed could be played by the village industries. This rationale is succinctly expresses by Mahalanobis, the architect of India's Second Plan.

The small scale sector as a whole was the beneficiary of a number of protective measures over the five decades since Independence – it was insulated from large scale industry competition by import restriction, by the prevailing licensing requirements for capacity expansion of large scale units under the MRTP Act as well as by reservation of certain lines of production (about 1,400 items of production were reserved for exclusive production by the small scale sector). Additionally several subsidies and concessions were granted to small scale industry and as a result this sector not only survived but even managed to flourish, accounting for about 40 percent of total manufacturing output today.

### **Phase 2 (1966-1984)**

The next phase that we distinguish is (1966-1984) which was the period characterised by a highly bureaucratized system of planning (the so-called *License Raj*), with considerable intervention in market forces and an inward looking industrialisation policy. Except for a brief interregnum (1977-80), this period was marked by a highly centralised Congress rule under the charismatic Indira Gandhi. In a predominantly poor country with a large

agricultural base, a strategy of cultivating personal loyalty had to be based on the creation of vote banks among the poor, especially the rural poor and sources of patronage among the industrial elites for the mobilisation of electoral funds. Thus, largely driven by political compulsions, Indira Gandhi nevertheless, adopted the three of Gandhiji's cherished ideals viz. poverty alleviation, redistribution and *Swadeshi*. In all fairness, it must be emphasised that she did make sincere efforts to fulfill these objectives. Among her many initiatives, the following five deserve special mention:

- (i) Nationalisation of banks in 1969, with the objective of improving rural credit delivery and making a dent on rural poverty.
- (ii) The passage of the MRTP (Monopoly & Restrictive Trade Practices) Act in 1969, with the aim of controlling the power of big business.
- (iii) High rates of income taxation with the marginal rates of income tax well above 70 percent for the upper income brackets, and a peak rate of 97.75 percent.
- (iv) A strengthening of the import substitution strategy (initiated in the Nehru era) following the Balance of Payments crisis of 1973-74.
- (v) Special centrally sponsored schemes to alleviate rural poverty such as the *Garibi Hatao Programme* (or Poverty Removal Programme) launched in early 1970s and reinforced in 1975 via the *20 Points Programme*.

### **Phase 3 (1985.....)**

The last phase (1985 onwards) is the period of opening up of the economy, rapid dismantling of controls and a general movement in the direction of markets, the era of Liberalisation, Globalisation and Privatisation. The complete abandonment of Gandhian economic concepts really begins with the onset of structural reforms, which were initiated hesitatingly in the mid-1980s, put on firm track in the early 1990s and moved into high gear after 1997.

To the newly emerging affluent class in India (who have been the major beneficiaries of the reforms process), Gandhian concepts like indigenous /appropriate technology, frugality, [www.ijellh.com](http://www.ijellh.com)

Swadeshi, etc. have an anachronistic and archaic ring to them. Perhaps the clean break with these ideas was inevitable, and judged solely by the accolades piled upon the architects of the process by a dotting domestic and foreign media, the reforms have been a grand success. But it is being increasingly realised that behind the stratospheric growth rates there lies a reality far harsher than our policymakers are prepared to admit.

### **Conclusions**

This discussion clearly indicates that modern India has traveled far in a direction quite the opposite of the one the Father of the Nation would have advocated. The ruling class of Independent India neither had the conviction nor courage to walk fully on the path shown by Gandhiji. In the early years of planning (Phase 1), there were some efforts (by and large, sincere and well-intentioned) to incorporate some Gandhian elements within the policy framework. Later, in Phase 2, realising their potential for mass mobilisation, attempts were made to apply some of the Gandhian ideas, more often than not, with ulterior motives to produce results quite contrary to Gandhiji's original vision. By the 1990s, however, even the lip service to Gandhian values was abandoned. Through a succession of cleverly crafted steps by the various regimes holding power, the nation has now been taken to a stage where it is impossible to retrace our steps and the contemporary Indian milieu is one in which the Mahatma would have felt hopelessly lost.

One may ask, "Is Gandhi relevant, even now?" The answer is, more so, than ever before. He taught us how to reclaim our freedom from the state by giving us the concept of 'Satyagraha'. His economic thought centers on sustainable growth, focus on man against machine and reducing economic inequality. These are answers to the problem of Global Warming and lead us to 'inclusive growth' which has become a buzz word. His approach and concepts are the only solution if the mankind wants to survive. As long as no serious efforts are undertaken to ameliorate poverty, reduce inequality and raise employment, the annual *pilgrimage* by our rulers to Rajghat on 2nd October will remain an elaborate and empty ritual.

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