

Dr. B.R. Ambedkar's Economic Philosophy: A Visionary Framework for Social Justice and Inclusive Development in India

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Abstract:

Dr. B.R. Ambedkar, widely considered as the architect of the Indian Constitution, was essentially an economist whose scholarly contributions have received little attention in mainstream economic discourse. This study looks into Ambedkar's diversified economic theory, which combined social justice principles with practical economic measures. Ambedkar, who attended Columbia University and the London School of Economics, developed a comprehensive economic framework that encompassed monetary policy, public finance, agricultural reform, labor rights, and industrial growth. Most crucially, he saw that economic disparities were inextricably linked to social stratification, notably the caste system, which he considered as a key barrier to economic mobility and efficient resource allocation. This paper illustrates how Ambedkar's humanistic economic approach could assist address modern India's persistent problems with poverty, unemployment, and structural inequality.

Introduction:

When we think of Dr. Bhimrao Ramji Ambedkar (1891-1956), we envision a social reformer and constitutional architect. However, before he became the creator of the Indian Constitution, Ambedkar was primarily an economist. As Professor Amartya Sen stated, "Ambedkar is my Father in Economics....His contribution in the field of economics is marvellous and will be remembered forever" (Bharati 27). Ambedkar's career as an economist began at Columbia University, where he earned a Ph.D. in economics in 1917 and a D.Sc. from the London School of Economics in 1923. He studied under luminaries such as Edwin Seligman and Edwin Cannan, absorbing the most sophisticated economic thought of his period and constructing his own analytical framework (Singariya 24). However, a peculiar historical amnesia has pushed Ambedkar's economic achievements into the background, making him "a forgotten figure even in the government funding agencies" until recently (Yadav and Prakash 4). This paper reconstructs and critically examines Ambedkar's economic philosophy by analyzing his major works—The Problem of the Rupee: Its Origin and Its Solution (1923), The Evolution of Provincial Finance in British India (1925), and Administration and Finance of the East India Company (1915)—alongside his speeches, memoranda, and policy interventions.

Ambedkar's intellectual development and economic training

Ambedkar's economic knowledge propelled him to the forefront of economic theory in the early 1900s. From 1913 to 1916, he took "29 courses in economics, 11 in history, six in sociology, five in philosophy, four in anthropology, three in politics, and one each in elementary French and German" (Nageswari 29). This interdisciplinary foundation allowed him to examine economic issues through a variety of perspectives, realizing that economic

events are inextricably linked to their social, political, and historical context. Edwin Cannan himself acknowledged Ambedkar's originality, noting that his "study of the Provincial Finances in British India is an authentic and original piece of research work, which for the first time raises the issues of British exploitation" (Gupta 2). This rigorous training produced an economist who linked empirical analysis with normative considerations, resulting in what could be termed "pragmatic humanism" in economics.

Monetary Economics: The Problem with the Rupee

Ambedkar's most notable contribution to economic philosophy was his PhD dissertation, *The Problem of the Rupee*. This work tackled currency stability and the appropriate monetary standard for colonial India, diverging sharply from John Maynard Keynes's recommendations for a gold-exchange standard. Through meticulous examination of statistical data from 1800 to 1893, Ambedkar demonstrated that the gold-exchange standard lacked the stability of a modified gold standard. His core argument centered on price stability rather than exchange rate stability. As he stated, "nothing will stabilize the rupee unless we stabilize its general purchasing power" (Gupta 3). Ambedkar believed that stable prices for major commodities were more important to the wellbeing of ordinary Indians than fixed exchange rates in fostering foreign trade. His reasoning reflected a thorough understanding of distributive consequences. A weakened rupee may benefit exporters, but it will damage the "earning class" through inflation. He explained: "this gain is not a gain coming to the nation from outside, but is a gain from one class at the cost of another class in the country" (Nageswari 30).

Ambedkar suggested a modified gold standard with several major elements, including the abolition of rupee coinage, the minting of an appropriate gold coin, the establishment of a set ratio between gold coins and rupees, and making them legal currency without mutual convertibility (Kiranekumar 25). He strongly opposed granting the government unfettered power in currency management, citing "mismanagement" when authorities bear "no present responsibility for private loss in the case of bad judgment" (Jadhav 980). The practical impact was substantial. The Hilton Young Commission members reportedly carried copies of *The Problem of the Rupee* during their deliberations, and many of Ambedkar's recommendations were incorporated into the Reserve Bank of India's founding structure in 1935 (Kumar et al. 52).

