

# Cultural Influences on Economic Thought in India: Resistance to diffusion of neo-classical economics and the principles of Hinduism

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## ABSTRACT

*This paper analyses the reasons why, despite the ascendancy of 'liberalising' neo-classical economics in the 1980s, many Indian economists have remained determinedly resistant to the IMF/World Bank pro-stabilisation and structural adjustment arguments that so dominate global political economic thinking. We argue that part of the objection to economic 'global liberalisation' in India is explicable from the significant, but not exclusive, role played by Hinduism and caste in producing a distinctive form of society in India. Caste arguably gives deep cultural legitimation to socio-economic perspectives grounded on non-individualism, ones with a strong sense of collective peer group awareness, albeit segmented into hierarchial distributional sub-groups. Despite the glaring inequalities and corruption in Indian society, the concept of dharma is still consistent with an ideal of a strong civil society which has high levels of trust and confidence, and which appears to offer security and certainty.*

*We contend that there is a deep-rooted, 'national' ideological predisposition in India to a position in economic thought which is broadly consistent with western neo-Ricardianism and some versions of the new institutional economics, albeit one in which caste to some degree plays the theoretical role of class. This coherent body of a broader socio-cultural thought arguably explains some of India's continued resistance to the economics of 'global liberalisation'.*

## I. INTRODUCTORY OVERVIEW: THE GENERAL WEAKNESS OF INTELLECTUAL (NATIONAL) RESISTANCE TO LIBERALISATION

**A**FTER OVER two hundred years, we seem to be no nearer to finding answers as to what constitutes an improvement in the human condition, let alone how it is to be achieved. Many of the post-war analyses in development economics were devoted to addressing this very question. The initial emphasis after 1945 was placed on the role of governments in 'managing' economies, and/or planning models in facilitating the achievement of social objectives to generate a social and natural environment that was conducive to social welfare in general, and poverty alleviation in particular.

For India, in particular, the government under Prime Minister Jawaharlal Nehru in the 1950s built upon lessons of rapid industrialisation in the Soviet Union (using Mahalanobis'

variant on the Leontief input-output model; see Rothermund 1993). Basing its strategy on direct and indirect state intervention, rather than the Soviet-style central command system, the Indian government was optimistic about the favourable outcomes of this strategy.

By the late 1960s, 'radical' development studies analysts had begun to acknowledge that there were external constraints on development, particularly in Latin American cases. In their recognition of these constraints, they began to question the appropriateness of applying Western models to less developed countries (LDCs) which had 'different traditions, histories, societies and cultural patterns' (Wiarda, 1992, p.58; see also Baran, 1958, 1967; Livingstone, 1982; Love, 1996). The dependency or underdevelopment school thus sought to find ways of eradicating 'economic backwardness' which, in some cases (Frank, 1966; Wallerstein, 1979), was seen as synonymous with national/regional economic autarky and/or local political revolutions of an immediately 'socialist' character, drawing on anti-imperialist versions of history.

It is on this basis that some more reformist theorists advocated protectionism or 'Import Substituting Industrialisation ... Import substitution changed the economic face of the continent [Latin America] through a strategy of state-led development of domestic industry' (Green, 1995, p.2; see also Londero *et al.*, 1998). The majority of African countries followed a similar pattern of development after independence (Lensink, 1996).

There were parallel anti-imperialist, pro-industrialisation views in India, but there was relatively little cross-referencing to dependency theory, suggesting that roots of these views lay in particular Indian circumstances - though some leaders of the independence movement in India had been influenced by, and possibly also influenced, British (Fabian) socialism centred on the London School of Economics.

Needless to say, the IMF and (increasingly) the World Bank's response to the international debt crisis (after 1982) was to insist on LDCs (such as India) implementing structural adjustment policies as a cost of stabilisation loans. In fact, joint conditionality meant that the World Bank had fallen in line with the IMF's neo-classical economic philosophy, the so-called 'Washington consensus'. In other words, LDC governments were required to demonstrate that specific performance targets (indicators) had been, or would be, met if (further) loans were forthcoming (Cleeve and Ndhlovu, 1997). This joint reassertion of policies drawing on principles of free market individualism and minimalist government presented a unique and formidable challenge to economic thinking in India.

