

**WORKING PAPER NO. 1**

**Gandhi's Economic Thought and  
Modern Economic Development:  
Some Reflections**

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SURAT**

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## Abstract

A fresh wave of globalisation since the early 1990s has created both hope and despair. Failure of State has reaffirmed faith in market based institutions. Expansion in trade across national borders and opening the national markets to the world is recommended for speedy and sure economic growth. Gandhiji in the beginning of the twentieth century had visualised such a pressure on the British colonies. He warned the developing societies of the cultural onslaught of westernised concept of development and wrote a critique titled *Hind Swaraj*. Gandhiji also formulated his own thoughts on economy and economics. In this paper Gandhi's economic thoughts and the mainstream economic thought on economic development are examined. It is shown that some of the apprehensions that Gandhiji had about the possible negative impact of the western concept of economic development on the developing societies are likely to be true even today when the wave of globalisation is sweeping the developing world. It is argued that solutions for some of the serious problems that arise due to economic behaviour, perhaps lie outside economics. It is also argued that sustainable development is not possible by considering economic parameters only. The author tends to agree with the Gandhi's thought that if economic development is material progress then it is not real progress and that real progress is not possible with economic considerations alone.

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**Sudarshan Iyengar**

## **Gandhi's Economic Thought and Modern Economic Development: Some Reflections**

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**Hind Swaraj is a text of its times, not a text for all time.**

**'The Good Boatman'  
Rajmohan Gandhi**

The fresh wave of globalisation since the early 1990s has created a feeling of awe among the development researchers and practitioners irrespective of the positions they take on the type of economic development and one gets a feeling from the writings that something unprecedented is happening around the globe. However, globalisation is not a totally new phenomenon although the nature of it during the twenty first century might be somewhat different. Mahatma Gandhi, who made an overwhelming impact on the Indian freedom movement, had had exposure to the British Society after the industrial revolution and had experienced the British rule in India and South Africa and had formulated his critique on it. He was acutely aware of the impact of British on the Indian intelligentsia and was not very happy about what lay ahead if India was going to come under the sway of westernisation. The British impact on the colonies, according to him, was the result of globalisation that was taking place. Thus, about a hundred years ago globalisation had troubled the thinkers and political activists in a somewhat different context. Swami Vivekananda, too, evoked deep response in the people of India and the world when he tried to reinterpret the notion of service of God as the service of the poor and miserable people (Iyengar 2001). He was also thinking about the influence of western philosophy on the minds of the elite in India, which had almost completely rejected the Indian intellectual tradition that had its base in religion. Over the centuries the Indian intellectual tradition had stagnated, rusted and had almost got reduced to a bundle of rituals immersed deeply in the degenerating caste system. Swami Vivekananda was perhaps worried about the cultural hegemony, which colonisation threatened to bring. Thus, anxiety about globalisation existed even a century ago and it has persisted in one way or the other. Gandhi commented and critiqued more notably on the economic aspects and implications of following the western civilisation as a model for development and in the process also warned against the possible cultural hegemony that would eventually result. In this paper, an attempt has been made to examine Gandhi's thought on economics and development and relate it to the present issues that are discussed in the context of globalisation.

I wish to present my reflections on Gandhian economic thought in the context of globalisation and changing international economic scene with reference to *Hind Swaraj*, a book that Gandhi wrote and published in 1909, since Gandhi's subsequent

development of economic thought can be perhaps traced to *Hind Swaraj*, in which Gandhiji has mainly assessed the modernisation of England and Europe and has anticipated the ill effects of it on the Indian society if the later tried following the former blindly. After highlighting the points that emerge from *Hind Swaraj* with respect to economics, I plan to undertake a brief review including comments on the status of contemporary society in India and outside. I will then look at the trends that have been set in the new economic environment under the broad rubric of globalisation and finally analyse the relevance or otherwise of the underlying principles in Gandhian economic thought.

Rajmohan Gandhi (1995) in his chapter titled 'Hind Swaraj' notes the following in the context of Gandhian thought on civilisation.

"I for one am unable to accept the sweeping statement: The tendency of the Indian Civilization is to elevate the moral being, that of the Western civilization is to propagate immorality. The latter is godless, the former is based on a belief in God' (Ch.13). The torch held by *Hind Swaraj's* author does not throw an even light on the terrain under examination. Some portions remain in darkness while the shape of others is distorted or exaggerated. Yet no study of the historic encounter between the Indian and the Western civilizations can ignore *Hind Swaraj*; neither can any study of the working of Gandhi's mind" (p. 139).

Gandhi wrote *Hind Swaraj* in 1909 and then on December 22, 1916, he responded to Kapildeva Malaviya's invitation to speak to the members of the Myore Central College Economics Society, Allahabad, and he delivered a lecture that was titled "Does Economic Progress Clash with Real Progress"? That is perhaps the nearest he came to comment upon Economics as a discipline and what he had to say about it. And while doing so he was acutely aware of his limitations in commenting on a discipline which was not his own, yet he thought that the people belonging to that discipline should perhaps think on what he had to offer.

