UNIT 9 CAPITALISM AND STATE SOCIALISM

Structure

9.0 OBJECTIVES

This unit would enable you to understand:

- the effect of various economic systems on the process of development;
- the basic concepts of capitalism, socialism and mixed economy;
- Ambedkar's thoughts on capitalism, socialism and parliamentary democracy; and
- Ambedkar's views on state socialism and his contemplation towards the emancipation of human welfare.

9.1 INTRODUCTION

This unit will address the effect of various economic systems on the process of development. We discuss the concepts of capitalism and socialism, with a special emphasis on state socialism. We study how Ambedkar perceived these economic systems. We also discuss Ambedkar's views on state socialism and his contemplation towards the emancipation of human welfare. Further, we examine Ambedkar's vision and his deliberation on alternatives to capitalism and socialism.

B. R. Ambedkar fervently believed that the development of any country should be focussed on reducing inequalities, eliminating exploitation of masses and eradicating poverty.

Many attempts have been made in the world to achieve economic development and growth. Various countries have adopted divergent strategies to achieve development. In the initial stages, developing economies were seen adopting a capitalist mode of production but in the late 60s and 70s, all these developing economies were seen approaching mixed economy. Countries were found to be further liberating their economies. Ambedkar's insight on economic systems was different. He supported neither capitalism nor socialism or even mixed strategy. He advocated the concept of state socialism where the state is proactive and controls resources in order to reduce inequalities and protect the interests of marginalised sections. He wanted the state to play a dual role; on the one hand the state must provide an economic base for equal distribution and on the other it must protect the downtrodden from exploitation.

Though many countries have achieved growth and development due to globalisation, the gaps between rich and poor and between urban and rural in these countries have increased. Ambedkar's economic views may ensure both economic development and social justice. This may provide an alternative to both capitalism and socialism.

9.2 CAPITALISM AND ALTERNATIVE APPROACHES

An economic system refers to the economy's mode of production and distribution of the resources in the countries. There are three main economic systems:

- capitalism
- socialism
- mixed strategy.

In the opinion of Gregory and Stuart, Paul and Robert, an economic system is a system of production, resource allocation, and distribution of goods and services in a society or a given geographic area. It includes the combination of the various institutions, agencies, entities, decision-making processes, and patterns of consumption that comprise the economic structure of a given community. As such, an economic system is a type of social system. The mode of production is a related concept.[1] All economic systems ask three basic questions:

- what to produce
- how to produce and in what quantities
- who receives the output of production.

Capitalism is an economic system based on private ownership of the means of production and their operation for profit. The main character of capitalism is private property and making individual profit. In this economic system, a few selected individuals own the factors of production, leading to class conflict. Exploitation of poor is the main issue in this economic system.

In socialism the state owns the means of production. In this economic system, the state takes a lead role in production and distribution of resources. This economic system allows no private property.

Mixed economy is a prominent and successful model in the present developing economies. In this both private and public sectors take a lead role and try to achieve economic development. Both the sectors go hand-in-hand and more specifically, public sector play a major role in production and distribution.

Ambedkar did not support either capitalism or socialism. He believed that capitalism only benefits a select group of individuals, thus leading to class conflict. Wealth is accumulated in a few hands. Further, he asserts that capitalists exploit land resources as well as human resources, thus perpetrating exploitation of the lower strata of society. The lower strata of society consisting of the poor and marginalised sections do not take a proactive role in the production process.

This dangerous tendency spoils the very idea of equal distribution of wealth. Ambedkar believed that capitalism, which provides space to private ownership, can be a threat to the masses. Private ownership brings power to one class but problems to another. The reins of the socialist economic system, which is an alternative to capitalism, are in the hands of the state. This state ownership of property certainly leads to increased distribution of wealth and assets. However, interestingly, the state generally becomes monolithic and because of a totalitarian approach, it generally cannot create any base for either economy or the masses to grow.

9.3 STATE SOCIALISM

Ambedkar believed that the prime cause of poverty and exploitation of the masses was rooted in the economic organisation of the society which was based on private ownership of property. Socialistic economy took shape due to the yearning of the people for liberty and democracy. It was believed that a government in the form of parliamentary democracy would bring to human beings, the right to liberty, property and pursuit of happiness.

Ambedkar (1943), however, argued that even in countries pledged to democracy, there was an immense discontent against parliamentary democracy, and the discontent was due to the realization that it had failed to assure to the masses the right to liberty, property and pursuit of happiness. Despite the fact that parliamentary democracy had progressed by expanding the idea of political rights and recognised the principles of equality of social and economic opportunity, it had disappointed the masses.

In Ambedkar's views the cause of this failure may be found in wrong ideology and wrong organisations. As regards wrong ideology, Ambedkar argued that what has constrained parliamentary democracy in its ultimate pursuit is the idea of "Freedom of contract". This idea became sanctified and was upheld in the name of liberty; parliamentary democracy took no notice of economic inequalities and did not care to examine the result of the freedom of contract on the parties to the contract.

Ambedkar developed the linkage between individual liberty and the shape and form of economic structure of society more systematically in his book State and Minorities (1947). In this book, he proposed a political and economic structure for India in the form of "constitutional state socialism with Parliamentary Democracy." This was in fact a memorandum prepared for submission to the Constituent Assembly for acceptance.

