

## Gandhian Economic Thought and its Relevance to New Economic Policy

Savitha. N<sup>1</sup>

**Abstract:** *Mahatma Gandhi was not conventional economist like Adam Smith, Alfred Marshall, J.M. Keynes, etc., He did not compose voluminous treaties on economic ideology. Gandhi was universally accepted as a great political leader and the Father of the Nation. He was primarily interested in India and its problems and he was aware of the socio-economic consequences of the British rule in India. He made references to the kind of economic system and he advocated certain policies with regard to the development of Indian agriculture, industries, Swadeshi, etc. Gandhi considered economics as a practical science as it suggested measures for maximizing human welfare. He laid great emphasis on human values and condemned the monetary basis of human relations. Gandhi advocated non-violence and hence his economics may be called economics of non-violence. Gandhi became more practical as he gave a constructive programme for village regeneration and put forward the ideal of Sarvodaya. Gandhiji has been critic of modern civilization but he agreed with everything which was not against humanity. He was against the concept of centralized mode of production based on economy of scale utilizing modern industrial technologies in the form of centralized factories and industries as he felt that this would deprive a large number of people of the decentralized method of production.*

### Introduction

Mahatma Gandhi, the embodiment of truth and non-violence is the great thinker of modern times who added many new dimensions to the history of thought. He was not merely a philosopher or thinker rather a man of action who reacted with vigour to every problem-political, social and economic with truthful means. His thought is intensely practical and comprehensive. It is because of his multidimensional thought that the people around the world have remained engaged in exploring, explaining and evaluating the relevance of Gandhian thought for the last five decades. But the more we explore the Gandhism, the more we feel ignorant and thus get involved in knowing about Gandhian thought and its relevance to new economic policy of India.

Mahatma Gandhi was not conventional economist like Adam Smith, Alfred Marshall, J.M. Keynes, etc., He did not compose voluminous treaties on economic ideology. In his seminal essay 'Hind swaraj' and several lectures, articles and editorials in 'Young India' 'Harijan' and 'Indian opinion', He made references to the kind of economic system, he considered as ideal for India. He advocated certain policies with regard to the development of Indian agriculture, industries, Swadeshi, etc.

Gandhi was not a professional economist. Nor had he any desire to write any systematic work on economic analysis he was primarily interested in India and its problems he was aware of the socio-economic consequences of the British rule in India and wanted to remedy the ills caused by the foreign rulers. The English took away the raw materials from India, utilized them in their industries in England and brought the manufactured goods to be

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<sup>1</sup>Assistant Professor, School of Social Sciences and Languages, VIT University, Vellore

**Corresponding Author:** Savitha. N can be contacted at: savithaeco@gmail.com

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sold in Indian markets. In their bid to develop their own industries, the Britishers exploited Indian resources and destroyed Indian cottage industries. This resulted in widespread poverty and unemployment in India. Now Gandhi believed that the western pattern of economic growth will not solve the kind of problems which India faced. Capitalistic method of production not only aggravates the problem of unemployment but also neglects human values. The problem has to be tackled through the development of village and cottage industries. Moreover, religious leader as Gandhi was, he preferred to bring economic changes in a truthful and non-violent manner. In nutshell, Gandhi wanted to rebuild Indian economy on purely Indian pattern. It is in this background that the economic ideas of Gandhi are to be understood. In his economic thought, Gandhi was greatly influenced by Ruskin's unto this last. From this book, he learnt a) that the good of the individual is contained in the good of all, b) that a lawyer's work has the same value as the barber's in as much as all have the same right of earning their livelihood from their work, and c) that a life of labour, i.e., the life of the tiller of the soil and the handicraftsman is the life worth living. Further, Gandhi was also inspired by the ideas of Thoreau, Tolstoy and Kropotkin. Tolstoy's principles of simplicity, asceticism and equalitarianism became a part of Gandhi's philosophy. Besides, Indians scriptures (Gita and Upanishads) and Indian saints (Kabir, Mira, Nanak, etc) also left a deep impression on Gandhi's mind.

