

A REINTRODUCTION TO GANDHIAN ECONOMIC THINKING

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AT THE OUTSET I MUST THANK THE INDIAN COMMITTEE FOR CULTURAL Freedom for providing me with this opportunity of laying before you my views on the meaning of Gandhian economic thinking. This highly significant subject has yet to attract its proper share of scholarly attention and as a natural result the importance of the Gandhian contribution to the economics of the colonial areas continues even today to remain almost entirely obscure.

That the meaning of Gandhian economics continues to remain virtually unknown may seem a rather surprising statement to make in view of the vast volume of so-called "explanatory" literature on Gandhian economic thinking. However, as soon as we try to approach the subject in a scientific manner, it becomes painfully obvious that with one or two exceptions the contributors to the discussion have adopted a completely incorrect methodological orientation.

The usual trend of this literature is to treat Gandhi as basically a *philosopher* and to try to derive the Gandhian economic policy-recommendations as logical *deductions* from certain basic axioms of Gandhian philosophy, e.g., the principle of non-violence. As a methodological procedure this is totally wrong.

In the first place, this procedure assumes that economic policy-prescriptions can be logically deduced from non-economic axioms alone. Moreover, it should be obvious that unless non-economic ethical judgments are supplemented by an analysis of how the economic system operates, it is methodologically invalid to expect economic policies to be derived from them. This basic procedural inaccuracy has meant that the basic Gandhian vision of how the economic system in colonial areas operates to create a vast and growing volume of poverty has been pushed into the background. Further, the entirely false and gratuitous impression has been created that as the Gandhian economic programmes allegedly "follow" from immutable philosophical axioms, these policies are historically *non-relative* and that they constitute a programme that is applicable and relevant to all kinds of economic situations. This "scriptural" approach has inevitably led to a situation in which the disciples of Gandhi have been totally unable to reinterpret the Gandhian doctrines in line with changing historical circumstances.

In the second place, this approach has tended to put an exclusive and inappropriate stress on the principle of non-violence. While it is quite true that the Gandhian economic policies cannot be derived *without* assuming the principle of non-violence, the role of this principle continues nevertheless to be misconstrued. Analysis in detail will reveal that the principle of non-violence does not appear as a principle determining the goals of economic policy but simply as a basic *constraint* on the types of policies which might be used to achieve these goals. The simplest proof of this is that non-violent policies may be directed to policy-goals quite different from the typical Gandhian ones.

This simple point has been unnecessarily confused by the prevalent puerile discussions on the ends *versus* means issue. Anti-Gandhian viewpoints stress that Gandhiji failed to grasp the basic praxeological principle that once there is a commitment to a certain end there is automatically also a commitment to the most efficient means towards that end. Gandhians, on the contrary, never tire of emphasizing that bad (i.e., ethically unsatisfactory) means cannot lead to good (i.e., ethically satisfactory) end-results. Even aside from the fact that the two sides here are using incompatible concepts of ends and means (the anti-Gandhians defining "ends" as "end-results"), the discussion is hopelessly irrelevant to the real facts of the situation. The facts are that as a result of this vision of the way in which the economic system of colonial areas operates Gandhiji had arrived at certain ideals for economic policy in such areas. These ideals are such that it is nothing short of absurd to assume that *violent* policies can be used to attain them. The psychosomatic type which would react favourably to the aims of Gandhian economic policy are such that they are exactly antithetical to the types which would tend to resort to violent methods for goal-attainment.

Thus, it becomes clear that the "scriptural" approach to Gandhian economic thinking is a source of very great confusion. It also follows that the only way to cut through this confusion is to go beyond the specific policy-programmes enunciated by Gandhiji and to try and understand the basic analytic vision of the operations of colonial economics that lay behind and give meaning and consistency to these policies. For doing this, it is essential to place the question in the proper context.

GANDHI AND COLONIAL ECONOMICS

Let us try to understand what this proper context is. In order to do this we must digress a little and start off from the question of economic theory and policy in the colonial areas.

As is well known, the Smithian brand of liberal economics promulgated the basic principle that the free operations of the market mechanism (to be distinguished from the operations of ideal free markets) were sufficient to

lead to economic progress provided that the State established the basic institutional framework for allowing the market mechanism to function and placed no restraints on its operations. A simple and logical deduction from this was that the process of colonialism must turn out to the benefit of the colonized areas. The western powers were seen to be introducing the rule of law and the basic institutions of capitalism in the place of the arbitrary rule of feudal despots. The consequence of this process could only be the emergence of rapid economic progress in the colonized areas.