This paper seeks to identify a coherent body of social and philosophical thought which underpins India's continued resistance at the economic level to the imposition of structural adjustment policies. Admittedly there are market-oriented economists of Indian origin (Ambirijan, 1997; Bhagwati, 1993; Bhagwati and Srinivasan, 1993; Jha, 1984; Lal, 1989), but nevertheless opposition to IMF/World Bank-inspired external liberalisation has come, not only from the Left (see Kohli, 1989; Swamy, 1994, amongst others), but also from the Right, primarily from economists who support the Bharatiya Janata Party (BJP). And even those who concede that some reform may be necessary point to adverse income distribution and rising underemployment (and/or poverty) if there are no improvements in design, timing (sequencing) and implementation of programmes (Gaiha, 2000; Gaiha and Kulkarni, 1999; Joshi and Little, 1996). Without intervention for distributional purposes and poverty targeting, so goes the argument, drastic cost-cutting reforms are doomed to developmental failure (Gaiha, 1999).

In contrast, many critics within the African context have tended to accept neo-liberal

structural adjustment policies as inevitable, given the demoralised circumstances in which they found themselves in the 1980s. Despite nationalism in many parts of Africa, and in spite of the strong influence of ECLA (Economic Commission for Latin America) dependency theory in Latin America, there is no agreed, logical case against liberalisation in either continent (see Coats, 1997; Green, 1995; Harberger, 1997; Kay, 1993; Lall, 1998; Lensink, 1996; Londero *et al.*, 1998; Montecinos, 1997; Ponte, 1994; Toye, 1994). By comparison, the case of India shows that, while 'global liberalisation' ideas may signify that the world has become ideologically more integrated, a continuing distinctiveness has ensured India a special place in world economic thinking.

## 2. INTELLECTUAL RESISTANCE TO NEO-LIBERAL POLICIES IN THE 1990s

Structural adjustment is often used to encapsulate neo-liberal policies, even though some authors also use the term interchangeably with stabilisation. It is useful to briefly outline the distinction between the two policies, even though the lines between them are not neatly drawn. This will enable us to judge the extent of India's resistance to structural adjustment policies.

Stabilisation policies, which the Indian economy needed in the 1990s, look at the external regime in the short term; in other words, they put an emphasis on 'growth-orientated adjustment' (Helleiner, 1992, p.38) to solve balance of payments and debt difficulties. This involves devaluation of LDCs' currencies vis-à-vis 'hard' currencies, increasing import duties (which contradicts the aim of structural adjustment in eliminating or reducing protectionism), and raising interest rates in LDCs in the hope of encouraging savings which, in turn, encourage economic growth.

Structural adjustment policies, on the other hand, look at the internal regime and development in the long term. They are intended to address the perceived 'failures' of central planning by putting in place across-the-board economic liberalisation (the introduction of competition). This entails an increased role of the market and/or a greater emphasis on price incentives. These policies involve fiscal reform (overall cuts in government expenditure and a shift towards indirect taxation); removal or elimination of subsidies, including price and wage controls; strong targeting of poverty programmes in the social sector through user charges and means tests; and privatisation of public-sector activities (Cleeve and Ndhlovu, 1997, pp.147-48; Ndhlovu, 1995, pp.239-40).

In other words, the reduction or elimination of 'price distortions' will not only result in prices reflecting their relative scarcities, but is also directly co-related with accelerated growth of exports and economic (industrial) growth. Indeed, the World Bank, at the high-point of confidence in the Washington consensus, went as far as claiming that those countries with fewer 'distortions' always had higher growth rates and healthier economies and societies (Ponte, 1994).

India has come relatively late to 'liberalisation'. A major IMF loan in the early 1980s was negotiated before the major drive to structural adjustment, being therefore obtained with relatively little conditionality. Only in 1991 was an explicit process of IMF/World Bank driven liberalisation begun by a Congress Party government claiming to have no alternative.

This process has been heavily criticised on theoretical grounds. Predictably, much of this criticism has come from the neo-Marxist Left, strongly represented in the columns of Economic and Political Weekly (EPW). For instance, the EPW issue of 10 April 1993, on the

1993-94 central government budget, was a comprehensive exposition of perceived structural weaknesses in revenue raising, equity consequences of expenditure cutting, and the low probability of export price elasticities being compatible with reducing international debt service ratios. This exposition concluded that liberalisation, India-style, was unlikely even to bring about the macroeconomic stabilisation it claimed as primary objectives, let alone establish a fresh development process.

