

## **The Economist Ambedkar: A Short Glance at his Economic Thoughts**

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### **Abstract**

BR Ambedkar is, probably, the first social scientist to theorize and deconstruct the idea of caste. His contributions as an economist was ahead of time as evident in the four themes he wrote in economics: provincial finance, problems associated with gold standard, taxation and economic viability of small holdings in Indian context. Ambedkar left professional economics during mid-way in his career which was a big blow to Indian economics, his social economics lie deep. His economic ideas have got the reflection in official Indian economics by way of Directive Principles of State Policy, federal finance etc. His economic arguments might have got overshadowed by his phenomenal contributions in spheres such as law, religion, sociology, and politics. More research is needed to retrieve the archives of his writings and speeches to fully appreciate his arguments and analyses in economics.

**Key words:** Ambedkar, caste, economics, linkages

**Indian** social and economic landscape is at a critical juncture as more than 360 million populations living below subsistence (1 USD a day) which is more than the absolute number of population living in India during 1951 where exclusion is a norm for a sizeable segment. It is becoming increasingly evident that convergence of incomes was just a hypothesis (Kuznets 1955) and rising inequality of incomes and wealth is the reality (Piketty 2014). Recent public policy documents at the national and international level affirm their commitment to “inclusive growth”, though what it means is still unclear. Access to information, satisfaction of minimum needs, access to public goods, gainful employment, and other common property resources etc are so vital in the process. Indian economy needs a separate treatment as the life and death of individuals is determined substantially by a social segregation called caste. This is so important because class status of an individual is often determined by the caste status. The argument that capitalism is

class neutral is negated by the parsimony capitalism where caste still more or less determines the current and future material wealth in the country. Despite the Constitutional protection and legislative measures adopted to stop discrimination based on caste identity, the exclusionary nature of social relations continue unabated as is visible from the widespread attacks on dalits (both as physical violence and mental torture) continue to increase as per the records of the governments in the country.

Discussing the economics of Ambedkar in Indian context forms the central motivation of the article. The first part discusses about the relationship between caste and economy, and the second part discusses about the role of caste and labour dynamics, the third part is devoted for analysing the linkages with caste and poverty and final section is a summary of parsimony capitalism in India.

### **Caste and Economy**

Analysis of economic ideas of Ambedkar divorced from social realities in existence during his time is futile. Caste continues to be a dominant feature of the social infrastructure of the economy (Panini 1996). Even in this 21<sup>st</sup> century, prevalence of caste based occupational segregation need not arouse any special curiosity and is being practiced as a norm. For example, majority of the rituals are handled by Brahmin individuals and ritually polluting occupations (removal of carcass, scavenging, laundry, haircuts etc) are handled by outcastes/dalits. There is tension all around in different parts of the country where low castes who have declined to remove carcass of animals (*The Hindu* 27<sup>th</sup> September 2016). Any substantial political economy analysis in India can hardly be conducted ignoring the caste stratification of the population. The use and utilization of factors of production and consequent economic returns in the economy are still influenced, among others, by the social stratification called castes. Caste is broadly understood as an institution of ranked, hereditary and endogamous occupational groups (Ganguly 2002). The three basic characteristics of caste (called jati) are exclusion of separation (rules governing marriage and contact, which maintain distinctions of caste), hierarchy (the principle of order and rank according to status) and interdependence (the division of labour which is closely tied to hierarchy and separation) [Dube 1996].

Ambedkar found that spread of knowledge was the monopoly of Brahmins; capital and land were in the hands of Zamindars, Patils, Malguzars, Vatandars, Deshmukhs, and Inamdars and all the untouchables were landless labourers, sweepers and scavengers. The

latter were in perpetual slavery, deep ignorance, poor self-esteem and absolute poverty. As indicated elsewhere, Ambedkar has theorized caste in a substantial way. However, his economics is more visible when the latent economics and unlocked sociology is decomposed. Since caste is the most important identity in most parts of India even in contemporary times, his idea of identity based politics is actually a significant foresight. To Ambedkar, caste system is opposed to the principles of natural law and the spirit of human development. Market as an institution is impulsive because individuals have a tendency to exchange what they are in possession of for a price. The problems associated with determination of the market price and the value creation is a question that could be dealt with separately. Participation in market is free of barriers but norms associated with caste act as a muscular obstacle, as choice of occupation is still being, at least in rural India, determined by caste related variables. He forcefully argued that the *Chaturvarna* system was created deliberately to deprive the *Shudras* of their social, economic, educational and cultural rights. Thus, it is no wonder that the economically weakest in the country have been socially excluded through caste system. Ambedkar was a fierce critic of the entire scheme of Manu's social organization and he burned it as a symbolic attack on the Brahminical right. Ambedkar's symbolic assault on Hindu scriptures illustrated his general sense that caste had become an integral component of the Hindu religion. His first systematic critique of caste had been made in a paper he presented while a graduate student at Columbia, in an anthropology seminar in May 1916. He argued that caste was first and foremost the imposition of the principle of endogamy, a social system of exclusion that began with Brahmans and was imitated by other groups both because of the prestige accorded by Hinduism to Brahmans and because of the social logic of exclusion. "Some closed the door: others found it closed against them". Even if Brahmans did not impose caste as a system by strict force, they nevertheless invented caste to suit their interests.