"Frankly and truly, I know little of economics, as you naturally understand it. Only the other day, sitting at an evening meal, a civilian friend deluged me with a series of questions on my crankisms. As he proceeded in his cross-examinations, I being a willing victim; he found no difficulty in discovering my gross ignorance of the matters. I appeared to him to be handling with cocksureness worthy only of a man who knows not that he knows not. To his horror and even indignation, I suppose, he found that I had not even read books on economics by such well-known authorities as Mill, Marshall, Adam Smith, and a host of other such authors. In despair, he ended by advising me to read those books before experimenting in matters economic at the expense of the public. He little knew that I was a sinner past redemption. My experiments continue at the expense of trusting friends. But there come to us moments in life when about some things we need no proof from without. A little voice within us tells us, 'you are on the right track, turn neither to your left nor right, but keep to the straight narrow way' (Collected Works, GoI, 2000 p 273).

The tone he had set in the *Hind Swaraj* continued in his 1916 lecture. He hardly changed it later with regard to this matter, although he has himself said that he never had any final view on anything. His experiments and experiences gave him new insights. He has categorically reiterated that to know his position on any particular matter, one should always refer to his latest writing or utterance. He did not budge an inch from his views on Western civilization and economic order which he had expressed in *Hind Swaraj* earlier in 1909. He wrote a message for the February 1938 edition in September 1938 and which was subsequently published in an English monthly 'Iron Path', that if he were to write the book again then he would only change the language here and there. He would change very little in the original position that he had taken in 1909. The central thesis to which he adhered throughout his life was the debate about the moral progress vis-à-vis material progress and it is clear from his 1916 lecture that he considered the former to be real progress.

To the group of economists and other professors and scholars who had gathered that evening in the College in Allahabad, what did Gandhi have to offer? To begin with his statement about the inner voice which he had often said guided his actions during critical moments in life. Obviously, this peculiar position would not be acceptable to many scholar friends. By invoking the strength of the inner voice, Gandhi admitted that he was taking the position without going through the intellectual exercise of familiarizing himself with the body of knowledge, which existed at that point in time. But he said that he was absolutely convinced about the position he took. He said, "by economic progress, I mean material progress without limit and by real progress we mean moral progress, which again is the same thing as progress of the permanent element in us" (Collected Works Volume 15, P 274). He has then commented upon the consequences of material progress without limit.

According to him, the societies that prospered materially experienced a moral fall. Rome suffered a moral fall after it achieved material affluence. The *Yadavas* ruined themselves morally when they were rolling in riches. Gandhiji thought that an ordinary measure of morality is possessed by most including the very rich, but their material gains did not ensure moral richness. Sharing his longstanding observation of the society of the rich he said, "I observed almost invariably that the greater the possession of riches, the greater was their moral turpitude. Our rich men, to say the least, did not advance the moral struggle of passive resistance, as did the poor. The rich men's sense of self-respect was not so much injured as that of the poorest. If I were not afraid of treading on dangerous ground, I would even come nearer home and show you that possession of riches has been a hindrance to real growth". Gandhiji then says that Jesus Christ was the greatest economist of his time. Quoting the dialogue between the Christ, a citizen and other disciples described by St. Mark, Gandhiji emphasises in his lecture the virtue of spending wealth in the service of the poor and the have-nots. The point he keeps reiterating is against amassing wealth.

Later he has formulated *aparigraha* (non-accumulation) as one of the principles he has advocated.

Gandhiji gave illustrations from the Bible may be because of the important presence of the English Professors and scholars in the gathering. He appeared aware of this because he makes this point. "I have not taken the trouble of copying similar passages from the other non Hindu scriptures and I will not insult you by quoting in support of the law stated by Jesus passages from writings and sayings of our own sages, passages stronger even if possible than the Biblical extracts have drawn your attention to. Jesus, Mohamed, Buddha, Nanak, Kabir, Chaitanya, Shankara, Dayanand, Ramakrishna were men who exercised an immense influence over and moulded the character of thousands of men .....And they were all men who deliberately embraced poverty as their lot" (Collected Works 2000, Volume 15, P 276).

Gandhiji then talks about the craze for materialistic progress and argues that pursuing mere materialistic goals was a fall from idealism. He says, "that you cannot serve God and Mammon is an economic truth of the highest value" (Collected Works 2000, P 277). He recommends the building of a truly spiritual nation (not by boasting about the glorious past) and seeking the kingdom of God should be the basis for real economics.