### **Economic Philosophy**

Gandhi viewed life as a whole and not in its isolated compartments. According to Indian scriptures there are four aspects of an individual's life: Artha (money), Karma (desire), Dharma (righteousness), and Moksha (liberation). These aspects are interrelated and therefore all of them should be harmoniously developed. Money is required to satisfy certain basic requirements of life and the satisfaction of basic requirements is the pre-condition for all progress. But it is not the end in itself. Man's aim is not to satisfy to multiply worldly desires and engage his whole life in acquiring wealth to satisfy these desires. The goal of life is to control desire and transform it (through righteousness) into liberation. Thus, economics, which deals with only one aspect, i.e., money, should be studied along with psychology, religion, and mysticism, dealing with Karma, Dharma and Moksha respectively. True happiness lies in the all-round development of human personality and in living a full life. Gandhian economic philosophy of life is contained in the following principles. It is on these principles that he wanted to build the ideal socialist society.

- 1. Humanism:** Man in both the means and end of all activity. He is also the measure of performance. All ideas, institutions, and actions are to be judged in terms of whether they help to build a better man.
- 2. Love and Co-operation:** An ideal society should be established on the principles of love and co-operation. In such a society, the love of others and not self-love, co-operation and not egocentric acts predominate. Gandhi wanted that the relation between man and man should be based on truth, love, and co-operation and not on money and matter.
- 3. Non-Violence:** Social change is to be brought about through non-violent methods. Ends and means are inseparable in life and only good means yield good results. An ideal society can be established only by adopting peaceful and non-violent means and not through hatred and war, as Marx believed. In Gandhian economics, the principle of non-violence means the following things: (a) absence of capitalistic exploitation; (b) decentralization of production units; (c)

cheaper defense organization; (d) less inequality of income;(e) self- sufficiency of communities.

4. **Trusteeship:** Economic quality is the economic aim of non-violent social change. The trusteeship doctrine gives a way out to realize such a social change. Peaceful removal of economic inequalities is possible if the rich, after meeting their reasonable needs, hold the surplus wealth in trust for the society. In this way, the rich man is not dispossessed of his surplus wealth, but he is required to use this wealth in the broader interest of the community and not in his personal interest. The doctrine of trusteeship is based on the idea that everything is from God and belongs to God. Therefore, it is for His people as a whole and not for a particular individual. Thus, if an individual possesses more than his proportionate share, he becomes a trustee of that surplus amount for God's people. As to the question of the determination of the successor of the trustee, Gandhi replied that the original trustee is to be allowed to give his choice, but that choice will be finalized by the State. Thus, a check is put on the State as well as on the individual. Gandhi summarizes his doctrine of trusteeship as follows:
  - ❖ Trusteeship provides a means of performing the present capitalist order of society into an egalitarian one; it gives no quarters to capitalism but gives the present owing class chance of reforming itself. It is based on the faith that human nature is never beyond redemption.
  - ❖ It does not recognize any right of private ownership of property except in as much it may be permitted by society for its own welfare.
  - ❖ It does not exclude legislative regulations of the ownership and use of wealth.
  - ❖ Thus under state regulated trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction or in disregard if the interest of society.
  - ❖ Just as it is proposed to fix a decent minimum living wage, even so a limit should be fixed for the maximum income that could be allowed to any person in society. The difference between such minimum and maximum incomes should be reasonable and equitable and variable from time to time so much that the tendency would be towards obliteration of the difference.
  - ❖ Under the Gandhian economic order the character of production will be determined by social necessity and not by personal whim or greed.
5. **Social Justice:** Society is divided between the rich and the poor, between the strong and weak, between the privileged and unprivileged, and between the elites and the masses. The principle of social justice requires that the former must help the latter on fulfilling their basic requirements. The ideal functioning of the society must aim at providing social justice and reducing inequalities.
6. **'Sattvic' Materialism:** Gandhi had faith in 'sattvic' materialism or materialism without passion. Material progress must be subservient to moral growth. The ultimate aim of man is not to accumulate wealth and enjoy luxuries of life, but to attain higher values of life and lead a simple and full life. Simple living and high thinking should be the motto of life.
7. **Harmony:** The ideal economic condition according to Gandhi is self-sufficiency of the economy. For this, the following harmonies should be maintained. (a) The requirements of the people must be in harmony with the resources of the economy. (b) production technology should be such as to suit the country's requirements.