However, reality failed to conform to this simple and comfortable model. It soon became obvious that, far from leading to rapid progress towards prosperity, the introduction of Western capitalism into the environment of the Eastern agrarian economies was leading to the creation of a vast mass of poverty. Further, the situation was not such as to allow the hope for a quick transformation so that the claim that these phenomena were merely the transitory problems of readjustment could not continue to be reasonably held.

The experience on the colonial areas, thus, seemed to require a new sort of economics to explain their plight. It was also apparent that some new policies would have to be devised for dealing with the problem of poverty in colonial areas.

Two lines of thought arose to deal with the problem. One school sought to find the explanation in the exploitative relationship of colonialism. This was predominantly a neo-mercantilist line. One branch of it concentrated on the drain of bullion from the colonial areas. A typical Indian representative of this sort of thinking was Dabadhai Naoroji. A slightly more sophisticated neo-mercantilist argument was based on the Listian notion that free trade between developed and underdeveloped areas tended to inhibit the industrial development of the latter. A typical Indian example of this school is R. C. Dutt.

Apart from this neo-mercantilist analysis, another school of thought attempted to find the explanation in the incapacity of the "natives" to take up the capitalist road to prosperity. Race, climate, culture, religion and a host of other factors were brought in to explain why the natives were lazy and improvident according to the standards of Western capitalistic society. A factor which was given the greatest importance was the high birth rate and high rate of population growth in these regions. An Indian example of this kind of analysis was the works of Bankimchandra Chattopadhyaya.

It was the outstanding merit of Gandhiji to see that none of these lines of approach provided a satisfactory account of the basic economic problem of the colonial areas. It was his pioneering insight that the fundamental problem was to be found in the decay of the domestic handicraft industries in the villages and the resulting loss of occupations and impoverization of the Indian masses who were forced into agriculture as their only means of

support. It was further clear to Gandhiji that in this process of village decay, the city-sector of the colonized areas (and in particular the manufacturing industries of the colonized areas) played the same role as did the manufacturing industries of the colonizing country.

THE BASIC GANDHIAN ECONOMIC PROBLEM

Let us now try to analyze the nature of this problem in detail. Visualizing an initial situation in which the pre-colonial economy was in a state of prosperous *stasis* with a basic division of labour between agriculture village-based handicrafts and city-based luxury handicraft industries, we can trace out the impact of colonizing capitalism on this set-up. The first stage of penetration is one in which the Western trader enters the picture as a *buyer* of the luxury products of the superior city-based handicrafts. As yet the Western trader can contrive to sell relatively little to the future colony. As such the basic division of labour in the future colony is not disturbed and the relatively small economic effect that this trade produces is almost entirely favourable for the future colony.

The second stage comes with the military and political ascendancy of the Western trading interests. This power is exerted to secure two things. First, the Western colonizers acquire mining and plantation interests and operate these on the basis of forced labour in semi-servile conditions. Secondly, they use their political power to destroy the city-based luxury handicraft industries so as to eliminate competition for their industrial exports in the city-markets. Even now, however, the Western penetration does not affect the village sector as such and the traditional division of labour of the village economy remains undisturbed. Thus, the phenomenon of mass poverty remains confined to the mines, plantations and the dispossessed city-handicrafts men.

The third stage ushers in the real problem. This is when, with the development of cheap mass-manufacturers in the Western capitalist countries, the colonial policy changes from one which regards the colonies as the sources of imports to the one which regards them as *markets for exports*. Naturally, the transition is gradual but it marks a definitive stage in the development of colonial relationships.

The effect of the new orientation is to bring about the end of the traditional division of labour in the villages. The opening up of the villages through improved transport system means that the cheaper mass-produced manufactures replace the village-based handicrafts. To the village agriculturist, it appears as if the terms of trade *vis-a-vis* industrial products had changed in favour of the agriculturist. Thus the change-over from village-based handicrafts to mass-produced factory products appears as a simple matter of economic interests. As a matter of fact, this is so only in the

short run as far as the agriculturists are concerned. But in the longer run it lays the foundations of a serious economic problem.