It can be clearly seen that his reservation was with regard to limitless material prosperity in the society. In *Hind Swaraj*, Gandhiji explains the implications of the fall in the moral standards in society following material prosperity. England was the most prosperous nation in the world when the *Hind Swaraj* was penned. The First World War was still five years away. America was already emerging as a land of great wealth. In his December 1916 Lecture he takes note of America emerging as the role model for material progress. Gandhiji's reflections on modern civilisation were largely based on his observations on the conditions in England. In fact, chapter five is titled as 'condition of England', where Gandhiji criticises the Parliament as an institution governing society. The central concern of Gandhiji was that the politicians in the British Parliament were merely given over to capturing and retaining political power and rule and they were, by and large, not worried about the welfare of the people. He had also criticised the media for not being serious and sincere in assessing people and events and act as an objective guide to help in assessing their leaders. Towards the end of the chapter, he ascribes the state of affairs in England to the modern civilisation when he says, "it is not due to any peculiar fault of the English people, but the condition is due to modern civilisation. It is a civilisation only in name. Under it the nations of Europe are becoming degraded and ruined day by day" (Parel 1997, p.33).

The next chapter in *Hind Swaraj* is on civilisation. Here Gandhi speaks of how people thought that living in better built houses, wearing on variety of clothing, wearing shoes was all part of the civilised society. Instead of spears, people carried revolvers containing five or more chambers. Ploughing land with steam engines and make wealth was hailed as a sign of civilisation. Flying from one place to another was considered the height of civilisation. He visualises the future in the following manner. “As men progress, they shall be able to travel in airships and reach any part of the world in a few hours. Men will not need the use of their hands and feet. They will press a button, and they will have their clothing by their side. Another button, and they will have their newspaper. A third, and a motorcar will be waiting for them. They will have variety of delicately dished up food....Formerly, when people wanted to fight one another, they measured between them their bodily strength; now it is possible to take away thousands of lives by one man working behind a gun from a hill. This is civilisation” (Parel 1997, P 36).

What Gandhiji saw in England during his stay made deep impressions and was reflected in the following way in the *Hind Swaraj*. “Civilisation seeks to increase bodily comforts, and it fails miserably even in doing so. The Civilisation is irreligion, and it has taken such a hold on the people in England that those who are in it appear to be half mad. They lack real physical strength or courage. They keep up their energy by intoxication. They can hardly be happy in solitude. Women, who should be queens of households, wander in the streets, or they slave away in factories. For the sake of a pittance, half a million women in England alone are labouring under trying circumstances in factories or similar institutions” (Parel 1997, P 37).

Bodily comfort and the rush to acquire bodily comfort is what Gandhiji has criticised the most. In his December 1916 Lecture he introduced the concept of voluntary poverty. The saints and reformers he mentions were, during their times, living examples of beings who courted voluntary poverty in order to achieve high moral standards. It is clear from the *Hind Swaraj* and the Lecture that material prosperity does not ensure high moral standards instead, the dash towards material prosperity has brought the moral standards down and led to decay of human society. Through these thoughts Gandhiji laid the philosophical foundation of the economic order of society. According to him, limitless material progress could not be the goal of economic development in a society. Material progress was important only for very limited purposes of lifting people from abject poverty and destitution that lowered or destroyed human dignity. The production and distribution system that Gandhi conceived and tried to implement later in India along with the freedom struggle calling it the ‘Swadeshi’ movement was founded on the basic tenet of ultimate moral progress combined with dignified and healthy physical survival.

## **Are the Societies Decaying?**

Since Gandhiji did not change his views on the desirable economic systems and his assessment of the Western Society, it may be useful to take a look some of the developments in the world after 1948, the year in which Gandhiji died. Obviously, here I do not intend to undertake a comprehensive review of how the societies have developed in all parts of the world because it would imply country or region-wise review of economic, social and cultural development. It is also obvious that there would be various views favouring the development and opposing it. A very limited exercise is undertaken here of reviewing some works by scholars who have been interested in Gandhian economic thought and the development of society on its basis.

Did Gandhi change his views on economic issues and on 'modern' civilisation? As I have stated earlier, he did not, not till 1938 when the *Hind Swaraj's* new edition was brought out. It would be further enlightening to take a look at the views expressed by other figures on the changing world. Jay Prakash Narayan writing a Foreword to J.D. Sethi's book says, "I do not deny that there has been considerable progress in the past thirty years in the economic fields and that remains our very valuable asset. But along with that our problems and liabilities have become far more serious and menacing. The polity and its institutions have been seriously eroded. Some institutions have been destroyed just to satisfy the lust for power of one or a few individuals.....The moral fibre of our society has been shred to pieces" (Sethi 1978, p viii).

Sethi himself, while writing a foreword seven years later in 1985, comments on Indian society (Diwan and Lutz, 1985). He says that the new economic problem is that of insatiability created by contrived wants, artificially boosted consumption through credit, and instalment planning and structural inflation. Continuous expansion of production has produced new environmental problems, which have created scarcity and threats of new kinds. Real scarcity has been contrived scarcity and, as Harry Johnson has remarked, "the successful definition of the economy depends on reiterating the contrivance" (as quoted by Sethi in Diwan and Lutz, 1985, P.XV). Gandhiji would have termed this as the fall in moral standards due to greed.

