

MPRA

Munich Personal RePEc Archive

'Humanomics' of Ranade

Islahi, Abdul Azim

Dept of Economic, Aligarh Muslim University, India

1993

Online at <https://mpra.ub.uni-muenchen.de/23552/>
MPRA Paper No. 23552, posted 30 Jun 2010 01:43 UTC

'Humanomics' of Ranade[*]

ABDULAZIM ISLAHI

M.G. Ranade (1842-1901) was among the pioneering thinkers of India who, wanted modification in classical economics and criticized it because of its abstraction, miscalculation of human nature, and no accounting of socio-cultural environment and religious elements. The present paper aims to study this aspect of his contribution to economic theory in general and to Indian school of economics in particular. We refer to it as '*Humanomics*' because he gave the prime importance to diverse human society and culture, its values and beliefs in formulation and application of economic theory.

REBIRTH OF ECONOMICS IN INDIA

India, with its old culture and civilization, had contributed a lot to economic theory in pre-economics era, or so to say, before the advent of economic science in the mid-eighteenth century. Kautilya's "*Arthshastra*"¹ and Manu's "*Dharmashastra*"² in ancient India, and Abu'l Fazl's "*A'in-e-Akbary*"³ and Shah Waliullah Dehlawi's "*Hujjatullah al-Balighah*"⁴ in the Middle ages contained a lot of economic concepts and analyses. Introduction of classical economics in India took place almost after a century of its birth in Europe. In India, development of economic science took the same course as it did in Europe in case of classical economics. That is, its propounders were not professional economists. Rather they were lawyers, social workers, ethical philosophers, or educational reformers, such as Sir Syed Ahmad Khan (1817- 1898)⁵, M. G. Ranade, Romesh Dutt (d. 1909). Dada Bhai Naoroji (d. 1917), etc.

ECONOMIC THEORY, A PRODUCT OF SOCIO-CULTURAL ENVIRONMENT

Economics is a behavioural science. Thus its theory is generally a product of socio-cultural environment of certain people. Economic theory essentially reflects the condition in which it developed. Most of its tools and laws are not precise as those of natural sciences and mathematics. This is certainly one of the reasons for existence of different streams of thought and schools in economics. Therefore, it will be mistaken to apply economic theory developed in one particular region and environment in totality to an entirely different region and environment. M.G. Ranade realized this inherited shortcoming of economic theory. He knew that classical economics took birth in England where people's taste, habit, society, culture and beliefs were very much different from those of people in India. So he tested the applicability of British classical economics in the Indian context and found it faulty. Thus, he criticized it and suggested modifications that could suit the new environment.

RANADE, THE FATHER OF INDIAN ECONOMICS

Ranade was one of the first matriculates of Bombay University in 1859, and a law graduate of it in 1866. In spite of being in government services, he had diversified interests in politics, education, history, economics and social reform. In 1871, Ranade was posted at Poona as first class first grade subordinate judge. There he came across to a society called *Sarvajanic Sabha* (Public Assembly). The object of the society was to represent to the government the needs and the wishes of the people.⁶ Ranade found in this society a means of expression for the social conscience. Its journal *Sarvajanik*

Sabha Quarterly, with which he remained in association till 1893, became mouth-piece of his ideas. Apart from his writings on economic issues in the journal of *Sarvajanic Sabha*, he presented his economic ideas in public speeches, in conference papers, addresses in educational institutions, and a series of articles he wrote in *Times of India*. In 1899 appeared his famous work *Essays in Indian Economics*. Because of his enormous contribution to the subject of ... economics and Indian economy, his biographers acknowledged him as the father of Indian economics or founder of the school of Indian economics.⁷

RANADE'S CRITICISM OF CLASSICAL ECONOMICS

Tracing the development of modern economics in India and listing Ranade's contribution in this respect, Joseph Spengler observed: "He was called the father of economics . . . founded upon the supposition that the Indian economy was peculiar and in need of policies fitting its condition. The rules and presuppositions of classical economics, while they may have fitted England, did not suit India's need. Ranade, therefore, played a major role in shifting economic thought and policy in India from one based on the ideas of Smith and the classical economists to one based upon the statistic and/or economic development-oriented views of Sismondi. Alexander Hamilton, Henri Carey, List, the German Historical School, and (perhaps most of all) Henry Maine, from 1878 when Ranade began to publish economics papers in the journal of the *Sarvajanic Sabha*."⁸