The root of the problem is that the villagers have but one occupation left to them. As population grows faster than before as a result of the introduction of Western techniques in the field of famine prevention and in medicine, the pressure on the available land becomes ever sharper. A natural result of this is the emergence of the phenomenon of disguised unemployment. We have been arguing as if the period in which village handicrafts are destroyed and the period in which there emerges a redundant agricultural population are separated by a fairly long period of time. But this need not be so. The situation might very well be such that the dispossessed handicraftsmen cannot find full employment in agriculture even initially. In that case the emergence of the problem would be even more accelerated.

The fourth stage of the development of the problem is reached with the entry into the scene of the domestic mass-manufacturer. For these domestic capitalists based on the city, the villages appear simply as markets. Thus, they stand in the same relationship to the village economy as do the foreign capitalists. The domestic capitalists with their greater understanding and better connections with the unorganized money-markets complete the economic ruin of the village handicraftsmen.

The fact that agricultural output remains virtually stagnant means that the total consumption of manufactured goods rises little if at all. Thus, the output of the factories only displaces the output of the village manufactures. Since, however, the labour output ratio is distinctly higher, and also the capital-labour ratio, the shift from village handicrafts to factory products implies (a) that a greater number of people are robbed of their occupations than find employment in the factories and (b) that in consequence of the high capital-labour ratios the employed workers get fairly high wages especially as compared to the disguised unemployed villager.

This last fact leads to a further complication. Attracted by the prospects of high wages the underemployed villagers tend to move into the cities. At the same time, however, the aggregate economic conditions are such that they do not infallibly obtain the industrial employment they are seeking. On the contrary, the limitation of the market for factory products implies that most of them do not get any employment so that they are reduced either to sponging on the employed or to swelling the numbers of the disguised unemployed in the cities. Thus, along with mass poverty in the villages there also emerges mass poverty in the cities.

In such a situation, with relatively little employment available in the factories, the chances of independent entrepreneurship being blocked by limited markets and monopolistic conditions and agriculture being no longer a paying proposition, the most enterprising and the more privileged turn

to white-collar employment, primarily government service in clerical capacities. But even this field soon dries up and the emergence of white-collar educated unemployment closes the whole vicious circle.

CITIES IN A PARASITIC ROLE

In such a set-up the cities tend to play a parasitic role with respect to the non-urban sectors. We have already seen how the situation is such that rapid economic growth in the cities is virtually ruled out by the structural properties of the situation. But this does not mean that the cities do not play a significant negative role.

This negative role is played through three economic mechanisms. In the first place, the visibly higher incomes of the cities (even after allowing for the existence of a vast mass of poverty) as compared to the villages means that there is a continual influx of the more enterprising and progressive elements of the villages into the cities. Thus, the lure of the cities tends to draw away the most promising elements of the village population. In the second place, the existence of the cities as centres of luxury and as sources of luxury products means that the meagre economic surplus of the villages tends to be consumed either in the cities themselves or on city-based consumption goods. Capital formation in the villages is thereby substantially hindered. *In the third place*, since the only alternative to agricultural investments is investment in city-based manufactures and since in the given institutional set-up the latter are much more "productive" than the former, the city also functions as a mechanism draining away the investment capacity of the villages.

It has also to be noticed that the resources which the cities tend to draw away from the villages are absorbed in socially unsuitable forms. The employment that the incoming villagers usually obtain are mostly those assigned to "surplus" populations. Similarly, the inflow of investible capital from the villages is also usually put into the unproductive forms of retail trade and small business which are also merely another manner of supporting the disguised unemployed.

In the ultimate analysis, therefore, the end-result of the colonial process is to destroy the economics of the village sector; to create a mass of unemployed and unemployable industrial and rural proletariat and to set up a number of economically parasitic entities called cities. Notice that by the time the final stage is reached, the significance of purely colonial exploitation has become relatively much smaller. It is rather the colonial economy itself which is engaged in self-cannibalization. It is quite possible to hold that it was Western colonialism which was causally responsible for this tragic situation. This was an undoubted *historical fact*. But it also followed that *the mere removal of colonialism would do little to solve the problem of mass poverty*. And this would be so not because of the perpetuation of

Western colonialism through neo-colonialist practices but because the colonial situation would persist *so long as the city-sector continued to use the village sector as its colony*.