Later on, theorizations in professional economics brought identities as a significant factor determining economic outcomes and they include George Akerlof, Gunnar Myrdal, Amartya Sen, Thomas Piketty etc. Akerlof, a Nobel winning economist, was probably the first mainstream economist to have specifically roped in caste as a socio-economic variable, which has negatively affected the efficiency of the Indian economy (Akerlof 1976). A caste based economy cannot work as prescribed in the standard economics text book where market rationalities are bound to fail as many of the assumptions of the

standard Arrow- Debreu competitive model are in vacuum. In defiance of the basic arguments of the model, information is neither complete nor costless. In the Indian context, caste is a major factor limiting access to information and utilization of goods and services based on such information. As is generally known, when caste acts as the central determinant of the choice of occupation, the economic returns to actors of production are different as well the benefactors of economic development. The quality of information is discriminatory across castes, in other words. There are a fair number of cases where opportunities have been expanded for those deviants of the caste code. With better economic returns, the deviants of caste code had enhancement in their social status and consequent erosion of caste taboos.

In India, however, economic system has been designed in such a way that, breaking from caste rules put the economic returns of the labourer (market participant) in limbo. In many instances, if a Brahmin or a member of certain castes would be considered outcaste, if they have economic exchanges, even if for a price, with an outer caste individual. It is an everyday practice that in matters of selling of homes or renting out houses for people of different castes, the same caste person is preferred, for fear of wrath from the same community. Besides, if a Brahmin hires a cook from a low-caste, the household is likely to be ostracized. Alternatively, if the cook loses his/her job due to caste based reason; re-employment chances are difficult in less mobile areas, say Indian villages. In marriages, a person who marries from outside caste tends to lose the inherited income of his/her forefathers, besides facing untold non-economic miseries which are atrocious by normal yardsticks of any social animals. In most situations, caste system based economic equilibrium<sup>1</sup> is as spontaneous as the laws of the market as the stakeholders themselves constitute the recipient and advocate of the system.

The most powerful economic axiom of Ambedkar is seen in his classic-craft *Annihilation of Caste* as the arguments are exceedingly powerful and deeply logical. When there are structural barriers, it prevents free mobility of labourers among different occupations. Adam Smith was raised to reverend status as he found that all economic progress is due to

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<sup>1</sup> Defined by Akerlof as a state of economy in which caste customs are obeyed, yet no single individual, by behaving differently, can make himself/herself better off.

division of labour (Adam Smith 1776). Caste system is also considered a synonym for division of labour in Indian context because of occupational specialization wherein the caste determines the occupation for the individual. However, Ambedkar saw serious danger in this otherwise innocent economic strategy when he declared that “division of labour not only means division of labour, it also means division of labourers”. This effectively blocks any possibility of creation of a generic platform for the labourers to unite, and prevent them putting up a collective bargain for their rights. When, the country has almost 94 percent of the labour force in informal sector, the situation is actually very damaging for the labour class. This also means the income distribution of the economy is very much skewed against the manual working class. The backwardness of an individual in the Indian society has a multiple dimensions in which, in large number of cases, caste determines economic class and gender determining economics class and access to power. In other words, class is determinant as well as outcome of caste, though such a relationship may not prevail for gender.

Economic equality, to Ambedkar, has to come through social transformation and through a democratic process and he has viewed that democracy is the better form of governance and a progressive constitution can act as a tool of change. To Ambedkar, caste system is opposed to the principles of natural law and the spirit of human development. Market as an economic institution is impulsive because individuals have a tendency to exchange what they are in possession of for a price. Participation in market is free of barriers but norms associated with caste act as a muscular obstacle, as choice of occupations is still being, at least in rural India, is determined by caste related variables. While free market competition assumes free movement of labourers from occupation to occupation based on returns to factors of production, caste ensures that such a free mobility is not ensured. Caste forces prevent not only occupational mobility but geographical mobility as well, thereby; the low income groups fail to extract the returns from their mobility. It affects their productivity and thus well-being.