But the intellectual opposition to liberalisation in India goes well beyond the columns of EPW. The argument here is that the objections to market-led economic change in India are exceptionally deep-rooted, by international standards, and this is due to an ideological dominance of a distinctive line of economic thought which long pre-dates independence in 1947.<sup>2</sup>

The following quote from Jay Dubashi, a leading economic journalist who supports the BJP - an authoritarian, Hindu religious party which can be seen as economically representing the interests of national capital - illustrates how the Right can combine an element of economic autarky with politico-cultural nationalism:

...liberalisation has to start from within the country. Getting foreign competition is not the answer. In fact we have to stimulate domestic industry ... it's time to tell the IMF to mind its own business.' (*India Today*, 28 February 1993).

The shift of Jay Dubashi, from free-market advocacy in 1989 to an uneasy revival of swadeshi (economic self-sufficiency) sentiments in 1993, is a matter of public record in the English language press. Indeed, K S Sudarshan, the new chief of the Rashtriya Swayamsevak Sangh (RSS) (the militant wing of the BJP), not only advocates swadeshi, but he is also opposed to India's privatisation programme, denouncing foreign investment in India in the process (*The Guardian*, 25 July 2000).

However, the focus of this section comes, not so much from the orthodox Left or the BJP, but from a leading commentator who was arguably at the centre of Indian economic and political thought in the 1990s. Professor Brahmananda gave an address to the Centre for Economic and Social Studies in Hyderabad in November 1992. His original remit was to advocate liberalisation but, instead, he presented a cogent, comprehensive critique of liberalisation (Cameron, 1995).

Professor Brahmananda can be seen as a representative of the establishment 'swing' economists who will have to be convinced by the Delhi School of Economics/World Bank arguments for liberalisation. The argument below suggests they are unlikely to succeed in capturing the high ground in the intellectual debate without meeting strong opposition. It is hard not to conclude that such strong arguments on the undesirability of liberalisation are still widespread among leading Indian economic thinkers and will continue to represent a formidable obstacle to political commitment to IMF/World Bank liberalisation policies.<sup>3</sup>

Professor Brahmananda's anti-liberalisation stance posits the 1991 economic crisis in India as a complex phenomenon which is better conceived as a coincidental peaking of a number of short term problems, each with its own potential appropriate policy response, rather than the outcome of a single structural cause (government intervention) with a single cure (market forces). The problems of scarcities of foreign exchange, government revenues, and domestic savings for productive investment can, and should, be understood separately, each requiring

independent policy initiatives.

If there is a common underlying cause of these problems, it lies with the opportunistic policy decisions of the mid- to late-1980s and the consequent rise in imports and credit associated with increasing consumer durable consumption by a middle-income group of more than one hundred million people. Thus, the crisis cannot legitimately be attributed to flaws in the whole Nehrovian Indian development strategy from 1947, or even its (Indira) Gandhian version from 1965, as is claimed by advocates of liberalisation.

Brahmananda claims that the Indian state still has a vital structural role to play in terms of mobilising savings and undertaking infrastructure investment as emphasised in many of the mainstream writings in development economics from the 1950s (see also Ghosh, 1993; Gupta, 1993). Agriculture also has a strong claim for positive support by the state; it is a leading sector with vital quality-of-life implications for the whole of Indian society. Production for domestic consumption needs prioritisation above production for export. Moreover, food production must not be sidelined in the pursuit of such things as globalisation of manufacturing industry or growing fresh flowers for export.

From this perspective, India can become more outward oriented without giving up the capacity to have periods of inward orientation for whole sectors of the economy. At this time, circumstances have thrown up a number of problems that need specific treatments rather than high risk IMF/World Bank panaceas.

In contrast to the ahistorical neo-classical economic formulae of the IMF, which stresses the non-comparability and non-historicity of individual choices, it is further argued that the understanding of the internal structural conditions of the Indian economy, and relationships between its major component groups, is far more important.

Brahmananda also claims that the problem of the Indian foreign reserves is due to a sharp rise in imports associated with consumer durable production, whose ultimate consumers are a relatively small part of the population. In no sense are these imports essential for the needs of the mass of the population, or vital for technology transfer to develop the resource base of India. Consumption and technological needs can thus be largely defined without reference to market forces.