THE QUALITY OF THE GANDHIAN VISION

We are now in a position to understand the outstanding importance of the Gandhian vision. Its pioneering role is of course very evident. Most of the vision was worked out even before Gandhiji started writing the *Hind Swaraj* (1921). The basic idea that colonial economies were fundamentally distinct from the developed Western economies had been initiated only a little earlier. But even so it was nearly 1943 by the time Western economies began to take full cognizance of this fact. Further, the idea that the development of domestic national-bourgeoisie and the associated rise of domestic manufacturing industry might give rise to a serious economic problem-situation was a brilliant analytic insight that has even now been only inadequately absorbed into the Western analysis of the colonial economic situation.

A highly significant analytical point was also the idea of the parasitic role of cities in the colonial areas. It is only with the work of Hoselitz that Western thought has become aware of this problem nearly thirty years after Gandhi. A similarly important fact was the Gandhian analysis of the reason why the development of mass-manufactures in the undeveloped countries could not be expected to absorb the entire surplus population of the village sector. It is even now only rarely taken account of by Western economists. The outstanding counter example is of course the work of Gunnar Myrdal but Myrdal himself is outside the mainstream of Western economics as yet.

But the really outstanding merit of the Gandhian analytic vision was the directness and the courage with which it emphasized that the mere removal of Western colonization and the attainment of political independence would not solve the economic problems of colonial areas. The point that the worst features of the heritage of colonialism was the building-up of the colonial relationships into the colonial economy itself and that the solution of this problem required a lot more of insight into the socio-economics of colonial areas than was provided by "swadeshi" neo-mercantilism was the most outstanding contribution of Gandhian economic thought. Most of the difficulties of the economic policy-makers in the colonial areas can be traced to the neglect of this fundamental truth.

CONCORDANCE OF GANDHIAN VISION AND POLICIES

We must digress a little at this stage in order to demonstrate the perfect concordance of the Gandhian economic policies with this vision of the operation of colonial economies. The major objectives of this exercise will be to show that the specific Gandhian policies form a coherent whole only in the background of this basic vision and that a sufficient case exists to justify

holding the view that this rather unfamiliar framework is the true basis of Gandhian economic thought.

The logical step from the vision to the specific Gandhian policies involves an intermediary step. This mediating step represents the formation of the ideals of Gandhian economic policy. If we are to follow the logical order of development these ideals have to be investigated first.

Gandhian economics starts from the fundamental proposition that the economic policy of colonial regions must be aimed at dismantling the typical existing economic order prevailing in such areas and erecting the foundations of a new economic order in which the exploitative effect of factory-manufactures and the parasitic effect of the urban-rural relations will be eliminated. Exactly how these aims should be pursued, however, cannot be simply determined from these objectives themselves. Certain further ethical judgments have to be introduced in order that the transition from diagnosis to prescription can be achieved.

Broadly, three routes can be distinguished which lead out of the typical colonial economic set-up. First, there is the capitalist route to economic development which involves the rapid expansion of the organized industrial sector at rates sufficiently high to absorb the entire surplus of the agricultural sector in organized industrial employment. Secondly, there is the typical communist path to industrialization via the collectivization of agriculture, the squeezing out of surplus from the villages and a high rate of forced investment in the basic industries (i.e., the Marxian department—I). These two routes imply that the problems of the colonial structure can be solved through the achievement of a high rate of economic growth. Opposed to this orientation is the Gandhian viewpoint that the true objective of economic policy-making is not the setting up of a *process* of rapid economic *growth*, but the setting up of a way of life which will lead to a static and prosperous *situation*. The distinction is here between the sort of ethics which regards a process of expansion as the *summum bonum* and the sort of ethics that regards the perpetual achievement of limited set of economic ends as the right objective.

It is precisely at this point that we come into contact with Gandhi the philosopher as distinct from Gandhi the economist and this transition is both necessary and logical since the choice between the ethical orientations that is involved here falls outside the sphere of economic analysis.

The process of analysis by which Gandhi arrives at the rejection of the ideologies of unlimited growth is extremely interesting. There are two lines of argument involved. One relates to the abstract question of the objectives of economic activity on the level of social ethics. The other relates to a criticism of the results of *not* accepting the Gandhian ethical orientation in terms of an atypical but very convincing welfare criterion.