Ambedkar forcefully argued that the *Chaturvarna* system was created deliberately to deprive the *Shudras* of their social, economic, educational and cultural rights. Ambedkar was a fierce critic of the entire scheme of Manu's social organization and he burned it as a

symbolic attack on the Brahminical right. Those who fail to follow, or even to enforce the caste customs do not gain the profits of the successful arbitrageur but instead suffer the stigma of the outcaste. If the punishment of becoming an outcaste is predicted to be sufficiently severe, the system of caste is held in equilibrium irrespective of individual tastes, by economic incentives; the predictions of the caste system become a self-fulfilling prophecy. For, the high caste groups, who are normally more literate and better exposed to modern technologies, are able to generate higher material wealth and opportunities. Caste prevents different categories of labourers coming together and there is clear segregation in job market, though, it may not seem deliberate. For example, all upper caste holds high ranking positions in India, whether in public sector or private sector, while all low caste are relegated to the occupation of hard labour. So one cannot simply brush away that this is due to the intellectual backwardness of the low caste population or lack of hard work by them. The so-called 'intellectual backwardness' is the product of many historical forces which kept them where they are. Indian labour force is one of the least organized labour in the world, a reason for them leading a subsistence life compared to their counterparts in many other similarly placed countries. The power of labour is highly disintegrated and as such the otherwise homogenous force is truncated. This is a highly fertile ground for the capitalist forces to exploit labour. This is one of the strongest reasons why caste never withers away with the expansion of capitalism in India.

Unionized labour has homogeneity in the rules governing them and could fight for it, in case of infringement. Ideally, since almost every household has a labourer in it, it is logical that they are the ones who need to be most protected one from income and consumption shocks. As such, their bargaining strength needs to be enhanced and informalisation of the labour market is to be treated as a hole in the power of labourers. Since caste system is very much a feudal process, the power relations are strongly in favour of the landowner and not the wage labourer. After Independence, due to the absence of any serious radical measure to break the feudalistic pattern, there was a rather smooth transition happened to capitalist mode of agricultural production. The state was silent to the change or even a facilitator of the changeover. Now, what we experience is a not a self-generated entrepreneurial capitalism in the country, but a patriarchy based capitalism. This is so evident from the fact that almost all the leading names in Indian industry are from the propertied class and they have a strong high caste background. And as such, Indian



capitalism does not possess the otherwise ethical merits of the hybrid capitalist structure elsewhere and we have thus a dangerous mix of both feudalism and capitalism which tended to keep the Indian labour in the current state. Adding to the inherited wealth, patrimonial capitalism where substantial addition to the stock of capital for corporate sector is due to the nexus between political class, bureaucracy and business class. Given the caste character of the three segment, it is quite expected that the richest keep on accumulating at the cost of the poor by way of bail-outs, free land, tax concession, and the like.

While the health rights of unorganized labour are hardly protected either by income or by non-income support, the organized labour is insulated somewhat from making catastrophic health care payments. This is done by means of medical reimbursements, social health insurance programmes like the Central Government Health Guarantee Scheme (CGHS), Employee State Insurance Scheme (ESIS), Railway Medical Services, group insurance schemes and the like. However, this is confined to less than 7 percent of the organized labourers. Added to this is a segment of the population in the private sector and the wealthier class who anyway are protected by their higher income and wealth bracket. It still remains a distant right for the 90 percent of the Indian labourers to assert their rights. In order for them to stay united, a common platform needs to be generated. That is why Ambedkar argues that social reorganization has to precede the political organization of people. While choice of occupational pattern is practically determined in a feudal society by birth and not by exercise of choice and it affects the mobility of the people concerned.

The choice of occupation is not only determined by caste or class, gender is also an equally significant factor. However, the status of gender in India is heavily influenced by a highly masculine force called caste. Caste influences gender relations because caste is a highly masculine construct where women are deliberately kept at bay in the decision-making process. Gender notions in India are a product of feudalism. Feudalism has a closer connection with land ownership and in India, the most landed class are the high castes. If we are to break the nexus between class and caste, gender relations are an important component as well. Since the topic of discussion is much more focused, a discussion on such issues is not attempted, though quite relevant.

Finally, to sum up, it is also possible that lot more detailed reading of his texts lying under researched. Though the government of Maharashtra in a multi-volumed complete edition,

consolidated much of his writings, in *Dr. Babasaheb Ambedkar: Writings and Speeches*, but adequate attention to proper editing and scholarly annotating has not been tendered (Ambirajan 1999). It is heartening to note that there is a renewed vigour in the academic circles to study the economics and politics of Ambedkar more seriously in recent times which can actually bring more tangible returns to the excluded population in the country.

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