

## **Mahatma, Manmohan and Economy: Charkha or Carrefour**

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“The Roots of Violence: Wealth without work, Pleasure without conscience, Knowledge without character, Commerce without morality, Science without humanity, Worship without sacrifice and Politics without principles.”

MAHATMA GANDHI

“The logic of an open economy and its benefits are still not widely understood among the general public. Public discourse still sees markets as anti-public welfare. The instinctive reaction of many, both in the political class and in the public at large, is to revert to a state controlled system. There is no realisation that a reversal to an earlier era is neither possible nor desirable. It is necessary that we change the discourse from a critique of an open economy to a critique of what is needed to make an open economy work better for the welfare of the people.”

MANMOHAN SINGH

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**ABSTRACT:** *Capitalism and Socialism are the two accepted economic systems. Each has its serious drawbacks, as recently demonstrated. However, one very complete and well-thought-out alternative economic system is Gandhian economics. This paper tries to present the overall socioeconomic thoughts of Mahatma Gandhiji as an origin of alternative development. The work explores his ideas for a “post-modern” construction of India, where his views on Swadeshi, his theory of Trusteeship and his images of an ideal village economy are examined. In the recent development in India, the Prime Minister Manmohan Singh stated that the government’s move is motivated by concern for the ordinary Indian. With the intention of signalling a strong commitment to reforms, the UPA government has announced a hike in the price of diesel and liberalisation of foreign direct investment in multi-brand retail (Wal-Mart, Carrefour etc.), justifying the measures as growth-enhancing and inflation-dampening. Also this paper tries to locate the solution of recent economic situation through Gandhian economic thought.*

**KEYWORDS:** *Mahatma Gandhi, Manmohan Singh, Indian Economy, LPG, Alternative Economic Vision.*

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### **I. INTRODUCTION**

The Global Financial and economic system is in “crisis mode”. 2012 has been a rather disappointing year in terms of India’s tryst with its economic destiny, and has been overshadowed more by political slugfests dominating everything else. Over the next 18 months, it would be asking for too much if one expects big-bang reforms in labour laws or insurance or the financial sector, but indeed, if all one asks for is macroeconomic stabilisation and fiscal consolidation, that should be very much in the realm of feasibility (Krishna, 2013). Yet thirteenth years into the new millennium and still under the shadow of the global financial crisis of 2009. Through the ideology of the neo-liberal economics of globalization, the market economy has since been reshaped into a world-wide corporatist system that has grown beyond anyone’s imagination or control. As the financial crisis circled the globe, the drama of multinational corporations which were considered “too big to fail” and the governments that did indeed rescue them in desperation, also revealed that we had arrived at a kind of endgame. That financial crisis truly opened the door on the need to search for genuine alternatives. By overreaching all ‘natural’ limits, the economic system had created a dynamism which was terribly out of control—out of all our control. The problems we now realize, are systemic, deeply rooted in a market economy that has transformed all of our lives. It may well be time to reflect on Gandhi again. Gandhi in his critique of modern civilization first articulated in the book ‘Hind Swaraj’ in 1909. That is to say, they drew its themes from three key notions that Gandhi proposed as the basis for an alternative to the modern economy and its violence: swaraj (integral self-sufficiency); swadeshi (relocalization of livelihood resources and systems) and trusteeship (ethical responsibility toward possessions and property).

### **II. OBJECTIVES OF THE PAPER**

The paper covers the following objectives:

- To study the significance of Gandhian economic vision for India.
- To determine the ideal economic policy in contemporary India – Gandhian (Charka) or Globalised (Carrefour).
- To locate the solution of recent economic situation through Gandhian economic thought.
- To study the concept of alternative development in the current scenario.