As far as the abstract ethical question is concerned, it is argued that the true sphere of economic activity is merely to provide the individuals

in society with the basic minimum requirements of decent living. If this basic minimum is not attained, the individual lacks the physical requirements of the good life. Beyond this point, however, economic activity merely hinders the realization of the non-economic ends which are also essential to the attainment of what Gandhiji called a high standard of *life*. Thus, it evidently follows that the true objective of society is to shape the individual that he reaches a personality pattern in which his economic needs are limited to these ethical minima. In other words, plain living and high thinking should be the type of the highest form of social life.

This ethical position is of course not at all free from ambiguity. It lies essentially in the determination of what should be regarded as the minimum requirements. The difficulty is, however, more logical than practical. For, in practice, it is always possible to set up a conventional standard of what is good enough on the basis of broad-based agreement.

The other part of the Gandhian argument in favour of accepting a static and limited definition of needs is more interesting. This involves a criticism of the practical consequences of the acceptance of the opposite ideology that essentially economic needs are unlimited.

The ethical criterion on the basis of which the consequences are judged in the Gandhian philosophical structure states that economic *progress* is to be defined in terms of a reduction in the absolute number of people who feel that they are living below an acceptable minimum standard of living. As Gandhiji realized, the elimination of poverty in *this* sense is not assured by the mere fact of growing per capita real incomes. In the first place, the process of capitalistic growth (one of the major lines of development which follows the ideology of indefinite expansion and of unlimited needs) tends to create as a by-product of the process a large and growing number of *poor* people. While objectively the standard of these poor people might rise quite rapidly over time, the needs that they feel to be essential rise even faster. As a result the broad mass of economic unhappiness grows rather than diminishes over time.

And all this is on the assumption that the prospects for capitalist growth are highly favourable in the objective sense. This is unlikely to be the general case. The analysis of the colonial set-up has shown that the process of capitalist development involves the exploitation of the villages. In the context of the domestic economy this relationship is a direct and visible one. The only alternative to the exploitation of the domestic rural sector is the exploitation of the rural sector in the colonies. Thus, logically, the domestic village is a "colony" of the city-sector and the under-developed economy is the village-colony of the developed city-economy. A natural result of this is that capitalist development can generate all-round prosperity even in an objective sense only through the exploitation of the colonies. It follows that the current colonial economies cannot be expected to follow the same line

of development successfully, since, as more and more of the colonies turn into predatory city-economies, the ecological balance between predators and preyed upon will be altered and the predatory way of life would become inefficient. The domestic colonization that is now typical of the colonial economies would then become generalized with the same consequences now observable in the colonial economies—mass poverty both in the urban and the rural sectors.

Thus it follows that to accept the ideology of unlimited economic needs is to court ultimate disaster in terms of the reduction of mass poverty criterion. The only alternative to capitalist growth is the communist growth process. Gandhiji had the perception to see that the structural properties of this growth process depended on the squeezing out of a surplus from the agrarian sector by force. Thus the basis of this kind of growth process was also the exploitation of the village in favour of the city-based manufactures. The high rates of investment thus attained may solve the problems of rapid industrialization but they do not solve the problems of rapid industrialization nor do they solve the basic problem of the prevention of mass poverty. As soon as the objective technical conditions of developed industrialism are provided, the society would tend slowly to verge towards that prevailing in the typical developed capitalist economies. The actual events in Russia in fact indicate at least the partial validity of this contention.

Given that the process of unlimited expansion based on the ideology of limited economic needs leads only to unhappiness and given also that the current set-up in the colonial economies is such that the continuance of the present system will mean the continuance of mass poverty, only the Gandhian ideal of reestablishing the economic basis of prosperous *stasis* is seen to be a tenable objective.

This objective has to be realized over a fairly long period of time and this implies a fundamental distinction between the policies directed towards the short, the middle and the long run.

THE SHORT RUN POLICY FRAMEWORK

Let us begin by looking at the short run policy-framework. In doing so we must remember that at the time Gandhiji was formulating his policies the end of British rule was still not in sight. Thus, he had to concentrate on organizing the defense of the village sector through means available to the villagers themselves. This provides the essential rationale of the policy of *Khadi*.

There are explicitly only three methods by which the surplus working capacity of the disguised unemployed in the villages can be utilized. First, by organizing labour-intensive public works schemes with the aim of raising the productivity of agriculture. Second, there is the possibility that the disguised unemployed be resettled in any "empty spaces" that may be available

within the country. The third alternative is to revive the village handicrafts. Since the first two processes involve the full commitment of the Government and since the British Government could not be expected to be interested in such processes, the only remaining alternative was *khadi*. As soon as we realize that there was and is an unutilized stock of working capacity inside the rural sector whose present social marginal product is zero, the use of this labour even in low-productivity activities like *khadi* becomes entirely socially rational. Of course, if the availability of capital in the village sector was more free and slightly more capital-intensive, village industries could very well be utilized. But such a situation did not exist.