### **Three Phases of Gandhi's Economic Thought**

The economic ideas of Gandhiji developed in three phases: a) the negative phase upto 1919 during which he criticized the western pattern of economic development and adopted a non-materialistic attitude which is embodied in his book *Hind Swaraj* (1909). b) the positive phase (1919-1934): During this phase, he presented an alternative to the western civilization in the ideal of *Swadeshi*. c) the constructive phase (1934-1948): In this phase, Gandhi became more practical. He gave a constructive programme for village regeneration and put forward the ideal of *Sarvodaya*.

### **Economic Ideas of Gandhi**

Gandhi considered human beings as wealth and not gold and silver. He said, "The final consummation of all wealth is in producing as many as possible, full-breadth, bright-eyed and happy-hearted human beings." He considered a country to be richest if it nourished the greatest number of happy individuals. Thus in Gandhian economic thought, man occupied a prominent position than wealth.

Gandhi did not isolate economics from other sciences, particularly from ethics. Economics should aim at material and moral progress of the society. It must help in producing and increasing wealth and also promote social justice and moral progress, "An economics that inculcates mammon-worship and enables the strong to amass wealth at the expense of the weak is a false and dismal science". Gandhi considered economics as a practical science as it suggested measures for maximizing human welfare. He laid great emphasis on human values and condemned the monetary basis of human relations.

### **Economic Laws**

According to Gandhi, economic laws which aim at material progress as well as social harmony and moral advancement, should be formulated according to the laws of nature. There is no conflict between the laws of nature and laws of economics. The laws of nature are universal. The laws of economics, which deals with practical problems are not universal. The economic laws of a country are determined by the climatic, geological and temperamental conditions of that country. Hence they vary with the conditions of the nations.

### **Non-Violent Economy**

Gandhi advocated non-violence and hence his economics may be called economics of non-violence. The principle of non-violence is the principle of Gandhian philosophy. As there was no industry and no activity without certain violence, he wanted to minimize it. He believed that violence in any form breeds greater violence. He defined a non-violent occupation as one "which is fundamentally free from violence and which involves no exploitation or envy of others". The solution to Indian basic problems lies in the practice of non-violence. Gandhiji opposed capitalism as it resulted in exploitation of human labour. He believed that nature produced enough for the satisfaction of the people's wants and there would be no pauperism and starvation if everybody took only that much that was sufficient to him.

### **Estimate**

Gandhi was not an economist in the professional sense. His economic ideas lack systematization and lay scattered here and there in his writings. He attempted no economic analysis and presented no theoretical system. In fact, Gandhi never received any training in economics, nor he

studied the writings of the western economists. He only studied Marx and that too late in his life during his detention period in 1942. His reaction was that if he were to write *Capital*, he would have written it in a simple and less sophisticated way. Thus, in such conditions, no work on economics containing technical knowledge on the subject and having analytical value was expected from Gandhi. Whatever he wrote or spoke on economics was the natural outburst of his ethico-philosophical thought and was not adopted from any book.

Gandhi had no intention to write on theoretical economics. He was a practical idealist and was immediately interested in solving the problems of poverty and inequality in his country. The solution he suggested called for a socio-economic revolution through non-violent means. To achieve the objective, the country must act according to sarvodaya principles. Now, as for as Gandhian economic philosophy as contained in the sarvodaya ideal is concerned, there is nothing wrong in it. But the question is: is the solution practical? To expect that the rich would shed their acquisitive tendencies and would help their poor brethren to ameliorate their conditions is to live in fantasy. Commenting upon the contemporary situation of India, Brahmanand Prasad wrote: 'imaging the plight of the poor in a situation where in spite of the acceptance of sarvodaya principles, the rich are unable to free themselves from the greed and lust for wealth and production does not expand appreciably due to obsolete methods of production. It would be a disastrous situation.' Universalizing the idea of non-violence, the hope that all the countries would undergo a change of heart and would follow the path of non-violence is mere wishful thinking.