Diwan and Lutz have expressed the following views on American society that has undoubtedly attained immense economic prosperity as compared to other nations in the world. The context is that of benevolence and malevolence in welfare economics. They note, "in the rich countries the quality of life is deteriorating even if the standard of living has phenomenally improved. The value of family life and other social values are breaking down. A substantial number of children have never lived with both their parents. The single parent household is in the process of becoming the majority of the households in United States. Kidnapping and various forms of child abuse are now a national phenomenon. The adult life is marred by anxiety and job stress. Work for a

large majority of workers is both stressful and meaningless. There is growing scarcity of joy or pride in the work done. Old age is full of loneliness. Life has, no doubt, been prolonged, but the lifestyle in many places has become more like a nightmare. ... Crime has become so commonplace that police often cannot even care about burglaries, even rape, being busy as they are with murders and other serious injuries” (Diwan and Lutz, 1985, pp 3-4).

I have mentioned earlier that Gandhiji had noted already that America was emerging as the centre for great material progress and it turned out to be correct. The role model for today for the developing nations is USA where a majority of the aspiring youth from all over the world want to seek a career. Diwan continued to comment on the state of American society right upto in 1991. The U.S. faced a set back in 1980's even on the material front. One may always argue that situation might improve, but one would have to admit that it would be fluctuating and there is no scope for any consistency in material progress. Continued and sustained growth in GDP and PCI are thus a false dream. “Expressed in 1977 prices, the average hourly earnings in 1970 were \$5.04; it fell down to \$4.89 in 1980 and to \$4.84 in 1988. The statistics become more meaningful when looked in terms of weekly earning. Again, expressed in 1977 dollars, the weekly earning fell down from \$187 in 1970 to \$168 in 1988...” (Diwan, 1991). Youth were so hopeless that they did not even register in the employment exchange and hence they are not counted. Many of these unemployed youth obviously join the crime world and syndicates. The crime scene in U.S. was not encouraging in the 1980s. Diwan has observed that murder, forcible rape, robbery and aggravated assault had become high. The number of violent offences described above increased from 1,208,000 in 1979 to 1,566,000 in 1988. The public expenditures on criminal justice system increased from \$10,517 million in 1971 to \$45,607 million in 1985 that is by 334 percent. The number of prisoners also increased. The U.S. claims the dubious distinction of having a largest fraction of any population in its jails!

Medical services were expensive and in 1985-86, some 34 million people, or about 15 percent of the U.S. population, were not covered by any private or public health insurance. Diwan thus notes that there was an emergence of an underclass in the U.S. and that the economic maintenance of the family required more than one earner. Wives joining the work force in large numbers have had a serious impact on the family make up and structure. He notes that the social life in the U.S. has been deteriorating steadily. The average size of the household declined from 3.33 in 1960 to 2.76 in 1980 and to 2.62 in 1988. The percentage of families with their own children had fallen from 52 percent in 1980 to 49 percent in 1988. Diwan then goes on to look at what a typical American goes through from birth to death. One can only conclude such a description by saying that ‘among plethora of plenty people perish’ (Michael Lipton, 1980).

Thus about a century after Gandhi had commented on the problems related to mere pursuit of material progress and the type of the society that emerged in England, America, which was the next to emerge and indeed has emerged as the most rich and materially advanced country in the world, does not seem to offer any better role model. As one reflects on the American life style, one cannot help commenting that if this was the life a person sought in one of the richest countries in the world, it is by no standards a satisfactory life style. It is more than fifteen years that Diwan looked at the statistics and the situation in USA. More recently, the statistics published by the US Census Bureau recorded poverty level of 11.3 per cent in 2000, which was lower than 11.8 per cent in 1999. Incidentally, 11.3 per cent has been the lowest ever recorded figure in 1973. This only means that between 1973 and 1999 poverty levels were always above the lowest mark recorded in 1973. In 2001-03, 38.2 per cent of all children below 19 years of age were 200 per cent below poverty level income and about 20 per cent of them were not covered under the health insurance. Unemployment rates have been a little above 5 per cent between 1995 and 2004. According to the Bureau of Labour Statistics, the unemployment rate ranged between 5.4 and 5.7 per cent during January – December 1995, and in 2004 too, the range was same. Unemployment rates have been mostly in this range. It had touched a low of 3.8 per cent in a month in 1999 and had been less than 5 per cent in most months during 1997 and 2001. However, it had also risen to 6.3 in a month during 2003. Thus, unemployment and poverty ratios persist at some level in the long run. It is not wiped out completely.