In 1892, Ranade read a paper entitled "Indian Political Economy" at the Deccan College Union, Poona,⁹ in which he mentioned the factors that had led to the worsening economic, industrial, agricultural and financial situation of India, and showed the direction of its reform. He stressed. "If in politics and social sciences time, place and, circumstances, the endowments and aptitudes of men their habits and customs, their laws and institutions and their previous history have to be taken into account, it must be strange indeed that in the economic aspect of our life, one set of general principle should hold good everywhere for all time and place and for all stages of civilization."¹⁰ Ranade made a thorough study of English economic doctrines, English economic history, continental theories and practices and then formulated his theoretical approach as well as practical policy so far as they could be applied to Indian conditions. He specially criticized the assumptions such as, national economics is essentially individualistic and has no separate collective aspect; the individual or typical economic man has only desire of promoting his self-interest; self interest is best promoted by the largest production of wealth; pursuit of private gain by each individual promotes best the general good; free and unrestricted competition of individuals in the race and struggle of life is the only safe and natural regulator; all customary and state regulation is an encroachment of natural liberty, and each individual knows best his interest, and has the capacity and desire of acting according to his knowledge; there is perfect freedom and equality in the power of contract among individuals; capital and labour are always free and ready to move from one place to another where better remuneration is expected; there is a universal tendency of profit and wages to seek a common level; population tends to outstrip the means 'of subsistence; and demand and supply always tend to adjust each other mutually. Let us see in some details Ranade's stand over some of these assumptions:

(a) ***Economic Man is not the Real Man***. The assumption of classical economics about man as goods maximizer, utility-seeker and motivated by self-interest is not correct. This assumption paints man as an acquisitive animal who is always busy in filling his own stomach. A man has love, passion, emotion, sympathy, hatred, etc., and his behaviour is, in fact, governed by all these attributes. Ranade observed: 'With us an average individual man is, to a large extent, the very antipodes of the economical man. The

family and the caste are more powerful than individual in determining his position in life. Self-interest in the shape of the desire of wealth is not absent, but it is neither the only nor the principal motive. The pursuit of wealth is not the only ideal aimed at.¹¹

(b) ***Competition is not a permanent and absolute feature.*** Another important assumption of classical economics is that man is competitive. This is also not a permanent characteristic of man. In many cases, man prefers co-operation to competition, and in several cases he has to give up competitiveness because of social, legal and religious bindings. Ranade said: 'There is neither the desire nor the aptitude for free and unlimited competition except within certain predetermined grooves or groups. Custom and state regulations are far, more powerful than competition and status far more decisive in its influence than contract. Neither capital nor labour is mobile and enterprising and intelligent enough to shift from place to place.'¹²

(c) ***'Laissez Faire' is not suited to every country in every time.*** The classical economics propounded the theory of *laissez-faire*, non-interference. According to this theory, people know their interest well and they can produce and distribute goods required in a most efficient way. Hence, the government role should be confined to collection of taxes for defence purposes and maintenance of law and order.¹³ Ranade does not agree with this. He assigns the state major responsibility in supply of infrastructure and provision of subsidy or protection to newly established industries. He observed: 'The state is now more and more recognized as the national organ for taking care of national needs in all matters likely to be so effected and economic as national effort. This is a correct view to take of the true functions of the state to relegate them to the simple duty of maintaining peace and order is really to deprive the community of many of the advantages of social union. Education, both liberal and technical, posts and telegraphs, railways and canal communications, the pioneering of new enterprises, the insurance of risky undertakings, and all these functions are usually discharged by the state. The question is one of time, fitness and expediency, not one of liberty and rights'. . . .¹⁴

(d) ***Territorial division of labour is unjust.*** As regard the role of state in guiding, protecting, and coordinating the economic life is concerned, Ranade seems to follow Frederick List, the German economist. But he differed from the latter on the question of natural division of labour, brought about by climatological and other physical factors. His biographer T.V. Parvate writes: 'A corollary to the acceptance of this theory was that no tropical country should aspire to be an industrial country, that only Western countries should have the monopoly of producing manufactured products and tropical countries should always remain as suppliers of raw material. China and India which are tropical had a highly developed system of manufactures before the machine age, even in the metallurgical and chemical manufactures, besides in the field of cotton, woolen and silk piece goods and making tools and instruments of production'¹⁵

(e) ***Classical population theory has not the test of time.***

According to Malthusian theory of population, there is always a tendency for population to increase. Unchecked population increases geometrically; subsistence increases at best only arithmetically.¹⁶ To Ranade, this population theory is unrealistic. He says: 'Population follows its own laws, being cut down by disease and famine, while production is almost stationary. The bumper harvest of one year being needed to provide against the uncertainties of alternate bad seasons.'¹⁷