Turning to neo-liberal fiscal policies, he contends that a fiscal deficit, in orthodox macro-economic analysis, does not necessarily result in an increase in the money supply and price inflation. If the gap is treated as a Public Sector Borrowing Requirement and resources are then borrowed by government through selling longer term bonds, then there is no fiscally caused increase in the money supply. The neo-liberal position would then depend on demonstrating that directly productive private investment has been squeezed out by indirectly productive public infrastructural development, and that there has been structural damage to the whole society.

In addition, the money supply might increase, causing some structural damage independent of fiscal policy, due to a factor such as the international private banking sector's creation of money or mechanical conversion of inflows of foreign exchange into Indian Rupees. To put the point in a more contemporary context, it can be argued that the government risked a 1997 east Asian type crisis if it neglected its responsibility for the domestic money supply by not acting to counteract the impact of the conversion of large inflows of 'hot money' in search of high returns which, in turn, diverted resources to the financial sector. The main thrust of this

argument is that the government needs to be more interventionist in the foreign currency markets to restrict private sector induced growth in the money supply, rather than reduce its activity in these speculation-dominated markets.

More fundamentally, in terms of the size of the public sector, Professor Brahmananda saw the public sector as important in providing infrastructure for agriculture. Thus, rather than being obsessed with reducing expenditure, the government should be willing to aggressively raise revenues for productive use and transfer public sector workers into more productive work within the public sector. Taxes should be raised on higher incomes wherever feasible (see also Ghosh, 1993, p.2326).

In national terms, the contention is that India's aggregate savings are structurally too low for a socially optimal level of economic growth, and that the vast majority of savers in India seek a low level of risk. Loss of savings for them means loss of their only financial social security resources. The public sector has a responsibility to offer secure havens for such savings with a sustainable, realistic rate of return. A large and active public sector institutional structure to mobilise savings and protect their value is needed, since the private financial sector cannot be trusted to meet the legitimate needs of small savers.

In all these arguments, confidence in agriculture does not exclude industrial development. Indeed Professor Brahmananda, like the BJP and Communist Party (Marxist) in West Bengal, welcomes direct foreign investment in industry if it is given without strings (Cameron, 1995). However, there is an implicit scepticism about India's ability to replicate the South Korean and China-Taiwan and Japanese experiences, through subtly balancing a protected national market and aggressive exporting.

There is a strong case that these east Asian economies grew in a special niche in history, combining a privileged Cold War status as frontline states with the USA's room for manoeuvre in mustering an outflow of technological and investible resources, as well as access to its market. There may also be a justifiable concern that it is not feasible or desirable to attempt to emulate the 'new NICs' (newly industrialising countries) of South-East Asia such as Thailand and Indonesia, since they over-exploit natural resource export bases (an issue of importance to the active environmental movement in India).

The case is made by Brahmananda that, in India's situation in the current global economy, success in increasing agricultural production for, firstly, national and, secondly, global consumers is a necessary, if insufficient, pre-requisite condition for success in developing manufacturing industry on a sustainable basis. However, the advocacy of agriculture goes beyond a mere sequencing of sectoral priorities; it goes to the very heart of the concept of development itself. Land and agriculture still possess cultural, as well as market, valorisation in India (in which 'surplus labour' can, in effect, 'realise' or 'valorise' itself into surplus-value and surplus produce; while the production process is the unity of the labour process and the valorisation process - see Marx, 1974; Rosdolsky, 1980, amongst others).

Civil liberties campaigns in India have not only initiated active struggles for greater accountability and transparency in public sector decision-making, but also communal control of land and other resources as a human right. The thriving Indian NGO (non-governmental organisation) sector is involved in widespread experiments in empowerment by redistributing control over resources. Marketisation tends to diminish the field for ethically-engaged debate and non-violent collective action, which so distinguishes much of Indian society, undermining identity

and leaving a society more vulnerable to social tension.