Despite the generally inoperative nature of Gandhian philosophy, Gandhi must be credited for emphasizing the role of small scale industries and agriculture in the economic development of an economy. Almost all the economists recognise the importance small scale industries and the need for their decentralization in an overpopulated and rural based underdeveloped country. Gandhi also correctly realized that in such an economy, reorganization and revitalization of agriculture is a pre-condition to economic development.

### **Man the Supreme Consideration**

The center of his economic thought is man and not the material prosperity or scarcity. He aimed at the development, upliftment and enrichment of human life, rather than a higher standard of living with scant respect for human and social values. He wanted to elevate modern economic philosophy from its materialistic base to a higher moral plan where human actions were motivated by social objective rather than individualistic and self-consideration. But it doesn't mean that he did not give any importance to the economic conditions of man. He was of the confirmed view that economic development must precede other development.

Almost all the countries of the world, both developed and developing, have been pursuing policies of liberalization, privatization and Globalization (LPG) since the second-half of the 1980's and India is no exception. In the wake of unprecedented economic crisis in 1991, the government of India pursued the policy of dismantling all restrictions and regulations in the industrial and foreign trade sectors. The economy is opened up for competition for outside players. Globalization is considered as an important element of India's reform package.

As a part of the economic reforms, the government of India has taken several important measures including delicensing of majority of the industries, replacing the MRTP act, liberalization of foreign trade, partial conversion of rupee, simplification of foreign trade, partial conversion of rupee, simplification of foreign investment rules and rationalization of direct and indirect tax structure. The liberalization process has accelerated to some extent the growth of the

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economy. The negative performance could be converted into positive growth. GDP at constant factor cost has improved from 1.3 per cents in 1991-92 to 6 per cent in 2001-02. In 2006-07 the Indian economy grew at 9.4 per cent. The only time the economy has grown faster was in 1988-89, when the growth rate touched 10.5 per cent.

In contrast, the growth in 2006-07 comes on top of a 9 per cent growth in preceding year (2005-06), 7.5 per cent in 2004-05 and 8.5 per cent in 2003-04. The industrial and agricultural production have also recorded impressive growth rates. The high growth rate during 1990s is quite encouraging compared to GDP growth of about 3.5 per cent in 1960s and 1970s. The decade of 1980s also recorded higher growth. Which however became unsustainable for the reasons well known in Indian economic literature. The 1990s growth thus marks a structural break, when India conclusively comes out of the clutches of low level equilibrium trap. Much of the growth in 1990s is attributed to economic reforms-policies of economic liberalization and globalization.

If one seriously looks at the performance of the economy after liberalization keeping in view the Gandhian economic thought, one would identify serious deficiencies. Despite the higher growth rate, the effect of the growth could not reach to the poor. For growth to be inclusive, it must, minimally, “trickle down” to the poor. In spite of high economic growth during post-reforms period, the impact of new economic policies on the reduction of poverty and unemployment does not seem to be encouraging. India with the population of more than one billion still has large number of absolute poverty and unemployment.

The very cause of poverty in India is over population and unemployment which have not been solved by the government even today after sixteen years of new economic reforms. India in now a country with one billion population grown by 2.15 per cent p.a. The corresponding GNP is growing by more than 9 per cent p.a., but the corresponding economic growth did not absorb the unemployed people. Despite economic reforms, employment in organized and unorganized sectors has rapidly declined during 1994-2000, it was 2.04 per cent in pre reform period and in post reform period it was rapidly declined by 0.98 per cent due to cut in revenue expenditure in rural development. Reduction in public investments in infrastructure also adversely affected the non-agricultural employment in rural areas. Financial reforms reduced the credit for self-employment and productive investment in rural areas which affected agriculture and non-agriculture.