### **III.RELEVANCE OF THE PAPER**

Every economy aspires to attain the growth by various means namely capitalism, socialism or mixed. But India the second largest developing nation liberalized, globalized and privatized its economy in order to solve various difficulties while diluting the socialism. For few initial years the decision was supportive and appreciated whereas gradually the Manmohanomics again had to face the similar issues or may be worse especially the ordinary Indians who more often came across the problems like corruption, inflation, unemployment etc. These multiple phases which are cropping in our country are seeking for a sustainable development. So are we practically repenting to see that we have globalized? Were Gandhiji's policies more sustaining in the long go? Can the Gandhian economic idea of Swaraj, Swadeshi and Trusteeship be better than the pro-rich policies? This entire dilemma can be put to an end by implementing Gandhian thought of Economics or by going global. It's time to determine the ideal economic policy in contemporary India –Gandhian (Charka) or Globalized (Carrefour).

### **IV.NEW ECONOMIC REFORMS -MANMOHANOMICS**

India's Economic Reforms 1991 aim at reducing the extent of Government controls over various aspects of the domestic economy, increasing the role of the private sector, redirecting scarce public sector resources to areas where the private sector is unlikely to enter, and opening up the economy to trade and foreign investment. Following were the crisis management reforms:

- Fiscal stabilization was given the highest priority. The current account deficit was high. The Central Government fiscal deficit had reached a peak level of 8.4% of GDP in 1990-91. The first year of the reforms saw a substantial reduction in the Central Government fiscal deficit from 8.4% of the GDP in 1990-91 to 5.9% in 1991-92 and further to 5.7% in 1992-93.
- Abolition of export subsidies in 1991-92 and the partial restructuring of fertiliser subsidy in 1992-93.
- Licensing is now needed only for a small list of industries, most of which remain subject to licensing primarily because of environmental and pollution considerations.
- Allowing automatic approval of foreign direct investment in many sectors inviting foreign equity investment up to 51% in a large list of 34 industries.
- Trade policy has been very substantially liberalized for all except final consumer goods.
- The removal of quantitative restrictions on imports. Custom duties were lowered. Excise duties on domestic manufactured goods were charged at varying rates on different commodities.
- Privatisation and disinvestment of Government equity in public sector companies.
- The high reserve requirements e.g. the statutory liquidity ratio (SLR) and the cash reserve ratio (CRR) were reduced (Planning Commission Report, 2012, [http://planningcommission.nic.in/plans/planrel/12appdrft/approach\\_12plan.pdf](http://planningcommission.nic.in/plans/planrel/12appdrft/approach_12plan.pdf)).

### **V.IMPACT OF REFORMS**

From 1991 till today, the fundamentals of the economy have indeed changed dramatically and four important data points illustrate that well: import duties cut from 78% to 7%, gross non-performing assets have come down from 26% to 2.5%, 900-1,000 products were earlier reserved for the small-scale sector that made economies of scale and large capital investments impossible. Starting 2001, this has been brought down to almost zero today. Further, excise duty rates were cut and the concept of value-added tax has been firmly implanted. Excise as a percentage of manufacturing GDP fell from 18% in 1992 to just 7% today, and also, the overall duty structure has been simplified by combining several categories into one, and reduction in overall discretion. These are among just four metrics that show how dramatically the economy has been transformed over the last two decades. The world economy is headed for its worst year since the height of the debt crisis in 2009. China is slowing from double digits to 7%, Brazil from 4.5% to 2%, Russia from 8% to 4% and India from 9% to 6%. Thus, any efforts of the government to put back India on the high growth path would be quite hard to pull off in the face of an extraordinarily hard external environment and domestic

political economy compulsions, but what it can do is to focus on macroeconomic stabilisation and pluck some low hanging fruits of reforms. The good news for the government is that thanks to RBI's lax efforts at containing inflation, even with a fiscal deficit of 10% of GDP debt levels have come down and not shot up. Apart from the above, my reforms wish list has easier land acquisition norms, more streamlined and predictable environmental clearances that have become draconian of late and are viewed as the 'new licence raj', structural reforms and long overdue passage of the insurance, banking and pension reform Bills, a more transparent and predictable tax regime along with incentives to keep India's IT industry, one of the few jewels in our crown, globally competitive. India, in 2012, hurled backwards by a few years in the reforms journey and there is no ginsaying the fact that today; reforms are more or less dead (Krishna, 2013).