While there are indeed technical arguments, drawing on neo-Ricardian and neo-Keynesian economic principles, for such strong intellectual opposition to 'global liberalisation' in India, we claim that there is a more fundamental objection behind such a determined resistance. Such an intellectual objection is rooted in the whole package of implicit, universal cultural and political assumptions about national and global resource allocation that economic global liberalisation carries with it. These implicit assumptions run counter to those that have historically operated to produce a distinctive form of society and social values in India. The intellectual manifestation of this unique society and its values has its own dynamics, and is unusually antithetical and resistant to the pressures towards cultural and political globalisation.

### 3. THE HINDU ROOTS UNDERPINNING THE ECONOMIC PRINCIPLES OF NATIONAL RESISTANCE TO NEO-CLASSICAL ECONOMICS AS REPRESENTED IN GANDHI'S WRITINGS

The economics of the preceding discussion may appear to a western observer to be comfortably situated in the neo-Ricardian and neo-Keynesian economic paradigm. But this Eurocentric view does not explain the comparative strength of this line of thinking among economists in India, or, indeed, among eminent economists of Indian origin who have achieved an international standing, such as Amartya Sen, the 1998 Nobel Laureate in Economics.

Sen made seminal contributions on welfare economics and the critique of the normative basis of neo-classical income distribution theorems in the 1970s, entitlement theory and the distribution of famine-related deaths in the 1980s, as well as the relationship between economics and moral philosophy of ethics in the 1990s. His adoption of particular assumptions concerning interpersonal comparability enabled him to reach conclusions about the inevitability of *collective* choices. It is our contention that his writings tend to be based on implicit, deep-seated, and fundamental assumptions about society and culture that would have been familiar to him during his growing up in India.

To understand Amartya Sen's pattern of thought, the case can be made that he is true to his social and philosophical roots in his economic theorising. His growing up in Bengal under colonial rule was an education in politico-cultural inequality, including numerous deaths in a great famine. The debates on Indian Independence which he witnessed as a young man involved communist and Gandhian critiques of free market individualism and an emphasis on the importance of shared institutionalised values in human development (Cameron and Ndhlovu, 2000, pp.240-45; Gandhi, 1970; Cameron, 2000). The good life for both Gandhians and communists was principled, emphasising hard-work in production without too much concern for material reward, while extolling the virtues of simplicity in consumption.

His training in western economics at a crucial time in the intellectual development of the subject in the 1950s and 1960s was centred on the positivist respect for logical argument, starting from clearly stated abstract assumptions as the basis of good economics. More speculatively, these principles of knowledge may have been augmented by respect for lively open debate on abstract principles, the acceptance of ultimate indeterminacy in human affairs, a liking for formal mathematics, and an ascetic approach to human desires, which may be said to mark the best of Indian intellectual life (Cameron, 2000).

Amartya Sen's choices of subject matter, epistemology, methodology and ontology in

economics are all consistent with his origins. Emigration, fame and swings in economics fashion have apparently left him unmoved (intellectually) from the firm foundations on which his life was built from childhood. His journey can be seen as one of continuing exposition and exploration of his basic socialised values, rather than pursuit and discovery of new values.

The image of south Asia as having a distinctive form of society and human consciousness can also be found in European writings on the south Asian sub-continent (Dumont, 1970). The view of *homo hierarchicus* (as a distinctive approach to human relations) pervades the bulk of socio-economic anthropology research in India, in which the concept of caste is treated as fundamental by both western and Indian socio-economic anthropologists alike (Srinivas, 1995). Caste gives cultural legitimation to a model of a society segmented into sub-groups, with highly formalised rules of group interaction and restrictions on individual choice in economic activities, income distributional rules and consumption patterns, and disposal of property, notably through marriage.

We argue that Hinduism and caste are a significant aid to understanding economic thought in India, while also acknowledging the following possible objections to this argument:

i) the Hindu religion is not reducible to a materialist basis, nor does it necessarily require a belief in God (Madan, 1989, p.58) - discussions of Hinduism often focus on the metaphysical and transcendental, not the material. Notwithstanding this, there are profound implications for the intellectual and practical understanding of human affairs in 'the here and now' in Hinduism, as is in all religions;

ii) not all the Hindu religion demands belief in caste - the whole history of Hinduism involves periodic movements which de-link the basic religious principles from caste. Some of these movements have indeed gone on to establish themselves as virtually autonomous religions, notably Buddhism and Sikhism. Nevertheless, beliefs regarding caste have arguably remained etched in the consciousness (*vis-à-vis* what being Hindu and Indian is) and day-to-day life experience in India;

