

Dr. Ambedkars Philosophy towards Indian Agrarian Economy “With special reference to Agrarian Taxation”

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Abstract

This paper is written about Dr.Ambedkars Agrarian Economic philosophy to words the Agriculture development of our country-India. The incredible contributions made by Dr. Ambedkar as an Economist is only due to his society oriented Economic philosophy and relevant policies. The focal point of philosophy is the oppressed and the depressed. The philosophy aims at giving life to those who are disowned, at elevating those who are suppressed, and ennobling those who are downtrodden and granting liberty, equality and justice to all irrespective of their castes. So the taxation on agriculture is good for economic health of the nation. Hence changes in political attitude and determination are necessary for taxation on agriculture income in India to words the best future and Economic development in long run.

Key words:

Agrarian philosophy, Taxation, Political Attitude, Economic Development

Introduction:

Dr Ambedkar's personality was towering and multi-faceted. He had extensively written on both most complex and technical, and also theoretical issues, including present day-to-day economic problems. He was essentially an economist by academic training and a recognized researcher in problems pertaining to public finance and political economy. This paper deals with his views on agriculture development in India and its relevance in the present context. From last two decades, there are debates of taxing on agricultural income, most of the leading economists are in favor of taxing agriculture income, however land lords have strong lobby in Indian politics and consistently they are opposing taxes on agriculture income. Dr. Ambedkar have argued this issue before eight decades and favoured the taxing agriculture with sound reasoning his views are very much relevant even in present context.

He found economics closest to his heart and got his doctorate for a thesis on "The Problem of the Rupee". He was a Professor of Economics in Bombay's Sydenham College in the early 1930s. A

keen student of economics, Ambedkar's M.A. thesis was on 'Ancient Indian Commerce' and the M.Sc (London) thesis on 'The Evolution of Provincial Finance in British India'. Ambedkar strongly believed that the fundamental cause of India's backward economy was the delay in changing the land system. The remedy was democratic collectivism that entailed economic efficiency, productivity and overhauling the village economy, he wrote and said, would wipe out elements of economic exploitation and social injustice. He did not want landlords, tenants, or landless labour. His idea of economic realism sought both freedom and welfare. The essential feature of his approach to economic problems was the condemnation of such extreme views as *laissez-faire* and scientific socialism. Mixed economy was the cornerstone of his economic ideas. He advocated an end to the glaring social and economic inequalities produced by the capitalist system. His evidence before the Hilton-Young Commission was an important contribution to the discussion of currency problems in India. He gave expression to his thoughts on such issues as small-holdings, collective farming, land revenue

and abolition of landlordism. It covered nearly four important decades — 1917 to 1956, and touched on all major political and economic events. He realised that the solution to the problem of the untouchable landless labourers depended upon the solution to Indian agricultural problems or, more broadly, economic problems. He focussed on the injustice in basing the assessment of land revenue on income and advocated that land revenue be brought under the income-tax.¹

Objective of study:

The main objective of this paper is to highlight the Dr. Ambedkar's Economic philosophy towards the development of Agriculture sector through some policy incentives.

Discussion:

Relevance of Dr. Ambedkar's Economic Philosophy

B. R. Ambedkar comes across as a radical economist who would have strongly opposed the neoliberal reforms being carried out in India since the 1990s. Dr. Ambedkar was a strongly proponent of land reforms and of a prominent role for the state in economic development. Dr. Ambedkar stresses the need for going

through land reforms, noting that smallness or largeness of an agricultural holding is not determined by its physical extent alone but by the intensity of cultivation as reflected in the amounts of productive investment made on the land and the amounts of all other inputs used, including labour. He also stresses the need for industrialization so as to move surplus labour from agriculture to other productive occupations, accompanied by large capital investments in agriculture to raise yields. He sees an extremely important role for the state in such transformation of agriculture and advocates the nationalization of land and the leasing out of land to groups of cultivators, who are to be encouraged to form cooperatives in order to promote agriculture (4, 6, 7) Intervening in a discussion in the Bombay Legislative Council on October 10, 1927. Dr. Ambedkar argued that the solution to the agrarian question "lies not in increasing the size of farms, but in having intensive cultivation that is employing more capital and more labour on the farms such as we have"(1,2,3,11). Further on, he says: "The better method is to introduce cooperative agriculture and to compel owners of small strips to joint in cultivation."The

government and its economists, instead of recognizing that the crisis is the product in large part of the policies of liberalization, privatization and globalization, propose a set of so-called second-generation reforms. At the centre of these reforms is the complete elimination of employment security. The war cry of the liberalizers is: "Away with all controls and the state, and let the market rule" (9, 11, 12). In this context, one cannot but recall Dr. Ambedkar's words that liberty from state control is another name for the dictatorship of the private employer. Let us discuss in brief. The first thesis of Dr. Babasaheb Ambedkar on agriculture problem namely "Small Holdings and Their Remedies" (1918) he rightly points out that the low productivity and production of agriculture sector was due to lack of inadequate inputs available to producers and non availability of alternative jobs to laborers there is a high presser of excesses labor force on agriculture sector. Therefore he has suggested increasing the industrial base to absorb these surplus labors. He also demands the abolition of Khoti land holding system to protect the tenant from Khots suppression and exploitation in 1937. However, Dr Ambedkar knew that such measures will

not solve the root cause of sorrow of landless labors and small and marginal farmers. So, in 1946 he demands collective methods of cultivation. There are number of advantages of collective farming for our understanding we can classify these in two part as follows.