According to economic theory, price level is the result of functional relationship between demand and supply. At specific milestone years, for instance, 1947, 1971, 1981, 1991, 2001 and 2011, a simple but focused research effort gives reason to believe that these gaps have actually increased in the last 40 years, and have increased in much greater absolute values during the last 20 years — the so-called economic liberalisation decades for India. While those who measure a country's affluence by the number of billionaires or the stratospheric prices of property across India would do well to measure India's global rankings on other indicators like those that measure human development, innovation, quality of living, productivity and efficiency of industry and the economy, etc.(Singhal,2013).Our PM noted that the growth rate has taken a dip, industrial performance is not satisfactory and "things are not rosy" on the investment front while inflation remains a problem. He was concerned about the way the exchange rate is going. His statement comes at a time when the value of rupee has been depreciating sharply and breaching the 57 mark against the US dollar. "Investor sentiment is down and capital flows are drying up," the economist-PM regretted (PTI, 27 Jun, 2012,

[http://articles.timesofindia.indiatimes.com/2012-06-27/india-business/32440143\\_1\\_india-growth-story-finance-ministry-insurance-sector](http://articles.timesofindia.indiatimes.com/2012-06-27/india-business/32440143_1_india-growth-story-finance-ministry-insurance-sector)

## VI. ECONOMIC VISION OF GANDHI: SWARAJ, SWADESHI AND TRUSTEESHIP

In this context, it is worthwhile to have a look at the economic thoughts of Gandhiji. Fukazawa has already tried to describe Gandhiji's overall economic thoughts. Schumacher was greatly influenced by Gandhiji when he later established his philosophy of "Small is Beautiful", and Sachs and Dube in the 1980s considered Gandhiji as one of the philosophers of alternative development (Ishii, 2001). Mohandas Karamchand Gandhi (1869-1948) developed a vibrant critique of the mode of development and also of the very idea of 'civilization' as it was then exemplified by the western nations. This model of ideology, as he argued, rested on violence and exploitation (slavery and then colonization), and abandoned both morality and spirituality, while creating new needs which were impossible to satisfy. The industrialization and globalization of the economy, he argued, a disaster for India. For Gandhi, the economy was meaningful to the extent that it opened out the possibility of well-being for all people (Sarvodaya). 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. His understanding of the path to sarvodaya was through a village economy which maximized the powers of the traditional Indian handicrafts and only employed modern machines that allowed for a 'production by the masses' rather than 'mass production' (Friedman, 2008).

The three concepts so central to Gandhi's Economic idea:

- *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* Gandhi's vision of a free India was not a nation-state but a confederation of self-governing, self-reliant, self-employed people living in village communities, deriving their right livelihood from the products of their homesteads. Maximum economic and political power - including the power to decide what could be imported into or exported from the village - would remain in the hands of the village assemblies.
- *Trusteeship*, predominance given to ethics and the common good. It provides a means by which the wealthy people would be the trustees of trusts that looked after the welfare of the people in general. Gandhi believed that the rich people could be persuaded to part with their wealth to help the poor. Putting it in Gandhiji's words "Supposing I have come by a fair amount of wealth – either by way of legacy, or by means of trade and industry – I must know that all that wealth does not belong to me; what belongs to me is the right to an honourable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belongs to the community and must be used for the welfare of the community" (Godinot, 2010).

### 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 (Godinot, 2010).

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.