However, even though the idea of *khadi* was socially rational from the point of view of the village as a *collective*, it was obvious that the change-over from mill-cloth into *khadi* implied some sacrifice in terms of personal consumption for at least the better-off villagers. Thus *khadi* could only succeed as a part of an ethically motivated movement. Gandhiji was himself fairly clear on this. It was his idea that each villager would utilize his surplus labour time in the production of *khadi* cloth and try as far as possible to attain self-sufficiency. A necessary and inescapable part of this process was the boycotting of mill-produced cloth. The rationale of the process did not and could not involve the idea that certain full-time *khadi* workers would be subsidized by the *Government* in an attempt to make *khadi* economically competitive with mill-cloth. On the contrary, this would clearly perpetuate that very other-dependence of the village economy which it was the objective of *khadi* to remove.

The entire short run process of Gandhian economic policy was directed towards reconstituting the villages into a self-sufficient closed system as far as possible and to achieve as great a degree of the full utilization of the working capacity in the rural sector as possible. The ultimate objective of this process was thus to make the colonial economic process of exploiting the village sector an impossibility. A feature of this process was also the breaking off of the cash nexuses between the city and the village. The boycott of city-goods, the refusal to pay land revenues and other cash taxes, etc., all were aimed at the attainment of this basic objective.

THE MIDDLE RUN AND THE IDEA OF SWARAJ

Obviously, with the attainment of self-sufficiency of the village economy, the economic basis of colonialism, the usefulness of the village sector as a source of markets will come to an end and a complete breakdown of the colonial structure will automatically follow. But this is equally obviously not the end, for the entire economic structure still remains to be reconstructed. The economy of the exploitative city-sector has been made unworkable and the defense of the village sector has been set up. By this

alone, however, only the foundations of the Gandhian economic structure have been laid.

The fundamental principle of economic reconstruction involves the Gandhian idea of *Swaraj*. This is a semi-metaphysical principle and its intricacies cannot be examined in detail on this occasion. However, in its practical application to the process of economic reorganization *Swaraj* stands for the highest degree of localization and decentralization of production and distribution accompanied by the highest feasible degree of the vesting of the ownership of the means of production in the labourers themselves. This principle is based on the antithesis to the two typical forms of capitalist exploitation, the use of an area as a market and the use of economically dispossessed proletariat on the basis of wage-slavery.

Obviously, there will be certain industries which will have to be centralized and these should remain under collective ownership. But these will only be industries supplying the INPUTS the decentralized industries in the villages need, not those competing with the OUTPUTS produced by the decentralized industries. Thus the closer the product moves towards the final stage of production the greater should be the degree of decentralization and any industries which cannot be made to conform to this structure will have to be rejected.

Once this type of economic organization is attained, the machine as such will lose its exploitative character. This will be so because it will no longer be used to *displace* workers and *overcentralize* production but only to perform jobs which the workers could not have performed and only to centralize production processes that cannot be carried on effectively in a decentralized manner.

INDUSTRIAL MANAGEMENT AND TRUSTEESHIP

What will be the typical form that industrial management will take under the new economic set-up? As will be noticed, the new set-up is such that all opportunities for anti-social profit-making will be removed. Thus profit-making as an organizing principle will be perfectly invalid. The question of profit-taking is, however, different. Under the new set-up it will no longer be permissible for the individual owner to appropriate the full amount of profit for his own use. There are two alternatives. Either the property might be nationalized or the former owner may retain control as *manager* but must regard himself as the *trustee* of the enterprise. In either case the result is the same. The latter variant is, however, preferable under the Gandhian concept of voluntary and non-violent change.

Now, just as the transition to *Swaraj* economics will be only achieved gradually and voluntaristically, the processes of training industrial owner-managers in trusteeship should begin even before the attainment of *Swaraj*

economics. However, it is only in the context of *Swaraj* economics that the doctrine of trusteeship will attain its full meaning.