(A)Economic advantages

- a) Total production and productivity will increase due to plan production and available of inputs such as fertilizers, capital, equipments and skill workers, and those who will work in agriculture sector will get all benefits as other workers in industrial sector.
- b) Maximum utilization of available land
- c) Irrigation facilities to all farmers
- d) Use of modern technology at a large extent.

(B)Social advantages

- a) Social harmony will prevail, scheduled castes and scheduled tribes and other land less workers will not be exploited by land lords.
- b) Justice and equity will remain maintained in rural India.
- c) Mobility of surplus labor force from agriculture to industry sector will increase at large extent.

d) Income inequalities and social conflicts will reduce.

These are some of the important advantages of nationalization of land in India.

Therefore, this is the issue that Ambedkarin thinkers should have to take at fore front at their movements. If the policy makers of this country would have accepted the demand of Dr. Ambedkar well in advance to nationalize the agriculture and reorganized the agriculture sector then such recent suicide of farmers in country would not have been incurred.

Dr. Ambedkar's Approach to words agrarian tax system

Dr. Ambedkar vehemently criticized the revenue system of British Government. His main criticism of the revenue pattern of British government of India was on the ground that it was against the interests of the poor people of India. Further, there was no justice or equity in tax policy. According to him, land revenue was highly oppressive. Therefore he argued that the government should undertake legislation to make the tax policy more equitable and elastic² According to him, the first and most essential requirement of good tax system is that it should be reliable. It does

not matter whether that revenue system brings in large revenue or small revenue but whatever it brings it ought to be certain in its yield³. The main features of taxation policy as advocated by Dr. Ambedkar were as follows.

- 1) Tax must be levied on taxable capacity or income.
- 2) It must be progressive i.e. the rich must be taxed more and the poor less.
- 3) Exemptions to tax payers should be allowed to those who have income below a certain limit.
- 4) Land revenue item must not be rigid but elastic and subject to variations.
- 5) There should be equity in taxation.
- 6) No taxation system should be manipulated to lower the standard of living of the people.
- 7) There should be efficiency in taxation.

Dr Ambedkar emphasized the necessity of changing the attitude towards the taxes. Therefore, he suggested taking immediate efforts to rectify the inequalities in the general system of taxation. Particularly he had the great objections to the then prevailing system of levying land revenue. While participating in the debate in the Bombay legislative council, he said that, The tax system of the Bombay presidency was inequitable and hence indefensible.

According to him the land revenue, whatever may be the play of words whether it was tax or whether it is rent, there was no doubt that, land revenue was a tax on the profits of the businessman and therefore, there should not be difference in the methods of levying the tax on the income from agriculture and business. But in the case of land revenue every farmer, whatever may be his income was brought under the levy of land tax, while under income tax no person is called upon to pay the tax, if he had not earned income during the year. Such system was not made applicable to the land revenue. Whether there is a failure of crops or abundance of crops the poor agriculturist was called upon to pay the revenue. Further, the income tax is levied on the recognized principle of ability to pay. Under the income tax, the holders of income below a certain minimum level are exempted from tax payment. But under the land revenue system the tax was remorselessly collected from every one farmer whether he is rich, holding more than hundreds acres of land or a poor farmer holding one acre of land. Therefore, he sought the redemption from oppression and

exploitation of land revenue system immediately.

Taxes on agriculture have remained generally untouched since several years in India. On the contrary, land revenue on agriculture has been either dropped or reduced considerably. On many occasions the State Governments competed with each other to provide relief to the agriculturists by giving them tax concessions or by abolishing some taxes altogether rather than taxing them⁴. As many economists point it out, land revenue from agriculture income is inelastic. It does not increase with the increase in prices of agricultural products. This trend is in the favor of pretty agriculturist. The affluent peasantry, who constituted perhaps the most powerful group within the Indian coalition, successfully imposed three conditions on economic policies.

- 1) Land reforms should not be pushed beyond a certain point,
 - 2) There should be no taxation of agricultural income and wealth,
 - 3) And the state should maintain high prices for outputs and low prices for major inputs and thereby maintain a budgetary policy with heavy subsidies⁵.
- With the provision of irrigation and

modern farm techniques production has become more stable. The farmer also gets an assured price for his product. Agricultural income is now quite high and stable. It is fit enough to be taxed like any other income.