Ambedkar highlighted contradictions between the capitalistic form of industrial organisation and the form of political organisation called parliamentary democracy. The first contradiction is between fabulous wealth and abject poverty, not in a simple form but in its aggravated form. The second contradiction is between the political and the economic systems.

For the unemployed person's fear of starvation, the fear of losing house, fear of being compelled to take children away from school, the fear of having being on public charity are the factors too strong to permit a man to stand out of his fundamental rights. The poor are thus compelled to relinquish their fundamental rights for the sake of securing the privilege to work and subsist (Ambedkar 1947).

Ambedkar favoured an economic system that sought to limit the power of not only the government to impose arbitrary restraints but also of powerful individuals. He wanted a system that would eliminate the possibility of the more powerful having the power to impose arbitrary restraints on the less powerful or the ability to exercise control over the economic life of the people by being able to withdraw their privileges.

Ambedkar favoured state ownership in agriculture with collectivised method of cultivation and a modified form of state socialism in the field of industry, leaving other activities to the private sector. He also proposed the nationalisation of insurance to provide greater security to the individual. In Ambedkar's views, consolidation of holdings and tenancy legislations were worse than useless. Ambedkar did not leave the establishment of socialism to the will of the legislature. The establishment of state socialism by the law of the Constitution and thus makes it unalterable by any act of the legislature and the executive, in order to provide stability to socialism under parliamentary democracy. It attempts to establish state socialism without abrogating parliamentary democracy and without leaving its establishment to the will of the parliamentary democracy.

Ambedkar believed that it is only through this that one can achieve the following triple objectives:

- establish socialism (i.e. equality)
- retain parliamentary democracy (i.e. liberty)
- avoid dictatorship.

9.4 AMBEDKAR'S VIEW ON STATE SOCIALISM

State socialism is one of the alternative approaches for the development of all the sections of society. It can act as a solution to the problems inherent in capitalism and socialism. Ambedkar strongly believed that the involvement of state is essential for economic development. He believed that the state should take a proactive role in development so that the vulnerable and the poor can be benefitted.

State socialism provides better opportunities to communities and also curbs regional inequalities and exploitation of masses. Ambedkar believed that division and unequal distribution of resources was the main cause for suppression and exploitation of masses. So long as the exploitation exists in the system, the development would be impossible and a dream. Only the state could reduce this exploitation through state socialism.

Ambedkar believed in placing 'an obligation on the State to plan the economic life of the people on lines which would lead to highest point of productivity without closing every avenue to private enterprises and also provide for the equitable distribution of wealth.'

Accordingly, Ambedkar suggested an economic policy framework aimed at providing protection to the vulnerable sections of society against economic exploitation. This plan, elaborated in Clause 4, Article 2 of his Memorandum to the Constituent Assembly, is outlined as follows:

- Agriculture would be State industry.

- Key industries would be owned and run by the State.
- A life insurance policy would be compulsory for every adult citizen
- The State would acquire the subsisting rights in agricultural land held by private individuals as owners, tenants or mortgages, key and basic industries and the insurance sector and compensate the owners by issuing debentures.
- The agricultural land acquired would be divided into farms of standard size and would be let out to residents of villages as tenants without distinction of caste or creed.

Ambedkar's plan thus proposes state ownership of agriculture with a collectivised method of cultivation and a modified form of state socialism in the field of industry. According to Ambedkar:

> Consolidation of holdings and tenancy legislations are worse than useless. They cannot bring about prosperity to agriculture. Neither consolidation nor tenancy legislation can be of any help to landless labourers.

Industry and agriculture should go together in the current state of development. The agriculture sector is witnessing a low level of productivity and the productivity of labour has been declining with the advancement of various forces. With the spread of technology and the advent of market forces, the agriculture sector and small industry are at stake. Profitability and sustainability have become a question. Ambedkar rightly advocated that the state must address such issues. While addressing the issues of the poor and the marginalised, the state has to take initiative in providing basic resource distribution. Hence, it can be argued that state socialism is one of the alternative approaches to bring about equal distribution of wealth and welfare to the masses.

In the Indian context, the post-reform period has bridge the gap between poor and rich, between class and caste. This is the epoch of affirmative action by the government. Alternative opportunities are now available to the masses and the marginalised sections. However, unfortunately, this has not effectively happened with an active role of the state. So, as rightly stressed upon by Ambedkar, it is the need of the hour for the state to take an active and lead role.

9.5 LET US SUM UP

In this unit you have learned the effect of various economic systems on the process of development and the concepts of capitalism and socialism, with a special emphasis on state socialism. We have also discussed Ambedkar's views on state socialism and his contemplation towards the emancipation of human welfare and his deliberation on alternatives to capitalism and socialism. Ambedkar's state socialism is an alternative to both capitalism and socialism. His economic system aims to achieve the ideals of socialism in a parliamentary form of democracy. He balances both economic equality and social equality in his scheme of development. He is concerned with both production and distribution of wealth. Ambedkar argues for state ownership of agriculture and key industries. The state has to mimic a welfare state in minimizing the social and economic inequalities among people. In this time of globalization, Ambedkar's economic insights ensure economic growth along with social justice.

9.6 QUESTIONS TO CHECK YOUR PROGRESS

1) Critically evaluate Ambedkar's economic views on an alternative to capitalism and socialism.

2) Discuss the basic features of state socialism.

3) Explain various economic systems in the context of the current state of development.

4) Critically compare state socialism and mixed economy system. At the present state of development, which one do you think would be a better solution for development?

SUGGESTED READINGS

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