Financial Federalism and Public Finances

Historical research and normative suggestions for fiscal decentralization were both included in Ambedkar's dissertation, *The Evolution of Provincial Finance in British India*

(1925). He noticed a significant problem: "To make administrative polities independent by requiring them to finance themselves entirely out of their own respective resources...must always be regarded as a very important end" (Gupta fifty-one). Beyond descriptive analysis, Ambedkar established "Ambedkar's Canons of Public Expenditure": fidelity, wisdom, and economy (Yadav and Prakash 8). Faithfulness meant spending resources in accordance with original intentions and public trust. Wisdom required using economic knowledge rather than serving narrow political interests. Economy demanded efficiency without wasteful expenditure. The current significance cannot be overestimated. India's Finance Commission, established under Article 280 largely due to Ambedkar's influence, is still grappling with the problems he identified: balancing central coordination with provincial autonomy, ensuring adequate state resources while maintaining fiscal discipline, and developing incentive structures that promote both equity and efficiency (Hebbar 3).

Agriculture and Cooperative Farming

In his 1918 article "Small Holdings in India and Their Remedies," Ambedkar challenged conventional wisdom on agricultural land fragmentation. He argued that "land is only one of the many factors of production and the productivity of one factor of production is dependent upon the proportion in which the other factors of production are combined" (Jadhav 981). Most remarkably, Ambedkar identified disguised unemployment decades before Arthur Lewis formalized the dual economy model: "A large agricultural population with the lowest proportion of land in actual cultivation means that a large part of the agricultural population is superfluous and idle" (Gupta 5). His comprehensive approach included community farming under state control, thinking that collaboration might achieve economies of scale while safeguarding farmers from exploitation. His vision called for "no landlord, no tenant, and no landless labourer," with land distributed "without distinction of caste or creed" (Yadav and Prakash 9). He underlined that industrialization was critical for agricultural development because it would absorb excess labor while producing capital goods and machinery for modernization. As a Member of the Viceroy's Executive Council (1942-1946), Ambedkar conceptualized multipurpose river valley projects inspired by the Tennessee Valley Authority, establishing the Central Water Commission and designing schemes such as Damodar Valley, Hirakud, and Sone River Valley (Kiranekumar 30). He also spearheaded campaigns to end exploitative land tenure regimes like as the Khoti system in Maharashtra (Yadav and Prakash 7).

Labour Economics and Worker Rights

Ambedkar saw workers as human beings with the right to dignity, security, and a say in economic decisions. During his tenure as Labour Member, he implemented transformative reforms such as reducing working hours from twelve to eight hours per day in 1942 (Bharati 27), instituting earned leave, establishing employment exchanges, passing the Mines Maternity Benefit Act, and strengthening collective bargaining rights (Nageswari 30). He advocated for "equal pay for equal work irrespective of sex" long before gender equality became widespread (Hebbar 4), and he defended workers' right to strike, claiming that "strike is simply another name for right to freedom" (Mukerji 207-208). However, he also argued for institutionalized dispute resolution procedures, thinking that "industrial peace would prevail if it was based on social justice" (Hebbar 3). Ambedkar was particularly sensitive to Dalit workers' double persecution, declaring: "In my opinion, the workers of this country must deal with two adversaries. The two enemies are Brahmanism and Capitalism" (Laxman 2). This recognition that exploitation operated through multiple, intersecting dimensions distinguished his labor economics from conventional Marxist class analysis.

Industrial Policy and State Socialism

Ambedkar's "state socialism" or "democratic socialism" attempted to establish a balance between unregulated capitalism and Soviet-style communism. In his 1947 memorandum States and Minorities, he recommended that "key industries" be owned and run by the state (Mukerji 210), while private enterprise may play a role in non-essential industries under a regulatory framework. This technique incorporated a number of considerations. State intervention was essential for heavy industries that private capital could not support, whereas free market capitalism would dangerously concentrate wealth. However, Ambedkar's state socialism diverged significantly from Marxist-Leninist communism. He opposed Marx's economic determinism, claiming that "man was not just an economic being" and that "exploitation has many dimensions, economic as well as social, religious, or political" (Yadav and Prakash 5). Ambedkar saw the state's economic role as dynamic: "What should be the policy of the state, how the society should be organised in its social and economic side are matters, which must be decided by the people themselves according to time and circumstances" (Laxman 2). This flexibility set his approach apart from dogmatic ideological dictates.

Economics of Caste and Untouchability

Perhaps Ambedkar's most notable contribution was his examination of how the caste system operated as an economic framework. He rejected caste justifications as mere "division of labor," pointing out that it was "not merely the division of labor but a division of laborers" based on birth rather than ability, resulting in "a division of laborers...assigned by birth rather