It is necessary that agricultural income is now brought under taxation. The surpluses generated in the farm sector are large and are increasing year after year. The upper income groups are taxed in the urban areas, but their counter-parts in the agriculture sector are not being taxed. In principle, the agriculture income should be taxed the same way as urban income. The use of new technology and diversification in agriculture to horticulture and shrimp farming has raised income from agriculture. Now even with the land ceiling there is a case for taxing agriculture. The small or marginal farmer will not be against the large farmer being taxed. In any case, there is a very good economic rationale for taxing agriculture. From, the point of view of horizontal equity, as far as possible, all incomes should be treated in the same manner for tax purposes. Hence, income from agriculture should be subjected to the same tax treatment as non-agricultural income with the necessary

adjustments to take care of the special characteristics of agriculture. The economic rationale is impregnable. That does not mean that agricultural income tax will be introduced in the next budget or so. That is because there has not been any change in the political perception. If at all, farmers have been pampered more than ever, farm inputs like fertilizers, electricity, diesel, etc are heavily subsidized. That is the price the politicians have to pay for winning their supports.

The last theme I wish to discuss relates to his ideas on agrarian economy. In his paper 'Small holdings in India and their remedies' (I, 453ff) published in 1918, he takes on a problem that is still haunting Indian agrarian system. At that time, British administrators and academics in India who were used to their own country where large agricultural land holdings was the norm, were appalled at the low productivity of Indian land. This they ascribed to the minuscule size of the farm land cultivated by Indian peasants. A number of suggestions emanated from sympathetic observers like H S Jevons of Allahabad University, Harold Mann and G F Keatinge of Bombay, and the committee appointed to make proposals on the consolidation of small and scattered

holdings in the Baroda State (1917). They all proposed to consolidate and/or enlarge the holdings in the hands of individual farmers through interesting administrative measures. Ambedkar made a critical examination of the above, and in the process arrived at some very advanced conclusions. To begin with, he struck at the very root of the proposals by arguing that there can be no such thing as a correct size of agricultural holding. As he argued, land is only one of the many factors of production and the productivity of one factor of production is dependent upon the proportion in which the other factors of production are combined. In his words: "the chief object of an efficient production consists in making every factor in the concern contribute its highest; and it can do that only when it can co-operate with its fellow of the required capacity. Thus, there is an ideal of proportions that ought to subsist among the various factors combined, though the ideal will vary with the changes in proportions". From this he proceeds to say that if agriculture "is to be treated as an economic enterprise, then, by itself, there could be no such thing as a large or small holding". If this is so, what is the problem? Certainly it is not due to a want of efficiency in utilising whatever the

peasant has. Ambedkar cites with approval an English civil servant: "The ryots have a keen eye to the results of a good system of farming as exhibited on model farms". Ambedkar's answer rests on the inadequacy of other factors of production. The insufficiency of capital which is needed for acquiring "agricultural stock and implements" arises from savings. But as Ambedkar remarks "that saving is possible where there is surplus is a common place of political economy". Even this is a surface reason, the ultimate cause being "the parent evil of the mal-adjustment in her social economy". This is partly defined as the non-availability of sufficient land in India to give her prosperity through the means of agriculture alone. There is almost a prophetic statement made by him long before modern theorists of development systematised notions of disguised unemployment or under-employment: "A large agricultural population with the lowest proportion of land in actual cultivation means that a large part of the agricultural population is superfluous and idle." Even if the lands are consolidated and enlarged and cultivated through capitalistic enterprise, it will not solve the problem as it will only aggravate "the evils

by adding to our stock of idle labour". The only way out of this impasse is to take people away from land. This will automatically "lessen and destroy the premium that at present weighs heavily on land in India" and large "economic holding will force itself upon us as a pure gain". He concludes that "Industrialisation of India is the soundest remedy for the agricultural problems of India". This can generate adequate surplus that will also eventually benefit the agricultural sector. Indeed a shift from primary industry to secondary industry is vital and it must be attempted seriously to prevent the present enlargement of the rural population that was being witnessed and remedies based on what he calls "faulty political economy" were being advocated.

Conclusion

There is unified theme running through Ambedkar's multifaceted and diverse contributions. The incredible contributions made by Dr. Ambedkar as

an economist is only due to his society oriented economic philosophy and relevant policies. The economic philosophy underlying is best captured in his own phrase: Bahujan Hitaya Bahujan Sukhay (i.e., Greatest Good to the largest number of people). Ambedkar's philosophy is couched in social, religious and moral considerations. The focal point of philosophy is the oppressed and the depressed. The philosophy aims at giving life to those who are disowned, at elevating those who are suppressed, and ennobling those who are downtrodden and granting liberty, equality and justice to all irrespective of their castes. So the taxation on agriculture is good for economic health of the nation. But the powerful land lords lobby is constantly creating obstacles in the way of implementation. Therefore this sector is remained untouched from any changes from tax pattern. Hence changes in political attitude and determination are necessary for taxation on agriculture income in India to words the best future.

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