Crime rates have come down between 1993 and 2003 from more than 4 million to less than 2 million according to the US Census Bureau charts. But there has been a steady rise in number of persons convicted for felony between 1988 and 2002 from about 750,000 to more than 1000,000. Similarly, among the correctional supervisions, percentage under probation in 1980 was 61 and it came down to 58 in 2003. This means that more numbers were either in jail, prison or on parole. The Bureau of Justice Statistics recorded that the number of adults in the correctional population had been increasing. The number had risen from 1.8 million in 1980 to 6.4 million 2003. Thus, from the points of view of material progress and moral progress, American society fails to provide a role model. To this extent, Gandhiji's critique on the western civilisation and progress is significantly relevant even today although the moral decay of the society might not have been as substantial as Gandhiji visualised it to be. However, since his criticism of the western civilisation and the unsuitability of blindly aping it in the Indian context, some more aspects have cropped up that raise question on the desirability of the adoption and continuation of the concepts and practices of the western civilisation.

Gandhiji's view both on the world order as well as the economic development of society did not find a place in the main development agenda of most societies in the

world including India. What Gandhiji had termed as western civilisation was largely followed by the developing nations though some countries adopted central planning as the means to achieve the goals of modern civilisation. The changing social fabric has relegated moral standards in the society to a back stage. One of the Indian scholars writing about Gandhi's economic thoughts and its relevance in 1985 Indian economic Conference argued that the new phase of industrial revolution had arrived that respected trained human being more and man had achieved centre stage once again over the machine. Thus, there was some congruence in what Gandhi was saying and what the world tended to follow (Siddharthan 1985). Siddharthan talked about the information technology (IT) revolution. However, the human centred information revolution has not make any headway towards a better welfare of human beings in general; instead, it has given rise to another problem that had hitherto not appeared so distinctly until the 1980s. A remarkable document named *The Limits to Growth*<sup>1</sup> was produced by a small team at the Massachusetts Institute of Technology, in US, which studied the fundamental limits to growth in global population, agriculture, resource use, industry and pollution. Economic growth in modern times has created immense pressure on the natural resource base such as land, forest, water and air. Overexploitation and pollution are two menaces in the context of the use of both renewable and non-renewable natural resources. A new movement namely the environment movement has emerged and it is fairly powerful. Morality and values have been brought to discussion via the irreversible damages being caused to nature. The conventional development models have supposedly led to disaster and destruction. 'Sustainable Development' is the concern of the groups spearheading the environmental movement. There is a lot of literature reflecting the views and analysis based on environmental concerns. This paper makes no claim to a reviewing of such literature.<sup>2</sup> But, it is relevant to note that the scholars, activists and practitioners who have based their work in Gandhian thought have clearly sided with the environmental movement in the world in general and in the country in particular. There have been some serious arguments relating to the present crisis and it is argued that had the societies followed the Gandhian path, the possibility of achieving sustainable development might have been higher.

### **Globalisation: The New Trend**

More than 80 years after Gandhi commented on the dangers in adopting the means and methods of civilisation, the pressure to globalise is once again high. By

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<sup>1</sup> For those who are interested the full reference is: Donella Meadows and others, 1972. *The limits to Growth: A report for The Club of Rome's Project on the Predicament of Mankind*. A Potomac Associates Book, Pan Books London and Sydney

<sup>2</sup> I have elsewhere reviewed the debate on sustainable development and tried to show the link between the present day concerns shown by the environmental movement and the concerns expressed by Gandhiji. See Iyengar 2005.

globalisation is meant the adoption of the process of development that has been practiced and favoured by the countries in Europe and the USA or what is broadly categorised under the North. There is a tremendous pressure building up in most countries, developed or otherwise, to open up and allow free trade. Free movement of goods and services across the border is supposedly beneficial to one and all. It is argued that because of the development of science and technology distances have died and there is everything to gain if the world economy is closely interlinked. With close trade relations, there is a higher possibility of world peace. Many see globalisation as a primarily economic phenomenon, involving the increasing interaction, or integration, of national economic systems through the growth in international trade, investment and capital flows. However, one can also point to a rapid increase in cross-border social, cultural and technological exchange as part of the phenomenon of globalisation.

The sociologist, Anthony Giddens, defines globalisation as a decoupling of space and time, emphasising that with instantaneous communications, knowledge and culture can be shared around the world simultaneously (Guillen Mauro F, 2001). A Dutch academic Ruud Lubbers defines it as a process in which geographic distance becomes a factor of diminishing importance in the establishment and maintenance of cross border economic, political and socio-cultural relations. Leftist critics of globalisation define the word quite differently, presenting it as a worldwide drive toward a globalised economic system dominated by supranational corporate trade and banking institutions that are not accountable to democratic processes or national governments. Yet another view suggests that globalisation is an undeniably capitalist process. It has taken off as a concept in the wake of the collapse of the Soviet Union and of socialism as a viable alternate form of economic organisation.

