

# Gandhian Economics- Beyond Money to Ethics

## Abstract

2019 marks the 150<sup>th</sup> birth anniversary of Mahatma Gandhi. As a political philosopher, he has inspired scores of individuals, but the same can be extrapolated to the field of Economics. Through this article, we try to construct and deconstruct the basic tenets of Gandhian Economics, and why it is important in the 21<sup>st</sup> Century.

**Keywords:** Gandhian Philosophy, Satya, Ahimsa, Violence, Dalit, Swaraj.

## Introduction

The significance of Mahatma Gandhi as a political and social leader can hardly be underestimated. 2019 marked the 150<sup>th</sup> birth anniversary of the Mahatma, which was celebrated in multiple ways not just by the Government of India, but also abroad. Truly, the quote by Albert Einstein "Generations that come, it may well be, will scarce believe that such a man as this one ever in flesh and blood walked upon this Earth" holds significance till today.

When it comes to the economy, it can be safely concluded that Gandhi never wrote a treatise on Economics nor read a lot in its subject matter. However, his followers, in particular JC Kumarappa coined the word 'Gandhian Economics' by extrapolating his ideas into the realm of economics.

It is important to understand that these ideals are derivations of core Gandhian philosophies, Satya (Truth) and Ahimsa (Non-violence). His early life and views were radically shaped during the first wave of globalization (1840-1929) characterized by the rise of steamships, telegraph and railroads. It was also the time of growing disparities, two bloody World Wars, Colonialism, Rise of Socialism, Famines, etc. While studying law in London, he encountered the works of radical European and American philosophers such as Leo Tolstoy, Henry David Thoreau, Ralph Waldo Emerson, and John Ruskin—transcendentalists who advocated intuition over logic. It is in this light that we first analyse the school of thought, after which we would investigate its significance for the 21<sup>st</sup> Century.

## Aim of the study

To study the relevance of Gandhian Economics in contemporary times.

## Gandhi: Shaping of the Ideology

In his book, Gandhi before India (2013)<sup>1</sup>, Ramachandra Guha takes the reader into the experiences of MK Gandhi in South Africa which ultimately led to articulation of ideas that would challenge the British Empire. What is worth appreciating is how he mobilized a cross-class and inter-religious coalition, pledged to non-violence in their battle against a racist Government<sup>2</sup>.

Coming to India and determined for its independence, Gandhi clubbed the political freedom with larger social issues like extreme poverty, backwardness and caste discrimination. An independent India, in his opinion, should not be merely a transfer of power from British but should lead to inclusive development and an emancipation of the masses. In this regard, he favoured social mobility for the lower caste/Dalits (who he referred to as Harijans) and equality of opportunity for the minorities. This was the true definition of Swaraj (Self-Rule)<sup>3</sup>.

Gandhi despised mass-production and rather favoured production by the masses. Concomitantly, he was not much in favour of Western-style Industrialization which accentuated inequalities and failed to create decent livelihoods for all. In this regard, Khadi, which was both homespun and domestically made, became not just a symbol against the British colonial government (textiles were a major import from Britain), and by extension, to



**Kalpalata Dimri**

Associate Professor,  
Dept. of Economics,  
Vasant Kanya Mahavidyalaya,  
Varanasi, Uttar Pradesh

Swaraj, it was also an introduction to his focus on rural production and small-scale industries.

Contrary to many Indian socialists and communists of the time, Gandhi was averse to all notions of class warfare and concepts of class-based revolution, which he saw as causes of social violence and disharmony. Gandhi's concept of egalitarianism was centred on the preservation of human dignity rather than material development. Some of Gandhi's closest supporters and admirers included industrialists such as Ghanshyamdas Birla, Ambalal Sarabhai, Jammalal Bajaj and J. R. D. Tata, who adopted several of Gandhi's progressive ideas in managing labour relations while also personally participating in Gandhi's ashrams and socio-political work<sup>4</sup>.

#### **Tenets of Gandhian Economics<sup>5</sup>:**

Gandhian economics does not draw a distinction between economics and ethics. Economics that hurts the moral well-being of an individual or a nation is immoral, and therefore sinful. The value of an industry should be gauged less by the dividends it pays to shareholders than by its effect on the bodies, souls, and spirits of the people employed in it. In essence, supreme consideration is to be given to person rather than to money.

The first basic principle of Gandhi's economic thought is a special emphasis on 'plain living' which means reducing wants and being self-reliant (He once famously remarked, the world has enough for everyone's needs, but not everyone's greed). A distinction is to be made between 'Standard of Living' and 'Standard of Life', where the former merely states the material and physical standard of food, cloth and housing. A higher standard of life, on the other hand could be attained only if, along with material advancement, there was a serious attempt to imbibe cultural and spiritual values and qualities.

The second principle of Gandhian economic thought is small scale and locally oriented production, using local resources and meeting local needs, so that employment opportunities are made available everywhere, promoting the ideal of Sarvodaya – the welfare of all. By using local resources, it also ensures that goods are produced with minimal wastage, and does not pollute the environment. Moreover, Small Scale Industries can benefit the community, and can be set up by anyone with low capital, as opposed to big industries which require huge investments and concentration of wealth. Even the technology, in his opinion should be labour-using rather than labour-saving. Gandhi also emphasised dignity of labour, and criticised the society's contemptuous attitude to manual labour (which actually, emanated from the caste system)-he himself set an example by cleaning toilets in his ashram and encouraged others to follow suit.