than by talent, skill, or inclination" (Laxman 3). The economic consequences were distributed through multiple channels. First, restricted occupational mobility prevented individuals from moving into professions where they might be more productive. People would "choose unemployment over taking up a profession not assigned to their caste" (Laxman 3). Second, "capital is constrained by caste boundaries" (Laxman 3), preventing optimal allocation. Third, untouchability functioned as "a system of unmitigated economic exploitation" worse than slavery because "the upper castes take no responsibility for the maintenance of the untouchables" (Yadav and Prakash 6). Fourth, the caste system prevented human capital development: "the concept of human capital in India is useless if the poor and downtrodden untouchable dalits are not recognized by other classes as human beings with equal social prestige" (Kiranekumar 30). Fifth, caste borders resulted in economic segmentation: "If any of you open a shop and it is known that the shopkeeper is an Untouchable, nobody will purchase anything from you" (Laxman 4-5). According to Ambedkar, caste is a structural factor that determines economic interactions, not a cultural overlay. As he stated in *Annihilation of Caste*, "Caste is not just a division of labour, it is a division of workers" (Kiranekumar 29). Breaking caste barriers through legal reform, affirmative action, and state intervention was essential for both economic efficiency and growth.

Women's Economic Empowerment

Ambedkar recognized that "participation of women in the economic development is impossible without developing their social status and equality" (Kiranekumar 31). The "poor economic status of women" functioned as "a barrier on the way to attain optimal economic development in the country" (Yadav and Prakash 2). He championed equal pay for equal work, stating: "ladies will be paid indistinguishable wages from men. It is simply because he considers that in any industry, the rule of equal compensation for equal effort has been established, regardless of gender (Nageswari 34). He introduced the Mines Maternity Benefit Act, which provides eight weeks of maternity leave (Laxman 4), and pushed for women's property and inheritance rights through the Hindu Code Bill. Ambedkar also advocated for family planning, declaring that "having too many children was a national crime" (Kiranekumar 31), recognizing that women's fertility control was critical for their economic participation and that "the control of the country's economy is impossible if the population is not controlled" (Singariya 27).

Ambedkar's Critique of Village Romanticism and Vision for Urbanization

Ambedkar famously labeled the Indian village as "a sink of localism" and "a den of ignorance" (Laxman 5), directly contradicting Gandhi's ideal of village republicanism. This

evaluation was based on his experiences with village caste hierarchies, where "practices like manual labor were often reserved for lower castes, reinforcing social gaps and preventing meaningful progress" (Laxman 5). His contention was that "the village economy was not idyllic but rather a reflection of rigid caste hierarchies that limited social mobility and economic opportunities" (Laxman 2, 3). Villages lacked the capital, technology, markets, and labor division required for growth. Urbanization and industrialization provided escape routes, anonymity, and "diverse employment and education" options, creating "a path for people, particularly from communities that are marginalized, to achieve upward mobility" (Laxman 6).

Comparative Perspective

Ambedkar's relationship to Marxism was multifaceted. While he agreed with Marx's critique of capitalism, he denied economic determinism, claiming that exploitation had multiple facets beyond class (Yadav and Prakash 5). He opposed violent revolution and dictatorship, arguing for "constitutional provisions and democratic means" (Jadhav 982) and believing that "the state would continue to exist as long as human society survived" (Hebbar 3). His contrasts with Gandhi were considerable. While Gandhi promoted village self-sufficiency and handicrafts, Ambedkar saw this as "primitive" thinking that promised only a return to nature and animal life (Yadav and Prakash 3). Gandhi's village-centered vision ignored caste oppression: "Gandhi sees the caste system as the natural order of society. Ambedkar sees caste as a legal system maintained by force" (Gupta 4). Compared with Nehru, Ambedkar's socialism was more radical, prioritizing prevention of exploitation and equitable distribution over overall growth (Robinson 65-67). Most critically, Ambedkar insisted on prioritizing social transformation alongside economic development, while Nehru believed modernization would gradually erode caste distinctions.

Contemporary Relevance and Conclusion

Ambedkar's economic thinking included a comprehensive framework for monetary policy, fiscal federalism, agricultural growth, industrial strategy, labor rights, and the economic implications of social inequity. Several subjects remain particularly important for modern India. First, his emphasis on evaluating economic policy in terms of distributional implications throws into question GDP-fetishism. Second, his analysis of how social institutions influence economic outcomes makes recommendations for addressing the Scheduled Castes and Tribes' persistent disadvantages. Third, his fiscal federalism provides insight into center-state interactions and the GST revenue-sharing argument. Fourth, his agricultural economics discusses contemporary rural distress. Fifth, his labor economics models help handle India's informal economy and precarious employment. As Prime Minister Narendra Modi

acknowledged, "Ambedkar's economic thought, vision is not fully understood...the more we recall Ambedkar's thought, in the context of issues currently faced by India, the more we come to respect his vision and his approach to inclusiveness" (Nageswari 29). Dr. B.R. Ambedkar was primarily an economist who used unusual analytical precision and moral clarity to economic issues. His economic philosophy blends the finest economic knowledge with a strong commitment to human dignity. As India grapples with the challenges of globalization, automation, climate change, and persistent inequality, Ambedkar's humanistic economics offers valuable insight for envisioning and building a more fair and prosperous future.

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