There isn't any clear concurrence on when globalisation actually began as a process perhaps a close study of the following developments lead to a better understanding of globalisation. The first great expansion of European capitalism took place in the 16th century, following the first circumnavigation of the earth in 1519 to 1521, although this is a claim made in Western history. India carried out international trade even before the Christian era began, and that amounted to a kind of globalisation. There was a huge expansion in world trade and investment in the late nineteenth century. The First World War and the bout of anti-free trade protectionism that led to the Great Depression in 1930 brought this to a halt. Some see this period as an interruption in the process of globalisation which commenced in the late 19th century.

From another perspective, the sense that the world was united by the establishment of the International Date Line and world time zones was created along with the near global adoption of the Gregorian calendar between 1875 and 1925. During that period, international standards were also agreed upon for telegraphy and signalling.

The end of the Second World War brought another great expansion of capitalism with the development of multinational companies interested in producing and selling in the domestic markets of nations around the world. The emancipation of colonies created a new world order. Air travel and the development of international communications enhanced the progress of international business. The fall of the Berlin Wall and the collapse of the Soviet Union ended the cold war between the forces of capitalism and socialism with capitalism emerging triumphant. The development of the Internet made possible the organisation of business on a global scale with greater facility than ever before.

The chief concerns with respect to globalisation that are being addressed are five as listed by the Wharton school sociologist Guillen (2000).

Is it really happening?

Does it produce convergence?

Does it undermine the authority of the nation state?

Is globality different from modernity?

Is there a global culture which is in the making?

The believers and especially practitioners in Gandhian thought and philosophy by and large have taken an anti-globalisation stand. From their perspective globalisation is harmful and anti Gandhian. Globalisation means the onslaught of foreign capital and technology which end up destroying the inland systems of production, and further lead to exploitation of workers in the poor countries and which in a sense amounts to cultural invasion and market expansion. Most of them think that it is really happening and will ultimately undermine the autonomy and authority of nation states. Multinational National Companies (MNCs) are specially targeted for attack and it is postulated that the MNCs will ultimately undermine the authority of the nation state. The debate in literature on the cultural invasion and market expansion has brought into light the contention that the main player that is also definitely gaining is America. In fact, the perceived threat is that on 'Americanisation'.

When cross border trade in goods and services take place, some cultural integration is also bound to take place. A report by the UN Educational, Scientific and Cultural Organisation (UNESCO), showed that the world trade in goods with cultural content almost tripled between 1980 and 1991 from 67 billion dollars to 200 billion dollars. These figures would have further scaled new heights. At the core of the entertainment industry - film, music and television - there is a growing dominance of US products. World Trade Organisation rules do not allow countries to block imports on cultural grounds.

It is argued that one of the consequences of globalisation will be the end of cultural diversity, and the triumph of a uni-polar culture serving the needs of transnational corporations. Hence, the world drinks Coca-Cola, watches American movies and eats American junk food. English is the language of globalisation; by 2050 half, the world will be more or less proficient. What are the implications for languages as repositories of culture and identity? American culture is seen as being dominated by monetary relationships and commercial values replacing traditional social relationships and family values.

Gandhiji in his *Hind Swaraj* and subsequent writings and utterances was mainly concerned with the last two questions relating to modernity and global culture. His position on economic philosophy was more fundamental relating it to morals and ethics for earning and spending. Similarly, he did define in his own way, a modern civilisation for Indians and India that had to be different from the then England and the English people of his times. In the next section, therefore, I would like to review of Gandhian economics and then comment on how globalisation may be viewed in the Gandhian frame.

### **Gandhi's Economic Thought and Globalisation**

Gandhiji was keenly aware of the strong opposition to the position that he took on economics. Following his Lecture on December 22, 1916, *The Leader* carried the story on December 25<sup>th</sup> and reported what Professor Stanley Jevons had commented<sup>3</sup> on the previous evening after Gandhiji's lecture was over. He had said that it was necessary for the economists to exist. It was not their business to lay down what the end should be. That was the business of the philosophers. Most likely Professor Jevons might not have read the *Hind Swaraj* because Gandhiji has been so unequivocal on the issue of means and ends that he would never give up his position on the necessity to link means and ends. Rajmohan Gandhi (1995) quotes Gandhiji on means and ends with respect to violence, which again is a value that was very central to the economic systems propagated by him.

Rajmohan Gandhi says that Gandhi's case on means and ends and against violence was compelling. "If I want to cross the ocean, I can do so only by means of a vessel; if I were to use a cart for the purpose, both the cart and I would find the bottom... The means may be likened to a seed, the end to a tree; and there is the same inviolable connection between the means and the end as there is between the seed and the tree" (Rajmohan Gandhi, op.cit. P140).

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<sup>3</sup> Professor Jevons became the President of the Indian Economic Association's 5<sup>th</sup> Annual Conference held in Patna during March 1922.