One of the ways in which Gandhiji visualized a new India involved a fresh outlook on economics – a view that dismissed capitalism for its exploitative excesses and socialism for its connection to industrialization. No longer should India rely on a global market based on the freedom of exchange of goods and capital, argued Gandhiji. Nor was socialism any more tolerable. Capitalism and socialism—quintessential hallmarks of modern civilization—made man a prisoner of his craving for luxury and self-indulgence. Gandhiji's postulations on the matter left I.N.C. colleagues, particularly Nehru, mystified. Despite this less than positive reinforcement, Gandhiji continued to extensively publicise his unorthodox social, economic and political views. Having rejected capitalism and socialism, Gandhiji's speeches and writings suggest that he envisaged an Indian state grounded in unconventional economics advocating self-reliance. It seems that Gandhiji desired a self-sustaining nation that embraced communal cooperation and manual labour. Gandhiji advocated the rejection of private property in favour of public ownership; owners would be trustees of public property managed in the common interest. With an emphasis on tradition, Gandhiji promoted the spinning of khadi and manual labour as the ideal method to achieve genuine self-rule. Embracing an organic khadi-based economy would end exploitation, industrialization and modernization. It would overcome the moral hurdles preventing spiritual renewal, and hence create true swaraj. Machinery was a case in point and represented a departure from Gandhiji's ideals. Through its allure of ever-increasing productivity and efficiency, machinery had serious ramifications that spoiled man's natural development. Gandhiji believed machinery whetted consumers' appetite to the extent that it inevitably produced exploitation, unemployment and ultimately, starvation. His solution was not to perfect industrialization but to eliminate the process all together. Gandhiji writes: Instead of welcoming machinery as a boon, we should look upon it as an evil... It is not that we did not know how to invent machinery, but our forefathers knew

that if we set our hearts after such things, we would become slaves and lose our moral fibres. They, therefore, after due deliberation decided that we should only do what we could with our hands and feet (Godinot, 2010).

Gandhiji's economic thought is assimilate in his overall philosophy. His approach is holistic and aims at the socio-economic reconstruction of society. These days, many people tend to ridicule the Gandhian thought as "old fashioned and anti-progress". Gandhiji visualized a total socio-economic reconstruction, so his economic thought must be viewed in this context. Gandhiji doesn't give any theoretical model regarding economic development but gives some basic tenets based on which we can decipher what kind of economic structure is the need of the hour. Gandhiji has given the concept of constructive work. Here too, concepts like amity among all communities, lack of untouchability, prohibition (of liquor), khadi and village industries, focus on basic education, Gram Swaraj. Gandhiji strongly advocated that above mentioned are necessary social inputs without which economic growth is not possible. Reconstruction of village economy based on "Gram Swaraj" is the pillar of economic development. In his vision, each village is a totally autonomous and self-sufficient unit which will be totally self-reliant in fulfilling the basic needs.

Two features of the Gandhian mode ought to assure for it a very special place in the history of economic thought. First, Gandhiji advocated the precept of limitation of wants to take care of one's need and not greed. This is a counterpoise to the entire edifice of mainstream economic thinking which is based on the notion of a continuous expansion of the goods space to satisfy unlimited wants. It is conceivable that this may yet turn out to be the single major Gandhian insight that could dictate the agenda of the long-term sustainability of the ecosystem. The second has to do with the idea of focusing on the well-being of the poorest and weakest member of society that is contained in Gandhiji's talisman. This was one of the last notes that Gandhiji left behind in 1948. This was an intrinsic part of Gandhiji's moral view of the world (Nayak, 2005). Even well-known Economist like Arnold Toynbee in his book, "Future of Asia and Africa" advocates the same philosophy that Gandhiji advocated. Louis Fisher, in the present context of Globalization of Indian Economy, it can be said that Louis Fisher's words are more true today than ever before. He had submitted that countries of Asia and Africa must retain their own uniqueness and not submit to the blind growth Capitalism. Prof Gunnar Myrdal in "Asian Drama" opines that India and other SE Asian Countries must not imitate western countries blindly, but, instead make efforts to engage their large population in a productive activity in a disciplined way. But he also notes that the populist Governments are unable to take hard decisions and are incapable to force their people to work hard in a disciplined way.