In a country with as much poverty and unemployment, it is evident that employment should be the primary objective of economic development. Gandhiji faced this issue squarely “we should be ashamed of resting or having a square meal so long as there is one able bodied man or woman without work or food”. He wrote as long as 1921, when the total population of United India was less than number of Indians below the poverty line to day.

### **Gandhi's View on Technology**

The liberal policy of foreign direct investment (FDI) was also one of the important measures of new economic reforms. During the 1980s and 1990s foreign direct investment was a key factor in shaping the world economy. FDI has now come to be widely recognized as major contributor to growth and development. India has sought to increase inflows of foreign direct investment with a much liberal policy since 1991 after four decades of cautions, if not always restrictive, attitude to it. The year 1991 saw a paradigm shift in Indian economic planning.

Foreign direct investment has now becomes very important source of transfer of technology from foreign nations to developing countries. India has given red-carpet welcome to

foreign technologies since 1991. Nehru was convinced that rapid development of Indian economy can be made only through big machinery and industrialization. Contrary to that Gandhiji had a different view. He was opposed to mass production by big machines, rather he advocated a system where production is handled by masses. "We have no need for big mills and heavy machinery. If one machine does the work of a hundred men then where are we to employ those hundred men? In a country with such a huge population proliferation of mechanized industries will surely lead to large scale unemployment".

Gandhiji's view on industrialization and choice of technique reflects the supreme concern for men. Gandhiji had written that "there is no room for machines that would displace human labour and that would concentrate power in the few hands. Labour has its unique place in a cultured human family. He was not against machinery as such, but he was certainly against all machinery designed for the exploitation of people. It is wrong to believe that Gandhiji was against technology. He had no abjection to the use of mechanized power to increase production and diminish the drudgery of workers. The only condition was that such mechanical power must be available to every villager who wanted to use it. But he did not want science and machinery to produce goods and starve men.

### **Influence of Gandhian Economics**

The influence of Gandhian economic ideas on Indian thinkers has not been very fundamental. Gandhi was universally accepted as a great political leader and the Father of the Nation. But many of his immediate followers did not see eye to eye with his economic views. Probably, the only organized attempt to put Gandhian ideas into practice is due to the various organizations started by Gandhi himself, the All India Charkha Sangh, the Go-Seva Sangh, the All-India Spinners Association and the All-India Village Industries Association. Recently Vinoba Bhave and many Socialist leaders, like Jai Prakash Narain, have taken active interest in the Bhoodan Yajna Movement, which aims at the redistribution of land on Gandhian lines.

The influence of Gandhi's economic ideas on Government policy has been very little. The planning commission has talked about moral values, non-violence and decentralization as desirable characteristics of a national economic policy of India, but the Five Year Plan in itself is hardly Gandhian in outlook. In fact, staunch Gandhites, like Kumarappa and Sunderlal, were sharply critical of the Government policy of reconstructing villages with foreign aid, as was being done under the Community Development Programmes. Recent attempts by the Government to revitalize handloom and Khaddar industry are not in the nature of the application of Gandhian theory to economic policy. They are obviously directed by the political necessity of fighting unemployment which looms large on the Indian horizon.

### **Conclusion**

Gandhiji was not only a leader who guided the country to independence through a non-violent struggle, but was a person with a deep insight into the social as well as the economic aspects of life. The Gandhian formulation with regard to the economic system will not be dragging us backward rather it will carry us to progress. Gandhiji has been critic of modern civilization but he agreed with everything which was not against humanity. He was against the concept of centralized mode of production based on economy of scale utilizing modern industrial technologies in the form of centralized factories and industries as he felt that this would deprive a large number of people of the decentralized method of production.

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### Authors' Note

This manuscript is the authors' original work, has not been published and is not under consideration for publication elsewhere.

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