Moral value was extremely important for Gandhiji. Economics without ethics and ethical consideration was not warranted. Dasgupta (1996) in his comprehensive analysis on Gandhi's economic thought has dealt with the subject thoroughly. According to him, Gandhi's approach to economic issues was based explicitly on ethical considerations. "Gandhi insisted that the relationship between economics and ethics works both ways. While economic concepts were laden with ethical implications, ethics too must descend from the clouds and become 'good economics'. Ethics, Gandhi is saying, is not simply an exercise for philosophers, a convenient handle for sharpening their wits on the logic of extreme. It must be relevant to the ordinary business of life where one's options are limited by resource constraints. Ethics by its nature is an enterprise for the worldly, a guide to the perplexed; and its answers, to be credible, need to be economically viable. 'No person in the world has found to maintain something which is a source of constant economic loss'" (Dasgupta 1996, p7).

The aforesaid statement also clears Gandhi from being branded as a deontologist. It is convincingly argued and one has to accept the fact that Gandhiji was quintessentially a consequentialist. For him the individual was the unit. That is where the idea of 'antyodaya' had been born from his reading of 'Unto This Last'. He was an individualist and not a collectivist. Gandhiji argued 'if the individual ceases to count, what is left of society? Social choice, which was dictatorial or imposed, could not properly be regarded as choice at all and *Satyagraha* in the form of non-violent non-cooperation always remained a valid option (Dasgupta, 1996).

There is a crying need to make a distinction between rendering complicated the economic functions and then offering technological solutions to simplifying them. The use of science and technology for economic betterment is not only useful but also desirable within the framework of simple living and high thinking. At the time of the writing for the *Hind Swaraj* Gandhiji had observed the efforts being made all over the world and especially in England which was the imperial lord of the world then, about complicating the economic activities so that the one who set in complications reaped the maximum benefit by way of profit for the firm and industry and income and employment for the population. The criticism by the advocates of simple and uncomplicated societies for human survival, who also draw their basic strength from the emphasis on spiritual growth and development of the human civilisation than materialistic growth and development, has been that the modernisation of the society which began with the industrialisation has largely led to complication of economic transactions. The main reason for this is the acceptance of the premise that human wants are insatiable. And this has been accepted as such without any serious scrutiny of morals and ethics in society. Sethi draws attention to this aspect in a very interesting foreword which he wrote for the volume 'Essays in Gandhian Economics' edited by Diwan and Lutz in 1985. He then quotes Lionel Robbins's celebrated

definition: "Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses" (Diwan and Lutz, 1985) and says that all that economics has been doing is the opposite of what Robbins said the discipline was to do!

From the foregoing analysis it should be somewhat clear that Gandhi's economic thought cannot be brought into the framework of the discipline of economics as it has emerged. However, it is possible to explain the implications of Gandhi's economic thoughts on some of the tenets of microeconomics and macroeconomics. The relevant questions in the present context are: would Gandhiji have been against international trade and thus globalisation, would Gandhiji have been against science and technology for removing poverty and unemployment? These two are the main questions because it is being argued with in mainstream economics that the world poverty and unemployment can be removed with the application of modern science and technology in production and consumption of goods and services and the prime mover of sustained economic growth for any economy is free international trade.

There is no straight answer to these two central questions in Gandhiji's scheme of economic thought. If we wish to understand Gandhi's basic premise for economics we will have to start with the treatment of wants. Why did Gandhi suggest control on wants? He did so because he understood that human wants given the freedom of choice were insatiable. The societal approach to accept the insatiability of human demands and then use science and technology for want satisfaction was not a sustainable approach according to him. Let us first examine the implications for individual behaviour in the microeconomic framework. Edgeworth averred more than a century ago that the first principle of economics was that every agent was actuated **only** by self-interest (Diwan and Lutz, 1985). From there arises the maximisation behaviour. It is here that the 'economic man' was born.

This 'economic man' is unacceptable to Gandhiji. It is here that he parts company with the standard economics. According to Dasgupta (1996), it is Gandhiji's conviction that one's behaviour as an economic agent cannot be isolated from one's behaviour as an autonomous moral agent. In this context, Gandhiji brings in the concept of *self-restraint*. Then he talks about limiting one's wants. In his scheme, wants cannot be unlimited and hence they would have to be controlled. Those who have should not be aspiring for more and more. Elaborating on this M.N. Raval in a short article titled "Contentment and Containment of Wants – A suggested Interpretation", introduces the 'Gandhi Effect', which has its basis in 'asceticism' and 'paternalism'. In the area of the Economics consumption pattern among different income groups in society has been discussed at frequent intervals and it has been argued that different income groups have different consumption pattern. Veblen had pointed out in this context that there is a tendency of emulation in consumption. He

brought out that there is and would be a 'vulgar display of wealth' by the richer few of the society. This tendency was an important constraint on free choice. Dussenbury carried this analysis further and studied cross-sections variations in consumption expenditure of different income groups and termed this phenomenon as a 'demonstration effect'. Since the idea originated in Veblen's analysis this may also be termed as the 'Veblen effect'.