iii) India is not solely a Hindu society - Islam and, to a lesser extent, Christian value systems have a place in Indian society, while mutual tolerance has been a continuing, if problematic, theme since the time of the Mughal emperor Akbar four hundred years ago. Marxism has also been an important influence (Beteille, 1996; Byres, 1989; Fuller, 1989, 1996; Omvedt, 1989; Vanaik, 1990). Even for those systems of ideas which are critical of Hindu thought, Hinduism has tended to set the agenda and parameters for philosophical discourse in India (Lohia, 1955);

iv) India has not been a historically unchanging, rigid society and economy - the best historians of India rightly point to the richness and dynamism of Indian society over the last three millennia, with a shifting kaleidoscope of social mobility and economic enterprise (Thapar, 1972; Vanaik, 1990). Despite this, these historians accept caste as a continuing reference point in Indian history, and that the group ethos continues to survive even if groups move relative to each other; and



v) theoretical analysis based on other divisions in society have had a significant impact in India - analysis of gender, class and non-caste based ethnic divisions (Byers, 1989; Siva, 1989; Vanaik, 1990; Washbrook, 1989) have all contributed to understanding development and underdevelopment in India; however, caste has survived as a foundational, analytical concept in Indian thought.

Even if these qualifications are accepted, we would still claim that Hinduism and caste are significant in giving Indian social philosophy a distinctive flavour. This has important implications for economic analysis in India. In production relationships, caste restrictions do still place specific limits on labour mobility, that are similar to the gender and racist restrictions which segment western labour forces. This has implications for the extent to which we accept assumptions concerning restricted flexibility in technology, formal education and technical training (Madan, 1989, pp. 59-61; Vanaik, 1990, pp.144-47). Such barriers do not have to be absolute for the majority of Indian economists in order for them to regard factor immobility and technological inflexibility as fundamental assumptions needed for 'realistic' economic analysis of production relationships.

In terms of distributional concerns, Hinduism, in its idealised form of *jajmani* relationships, sets distributional rules granting all caste groups entitlements to shares of the 'village grain pile', ones which are sufficient to meet basic needs. This imposes a distributional duty and obligation on the relatively well endowed - an aspect of a wider *dharma* (frequently translated into English as 'duty', but with deeper implications for the whole of behaviour than in its common English usage).

The concept of *dharma* bestows, not only rules of duty, but also suggests a potential for a strong civil-society institutional structure, with strong social capital and limited market relationships. Such a society ideally has high levels of trust and confidence, and security and certainty. While glaring inequalities and corruption in Indian society suggest that the *jajmani* system and *dharma* have little relevance to the actual distribution of income, these concepts do provide a radical, culturally specific, if idealised, reference point for the notion of distributional justice.

To demonstrate these arguments in Hindu Indian thought, it is perhaps in order to refer to 'Mahatma' Gandhi's work, which has continued to influence social thought in India for much of this century. Gandhi regarded the concept of caste critically. However, being a profoundly devout Hindu, he was also hostile to western influences. Gandhi had to wrestle with the material realities of the independence struggle and the complex process of industrialisation, one in which indigenous Indian capitalists played a major role (see also Rivett, 1959, p.3 ). We will tease out from his work how he came to terms with these challenges, while remaining within a distinctively Hindu Indian discourse.

Pervading Gandhi's analysis was a belief in the possibility of socio-political harmony and a suspicion of western influences:

In a well-ordered democratic society, there is no room, no occasion for lawlessness or strikes ..... I wonder if we can remain free from the fever of power politics or the bid for power which afflicts the political world, the East and the West. (Gandhi, 1970, p.97; see also Rivett, 1959, p.2).

...the social order in India was simple, and it lasted for thousands of years on that basis. Even now this feeling is not altogether absent in our country. Where such an arrangement exists, there is hardly any need for a third person or arbitrator. The disputes were settled by both together amicably. (Gandhi, 1970, p.13).

With confidence in distinctive Asian values guiding economic activities, he went on to argue that 'I am convinced that the capitalist, if he follows the Samurai of Japan, has nothing really to lose and everything to gain.' (Gandhi, 1970, p.51).