(f) ***Ricardian theory of rent is not valid in India.*** Ranade criticized the Ricardian basis of the Indian system of land revenue. In classical political economy the rent of a capitalist farmer was determined by

the competition of capital, the size of the population, and the varying fertility of the soil.¹⁸ The ground on which Ranade rejected Ricardian theory was that since the state had become the sole landlord in the country, the cultivator paid not a competitive but a monopoly rent which the government was in a position to pitch as high as it liked and which frequently encroached upon the profits and wages of the cultivator.¹⁹ He also considered the unearned increment theory, a natural corollary of Ricardian theory of rent, as exploitative in the Indian context. Ranade's argument was that the application of this theory in Indian system of land revenue assumed a dynamic upward movement of society and economy and rent but a static situation in the land ownership but there was no warrant for this assumption in actuality. Unlike England, where land continued in the possession of the same family for generations, in India, land was constantly changing hands with the result that each new owner paid for it at its full current value - both earned and unearned - and the unearned income of the past totally disappeared in the process.²⁰

AFTERMATH

Ranade was not the first and alone who pointed out shortcomings of classical economics and suggested suitable modifications in the discipline. He himself admitted that the scientific claims of classical economics had been seriously questioned by European and American economists.²¹ Not only that, it was also criticized by several English economists.²² Some of the classical economists were at pains to avoid making claims of absoluteness or universality for that science.²³ In India, most of Ranade's contemporaries either echoed his ideas or were impressed by him. K.T. Tilang, Dadabhai Naoroji, Prithwi Chandra Ray, G. Subramaniya, G.S. Iyer, Bipin Chandra, and G.V. Joshi are a few to mention who treaded the similar path. But the generation of economists who came after Independence could not show that resistance toward western economic ideas. Therefore, we seldom notice a scholar who has tried to develop the ideas of Ranade or built up his own, on the same pattern, The current drive of Indian economy to the so-called 'New World Order' and its policy of liberalization, privatization, globalization and disinvestment in public undertakings, without showing similar concern to the problems of social justice, seems to be unconditional surrender to Western economic ideas and interests.

NOTES AND REFERENCES

1. Thomas, R., *Kautilya and the Arthshastra*, Leiden: E. Brill 1971, p. 227.
2. Manu, *Dharmmrshastra* (tr. William Jones), New Delhi: Cosmo Publications. Reprint 1982, 4 Vols.
3. Abu'l Fazl, *A'in-i-Akbari*. (tr. H. Blochmann and S. Jarrett), Calcutta: 1939-49. 3 Vols.
4. For economic ideas of Shah Waliullah Dehlawi (d. 1762) and especially his discussion of different stages of socio-economic development please refer to: Islahi, A.A., *Shah Waliullah Dehlawi's Concept of al-Irtifaqat* (Stages of Socio-Economic Development), Aligarh: *Journal of Objective Studies*, Jan. 1990, Vol. I, Nos. 1 and 2, pp. 46-63.
5. Sir Syed Ahmad Khan's contribution to Indian economics is until now an unresearched theme. In his book "*Causes of Indian Revolt*" (Benares: Medical Press, 1878), Sir Syed lists a number of economic factors that led to the famous uprising of 1857 against the British rule in India. Economic development of Indians was his prime concern which is clear from his speeches

and writings. Islahi, A. A., *Sir Syed's Views on Education as Pre- requisite for Economic upliftment* (forthcoming).

6. Kellock, James, *Mahadev' Govind Ranade*, Calcutta Association Press. 1926, p. 25.
7. Parvate, T.V., *Mahadev Govind Ranade*, Bombay: Asia Publishing House, 1963, p. 167.
8. Spengler, Joseph J. *Indian Economic Thought*, Durham: Duke University Press, p. 148.
9. An earlier exposition of Ranade's views on classical economics is to be found in his *Review of Free-Trade and English Commerce by Augustus Mongredien*, JPSS, July 1881, Vol. 6, No. 1, pp. 50ff.
10. Parvate, T.V., *op. cit.*, p. 167.
11. Ranade. M.G., *Essays on Indian Political Economy*, Madras: 1901. pp. 9-10.
12. Ibid.
13. Ibid., p. 32.
14. Ibid., p. 87.
15. Parvate, T.V., *op. cit.* pp. 171-72.
16. Oser. Jacob, *The Evolution of Economic Thought*. New York: Hercourt. Brace & World Inc., 1963. p. 100.
17. Ranade, M.G., *Essays on Indian Political Economy*, *op. cit.*, p. 10.
18. Roll. Eric. *History of Economic Thought*, New York: 1947, pp. 195-96.
19. Ranade. M.G., *op. cit.* p. 30.
20. Cf. *ibid.* pp. 29-30.
21. Cf. *ibid.* pp. 16-21.
22. Cf. *ibid.* pp. 10-11,34-39.
23. Cf. *ibid.* pp. 6-7.16.

[*] Dr Islahi, a faculty member of the Department of Economics, Aligarh Muslim University, Aligarh, presented this paper to the 75th Conference of the Indian Economic Association, held at Indore, India, during May 1-3, 1993. Full paper was published in the conference volume and included in: O.P Brahamchary (ed.) *Economic Ideas of M.G. Ranade*, New Delhi, Deep and Deep Publications, 1995, pp. 267-74.