The third principle of Gandhian economic thought, known as trusteeship principle, is that while an individual or group of individuals is free not only to make a decent living through an economic enterprise but also to accumulate, their surplus wealth above what is necessary to meet basic needs and investment, should be held as a trust for the welfare of

all, particularly of the poorest and most deprived (i.e. inclusive development).

The three principles mentioned above, when followed, are expected to minimise economic and social inequality, and achieve Sarvodaya.

#### **India's Economic Development post-Independence**

Not surprisingly, Gandhi's economic ideas did not receive much support even from the likes to Jawaharlal Nehru (a student of Fabian Socialism), who was otherwise his loyal follower. Gandhi disliked Socialism in the sense that it demanded the use of force by the State. Others, such as Vallabhbhai Patel, C. Rajagopalachari and Rajendra Prasad were also less taken in by socialist ideals prevalent then, but they did not have the wrapping of modernity nor the ability to counter Nehru. Eventually, after the assassination of Gandhi, it was the Nehruvian brand of 'State led Industrialization', implemented through the (now abolished) Five Year Plans became the chosen one.

While Socialism was flavour of the day in the first half of the 20<sup>th</sup> Century, in its early days in India, it was also seen as a way to achieve modernity and break from its colonial past. Thus, be it large industries, planning, reservations or Non-Aligned Movement (NAM), they were all part of the strategy to achieve development for all. While Gandhi believed in a society where the individual was so responsible that there was little need for a strong state, Nehru was imagining another where the state would create a fair and prosperous world for all. While Gandhi wrote about self-realized individual responsibility when he held forth on redistribution through trusteeship, Nehru created a mechanism forcing the individuals and businesses to conform to a state determined planning process<sup>6</sup>. And, while Gandhi favoured decentralization and villages to become the basic unit (according to him, India lived in villages), Nehru created a top-heavy structure, which later became riddled with corruption.

The scenario changed drastically after the 1991 Economic Reforms. We liberalized, privatized and globalised a rigid state led socialistic model of economy. Technology now has the capacity to solve almost any problem, but it is unfortunately deployed to increase profits (even if it means to displace labour) rather than to promote welfare<sup>7</sup>. Rural economy has been completely neglected and people are forced to migrate to the cities for work, leading to excess burden on urban assets. Excessive competition has disturbed the peace of mind of people, who have to constantly scurry to ensure that they remain relevant to the system. Most importantly, there has been an almost absolute alienation of the man from nature-neglect of the environment has reached a point that most of us are oblivious to catastrophes like air pollution, recurring floods, devastation of forests and climate change.

It is in this sense that Gandhi's views remain most relevant. His philosophy evolved in dialogue with the community. Imagine a Gandhian perspective on today's companies. He would perhaps ask proponents of self-driving cars to consider the impact on the lives

of hundreds of thousands of cab drivers around the world. He would ask e-commerce to consider the impact on local communities and climate change. He would ask shareholders whether closing factories to maximise their dividends was worth making communities unsustainable. And, he would persuade companies to produce in a way that there is minimal wastage.

#### **Conclusion**

Yes, Gandhian economics is slightly difficult to implement in the real world-in fact, it may not be workable at all. He didn't have all the answers but he was always asking the right questions. In today's world, which has become excessively materialistic, Gandhi's pursuit of spirituality and morality could well be an important parameter. For today's business leaders, budding entrepreneurs and policy makers, his wise words are a good place to start to introspect whether their activities are actually benefitting the all-in other words, is it Sarvodaya.

#### **References**

- Guha, Ramchandra (2013). *Gandhi before India*. Penguin Publications. <https://penguin.co.in/book/uncategorized/gandhi-before-india/>
- McCrum, Robert (2013). *Gandhi before India by Ramachandra Guha-Review*. *The Guardian*. 20<sup>th</sup> October 2013. <https://www.theguardian.com/books/2013/oct/20/gandhi-before-india-guha-review>
- Gandhi, Mahatma, 1869-1948. *Hind Swaraj and Other Writings*. Cambridge ; New York :Cambridge University Press, 1997.
- Diwan, Romesh K and Mark A. Lutz (1987). *Essays in Gandhian economics* p. 25.  
This section is quoted from Wikipedia ([https://en.wikipedia.org/wiki/Gandhian\\_economics#cite\\_note-4](https://en.wikipedia.org/wiki/Gandhian_economics#cite_note-4)) unless stated otherwise.
- Bhandari, Laveesh (2016). *Individualist Gandhi versus statist Nehru*. *Livemint*, 9th December 2016. <https://www.livemint.com/Opinion/fH0FLdalb1YQnzFE3kzCEL/Individualist-Gandhi-versus-statist-Nehru.html>
- Balaji, Balamurali. *Economic Reforms and Social Degradation*. *Gandhi Ashram Sevagram*. [https://www.mkgandhi.org/articles/economic\\_reforms.htm](https://www.mkgandhi.org/articles/economic_reforms.htm)