LONG RUN OPERATIONS OF THE GANDHIAN ECONOMY

Having understood the economic structure of the Gandhian economic system, let us look at the sort of operational results it can be expected to attain. In the first place, the economy will be a virtually non-growing economy. This will follow from the limited needs postulated as an absolute ethical aim. However, there is no reason to assume that a gentle upward trend in per capita income will not be attained.

In the second place, it is obvious that the operations of this kind of economy will necessarily imply a fair and even sharing out of the national income and the gains from growth. This is basically what is implied in the Gandhian principle of *sarvodaya*.

However, there still remains one essential question. And admittedly this is nowhere discussed thoroughly by Gandhi. This is the question of how much should be allocated to investment and how much to current consumption. Obviously, under the system described above, once the basic minimum standard of living is attained on all hands the net rate of investment should fall to virtual equality with the rate of population growth. And this points the way to two inherent problems. First, there is the question of whether population growth is to be limited and if so how. The second question is the optimum rate of technical progress to be sought by such a society.

The questions are interrelated. Thus, if the rate of technical progress is high and the rate of population growth fairly low, the rate of net investment would in the course of time fall to nearly zero. But if the other values of these two basic parameters prevail and the rate of technical progress falls short of the rate of population growth then the society will be compelled to increase its rate of investment indefinitely over time until an impasse is reached. Thus, it becomes rather evident that population limitation—at least in the modified non-Malthusian form of keeping it below the expected rates of technical progress—will have to be resorted to. Here a Gandhian moral caveat against artificial birth control is likely to pose an important problem.

CONCLUSIONS

We are now ready to set out the fundamental principles of Gandhian economic thought in logical order.

First, as far as basic analysis is concerned, Gandhian thought starts off from a characterization of the colonial economic system. The exploitative role of the factory-based industries in the final consumption sectors and the parasitic role of the cities is identified. It is seen that the elimination of

these sources of mass poverty is not realized simply by the removal of foreign colonizers.

Secondly, as an ethical ideal Gandhiji accepts a system in which the economic needs of the individual in society are regarded as limited in principle and the objective of the economic system is seen to be the provision of this basic minimum for all. A critique of alternative ethical positions on the basis of a Gandhian welfare criteria indicates the primacy of the Gandhian ethical orientation.

Thirdly, the short run goal of economic policy is to make the colonial economic progress unworkable. This is the essence of the policy of *khadi*, the non-payment of taxes and the boycott of mass-production goods.

Fourthly, the breakdown of the colonial system must be accompanied by its gradual replacement by *Swaraj* economics. The basic principles of *swaraj* economics are decentralization of industries and localization of markets for goods of final consumption. A relatively greater degree of centralization for the input-providing industries, the management of industrial units on the basis of the doctrine of trusteeship and the setting up of land-owning peasant farming and tool-owning artisan manufacture is the typical form of agricultural and industrial activity.

Finally, the attainment of this economic structure is sufficient to establish an era of economic *sarvodaya* with a complete elimination of economic inequality and of exploitative relations between man and man and between the city and the village.

This summary of the Gandhian doctrine indicates the basic contributions of Gandhian thought. The most important contribution of Gandhian analysis seems to be the analytical rather than the programmatic part. This is so because of two facts. First, the belief in the Gandhian economic analysis of colonial areas is logically separable from the ethical predispositions of Gandhian philosophy. Secondly, great doubts might be held about the workability of the Gandhian *swaraj* economy even while one accepts every word of the Gandhian analysis of the relationship between the city and the village in colonial economies. The important contribution, as far as the economist is concerned, is the identification and analysis of the internal colonial process in underdeveloped economies. This Gandhiji did with superb skill. The solution he provided, however, was not necessarily either the best or even a feasible one. The reason why Gandhian thought would even in this case remain a very important and valuable element in the theory of economic policy of colonial areas is that while Gandhian thought may not have provided a solution it has at least pointed out the need for the solution of the internal-colonialism problem. Unless the formulators of economic policy succeed in providing a workable solution to this problem, effective elimination of mass poverty will be impossible of achievement.

There is thus the need for high-intensity research on the possible range of feasible solutions to the economic problem that Gandhiji identified. Elsewhere I have tried to point out that talking in terms of Gandhian concepts might be a very helpful tool in this process. However, even if all the Gandhian contributions to the solution of the colonial economic problem should turn out to have been false starts, it will still remain true that a satisfactory solution to the problem of mass poverty in the underdeveloped economies will depend on the satisfactory solution to the Gandhian problem.