On distribution, Gandhi points to the influences of caste on occupational mobility, and non-market, culturally-based distributional norms:

In India, a person in one occupation thinks it below his dignity to follow any other occupation. (Gandhi, 1970, p.8).

In ancient India, the workers' starvation was never consciously (*sic*) used as the employers' opportunity. That line of action which does not harm either party in a dispute is alone justice. We believe that this Western influence will die out soon (Gandhi, 1970, p.15)

Such a 'corporatist' division-of-labour distributional equity ethos can then be extended into manufacturing industry:

Workmen ought to organise themselves into strong Labour Unions, and on no account shall they strike work without the consent of these Unions. Strikes should not be risked without previous negotiations with the mill-owners. If the mill-owners resort to arbitration, the principle of Panchayat should be accepted. (Gandhi, 1970, p.31).

It is against this background that Gandhi asserts a distributional concept close to *Jajmani* rules of distribution: 'All useful labour ought to bring in the same and adequate wages to the labourer' (Gandhi, 1970, p.89; see also Rivett, 1959, p.7).

Though allowing for some meritocratic possibilities which are tempered by self-restraint and/or humility, he goes on to argue that:

...you [workers] would not be able to run a mill. You lack the talent to run it. (Gandhi, 1970, p.67-68).

I do not want anything further for workers and peasants than enough to eat and house and clothe themselves and live in ordinary comfort as self-respecting human beings. After that condition of things is brought about, the brainiest among them will certainly manage to acquire more wealth than the rest. I want the rich to hold their riches in trust for the poor or to give them up for them. (Gandhi, 1970, p.57).

He identifies a number of distributional rules that would constitute a satisfactory solution of the condition of labour. These include hours of labour, which take account of leisure time, educa-

tional and health facilities, pension provisions, a 'fair' distribution between shareholders (dividends), labour (wages) and capital (prices), while there should be recognition that capital and labour are mutual trustees for consumers (Gandhi, 1970, p.29-30, 33, 72, 75).

Applying the concept of *dharma*, Gandhi contends that:

True social economics will teach us that the working man, the clerk and the employer are parts of the same indivisible organism. None is smaller or greater than the other. Their interests should be not conflicting, but identical and inter-dependent. (Gandhi, 1970, p.49).

To be sure: 'There is a conflict of interest between capital and labour, but we have to resolve it by doing our own duty.' (Gandhi 1970, p.64).

For Gandhi,

...dharma ... signified nature, right, and duty. Since every human action was both a right and a duty and had an individual and social dimension, rights had to be defined and exercised in a socially responsible manner, and duties defined and discharged in a way that took account of the agent's uniqueness and claims. (Parekh, 1997, p.50).

But these corporatist-distributional boundaries were blurred in principle: '...the mill-hands are as much the proprietors of their mills as the shareholders .... there is no right in the world that does not presuppose a duty' (Gandhi, 1970, p. 47). In terms of respect and one's standing in society: 'Who will not look down on those who desire to be maintained on public funds without doing any work?' (Gandhi, 1970, p.19).

Gandhi is also pessimistic about the possibility of market forces ensuring equality through exchange:

What is a man, who is not a thief, who openly charges as much as he can for the goods he sells? If the reply be that the buyer is a willing dupe, it begs the question. In reality, the buyer is helpless rather than willing. (Gandhi, 1970, p. 91).

Market forces have to be seen in the context of public goods and/or externalities: 'All life is one. If we clean our own homes and neglect our neighbours', we will have to pay the price in the form of epidemics and the like' (Gandhi, 1970, p. 90).

Gandhi's views on *dharma* and the moral basis of social order are shown in his account of events during on his stay in South Africa:

My opinion against sweepers' strikes dates back to 1897 when I was in Durban. A general strike was mooted there, and the question arose as to whether scavengers should join in it. My vote was registered against the proposal. Just as man cannot live without air, so too he cannot exist for long if his home and surroundings are not clean. One or other epidemic is bound to break out ..... A Bhangi may not give up his work even for a day ... [Resignation with due notice] will wake up society from its disgraceful slumbe. (Gandhi, 1970, pp.87-88; see also Rivett, 1959, pp.10-13).