It's unlikely that business decision makers, society doyens and grass- roots activists bone up much on Mohandas K. Gandhi these days but perhaps they should. In an essay that the Indian political and spiritual leader wrote, the Mahatma said: "Industrialism is going to be a curse for mankind. The world we must strive to build needs to be based on the concept of genuine social equality in it, the prince and the peasant, the wealthy and the less well-off, the employer and the employee are on the same level. Economic progress cannot mean that few people charge ahead and more and more people are left behind." In light of today's globalization and its consequences, Gandhiji was remarkably intuitive even though he was referring to his time of infant industrialization more than a hundred years ago. Globalization may have swaddled the industrialized societies in prosperity, but there are more poor people now than ever before. Mahatma Gandhi may not have anticipated globalization and the Internet, but India's founding father foresaw how quickly developing societies could be rived by the creation of two classes the "Haves" and the "Have- Nots". He always said: "Think about tomorrow, but act for today." Not a bad mantra for the new millennium (Gupte, 2000).

That Mohandas Karamchand Gandhi (1869-1948) is one of the outstanding moral and political thinkers of our times is accepted world-wide. But was he an economist? J.J. Anjaria writes: 'When the history of economic thought in India in recent times comes to be written Gandhiji's name will certainly occupy a place of honour in it.' But he hastened to add: 'It does not matter in this context whether we call Gandhian economist or not; that is, partly at any rate, a question of definition of terms.' A study of Gandhi's economic ideas must in some way come to grips with this question (Dasgupta, 1996). Gandhiji was far from hostile to science whose methods he admired so much that he attempted to transpose them into the context of his life and action. He was very critical of heavy industry. It is necessary, he argued, "to favour production by the masses rather than mass production", that is to say to give work to all through small enterprises in agriculture, industry or handicrafts and to limit the control of machines. For Gandhiji, a machine-based civilization was not a civilization. A society in which workers were chained to their work, where animals were treated with cruelty in farm factories, and in which economic activity led to ecological destruction could not be considered a civilization.

## **VII. IMPACT OF GANDHI'S VISION ON ECONOMIC POLICY IN INDIA**

Briefly, their impact was very limited. Shortly after India gained independence, a correspondent wrote to Gandhiji complaining that although he had argued all his life in favour of 'moral' economic policies, now that the British power had quit and the Indian National Congress was governing India, Gandhiji had become strangely silent. 'You write nothing against the unmoral economics of India' (*Harijan*, 14 September 1947; CW 89, p. 144).

**Gandhi's reply was an admission of failure:** Those who are in charge of the government are my fellow workers... If I have failed to convince them of the soundness and feasibility of the economics referred to by the correspondent, how should I expect to convince others? They do not feel that they would be able to carry the people of India with them in the prosecution of what may be summed up as the 'khadi economics' and to renovate the villages of India through village industries (*Harijan*, 14 September 1947; CW 89, p. 145). Gandhiji's insight that his erstwhile fellow-workers who were now in

charge of the Government did not believe in Gandhian economic policies and had no wish to put them into practice was entirely correct. So was his view that the people at large had grave doubts about their feasibility (Dasgupta, 1996).

### VIII.CONCLUSION: UTOPIA OR REALITY

A question that will occur to a careful reader of Gandhi's economic writings is whether they describe simply a dream of Utopia or are meant to deal with problems of the real world." Gandhi was not an academic but the charismatic leader of the Indian national movement. He was inspired by a vision of swaraj (self-government). His economics was a part of this vision. Thus; Gandhi was trying to describe an economic ideal to strive for rather than simply an economic plan to implement. To that extent his economics was utopian. However, 'utopian' can also refer to something 'impractical' or even 'impossible'. Gandhi's economic thought was not 'utopian' in that sense. It was certainly meant to apply to an actual society, that of rural India in particular. It would still apply only to a few selected aspects of that society while neglecting others, but that is true of all economic models (Dasgupta, 1996).

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