There are apparent links between Gandhian ideas on political economy and the school of western economic thought which argues that structural rigidities necessitate government intervention, that the physical surplus is technologically determined, and that some parameters of distribution are exogenously given outside economic models (Sraffa, 1960, Emmanuel, 1972). Despite Sraffa and Emmanuel arriving at these conclusions on the basis of mobility of capital and labour at the national and international levels, there are still connections with issues raised by Gandhi. Indeed concerns on the role of government, technology and distribution give Gandhi's propositions a distinctive neo-Ricardian feel.

We can recall that Ricardo questioned the productive role played by landlords, whom he saw as obstructing economic progress. In Ricardo's society, the conflict between classes was such that free market forces increasingly distributed income to those who had land ownership titles. Clearly, technological change would tend to be inhibited by the activities of this entrenched, parasitic land-owning aristocracy, so much so that this would lead to stagnation - though, in the writings of Malthus, this class could assist progress through its consumption of surplus, as Keynes also recognised. Arguably Ricardo's problem could also be resolved by a variant on Gandhian trusteeship.

On the distributional and consumption side, for John Stuart Mill and others, institutional analysis provided the basis for understanding the operation of market forces; in other words, the latter could only be understood once the former had been analysed. Mill argued that production and distribution could be analytically separated, with technology determining the pattern of production, and distribution being determined in the socio-political sphere. Mill thought distributional disputes should be politically resolved without disrupting production - Gandhi agreed, but located his solution closer to cultural norms.

Gandhi's examination of the concept of *dharma* also suggests that there are links with some versions of the new institutional economics (NIE). The latter are concerned with 'civil societies' in which (horizontal rather than vertical) networks foster social trust which, in turn, induces collective action. Civil society institutions are therefore responsible for reducing uncertainty in human interaction (Cameron and Ndhlovu, 2000).

But there is no evidence that Gandhi was drawing on this western stream of new institutionalist and neo-Ricardian economics. We suggest that his views are consistent with a distinctively Hindu Indian political economy. Gandhi's combination of political economy and moral economy owes much to his sense of a desirable Hindu social order, and the understanding of the human condition into which he was socialised.

#### 4. CONCLUSION

Arguably, Gandhi's (and Amartya Sen's) analysis indicates a deep rooted, 'national' ideological predisposition in India to a position in economic thought which is broadly consistent with western neo-Ricardianism, albeit one in which caste plays the theoretical role of class. Similar assumptions about production and distribution are made, so that cross-cultural communication is possible. Moreover, an ideal of a strong civil society explicable from the concept of *dharma* is similar to some versions of the new institutional economics (NIE). This cross-fertilisation may, as Amartya Sen implicitly suggests, produce desirable results for western economic thought in which neo-Ricardianism and some NIE analysis come to recognise their ethical roots. This could strengthen arguments for economics which is based on human interdependence, as against neo-classical economics and its underpinning ethical individualism.

In the Indian case, a deeply rooted body of Hindu-influenced thought helps explain India's continued resistance to 'global liberalisation' as economics. Suffice it to say that a faster pace of 'liberalisation' in the rest of the world will itself induce additional pressure on the Indian government from external agencies to match global 'best practice'. But a slower rate of 'liberalisation' in India, partially due to deeply rooted intellectual resistance, will also give India an opportunity to observe the balance of costs and benefits for a large country which has been a latecomer to 'liberalisation' in the 1990s. If the costs are seen to outweigh the benefits, then India will have kept open an option of returning to a modified version of its own historic development trajectory.

Outside south Asia, the drive for 'global liberalisation' in Africa, other parts of Asia and in Latin America might have called into question the role of alternative models regarding what it means to be human in relation to market forces, but there is still much ideological investment in many Indians' sense of cultural uniqueness and adherence to models of economic interdependence. Economists of Indian origin will continue to occupy the centre for coherent resistance, within economic thought, to the pressures of neo-liberal individualism and its hand-maiden of neo-classical economics.

## ENDNOTES

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2. Chakravarty (1986) argues that university economics teaching in India has shifted towards neoclassical, marginalist economics; but, citing Hicks to replace Marshall as the major indicator of the shift, suggests a relatively mild displacement.
3. The 1992 Third World Network Dossier (A-60 Hauz Khas, New Delhi 110016), on *The Social and Ecological Impact of World Bank/IMF Structural Adjustment Policies in India*, brings together critical articles from all major English language papers.

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