The economic man and the economic society are so defined that one always feels poor no matter how rich he or she is. The core of this contradiction lies in the consumption theory and not in the production theory. Let us remember what Marshall the master craftsman of the consumption theory had to say, "Although it is man's wants in the earliest stages of his development that give rise to his activities, yet afterwards each new step is to be regarded as the development of activities giving rise to new wants rather than of new wants giving rise to new activities" (Diwan and Lutz, 1985). Despite this clear understanding that Marshall displayed with respect to contrived demand dominating the consumer's behaviour, economists continue to accept the thesis of 'consumer sovereignty'.

Gandhiji suggested a consumption pattern and behaviour for the affording classes that was to be moderated by ascetic and paternalistic values. Raval has termed this as the 'Gandhi Effect'. The individual preference function has to be impacted by this. In positive economics, there is absolutely no scope for introducing this constraint and then maximising utility. Income is accepted as the main constraint. Gandhiji had categorical suggestions for preferences. In a particular context (in his case the freedom struggle), the individual preference for 'Swadeshi' – the home made, was extremely important. Any economics that could not incorporate this aspect was not good economics for him during the times he led the *ahimsak satyagraha* movement against the British. "It is the normative concept of preference, which I shall call 'ethical preference', that lies at the heart of the Gandhian approach to economic theory" (Dasgupta 1996, p 13). The issue is whether the Gandhian concepts of asceticism and paternalism in consumer behaviour can be incorporated in the modelling. It appears that it is possible. Professor Kenneth Boulding (as referred by Raval 1971) has opined that it was possible. Boulding says, "Man requires both heroic and economic elements in his institutions, in his learning process and in his decision making... The familiar tools (in economic theory) like the Indifference Map and the Edgeworth Box can be easily explained to include benevolence or malevolence. The assumption in demand theory that "tastes are given" is a great illusion and would literally be true for the "birds" whose tastes are largely determined by their genetic structure and can therefore be treated as constant. In human society the genetic component is very small and the largest part of human preferences are learned, by means of mutation-selection process" (Raval 1971, P.118). In the Pareto scheme too, welfare proposition does not admit any malevolence. Societal welfare refers to a pure

state of benevolence. If it is so, then Gandhiji is in. Welfare economics discusses negative and positive externalities in consumption. The Veblen Effect may be treated as a case of negative externality, and in a similar vein, the 'Gandhi Effect' may be treated as positive externality. The point is to internalise it.

Let me illustrate a case of contrived demand and how it is created in a society in a most benign but sure way. You may be watching an advertisement on television very often. Behind it, there is one of the fast moving consumer item firms taking up 'aggressive marketing strategy'. It is a toothpaste advertisement. It conveys a message that eating chocolate and ice-cream at any time and in any quantity is just fine because the mother should leave the worry of tooth decay to the toothpaste producer who guarantees that the product that they sell will fight the germs 24 hours and arrest tooth decay. The advertisement simultaneously promotes chocolates, ice-creams and in short, uncontrolled eating (read consumption) and promotes its own item of sale which is a brand of toothpaste, which incorporates the latest science and technology for fighting tooth decay. Such unbridled consumption clearly implies use of resources (that the neo classical theory would promise us to believe has been optimally allocated!) that are indeed scarce. The modern parents who believe in the merits and objectivity of science and technology with regard to human welfare are happy that unlike their parents they do not have to restrict their children from consuming more chocolates and ice-creams because the new toothpaste using the most modern scientific technology will provide the necessary protection. May be they would also like to pop in their mouths a chocolate or two without any worry for the dentists fee! The rise in demand for chocolates, ice creams and a particular brand of toothpaste in response to the advertisement is a case of contrived demand. Science and the dentists would tell us that there is no need for any toothpaste to keep healthy teeth and gums. What you require is a brush for cleaning teeth.

The toothpaste ad is a marvellous illustration of how such a blatant belief in consumerism would lead to an unsustainable use of natural resources. Interestingly though, the development of ecological and environmental concerns and theorising in this area have already found a legitimate space in global policy environment. Efforts in valuation of ecological and environmental services using novel methods of sound and not so sound estimation methods are on, and the game still remains as to how we can get the Hotelling rent rationalised and increase the probability for the application of the Hartwick rule. Ciracy Wantrup who talked about the looming ecological crisis and suggested conservation of flagship species in nature has been in a way relegated to background (For detailed discussion see Hanely et. al., 1997). Mainstream economics is still highly reluctant to enter into a 'life style' debate. Clearly, the 'lifestyle' is given just as we saw in Boulding's statement that "tastes are given".

If tastes are not given and can be influenced by generating the Veblenian demonstration effect on the consumer then the Gandhian Effect, too, should find place and the individual demand curve need not be downward sloping for all consumers. By influencing groups with more income, (more than what is necessary to meet the basics of living), we may construct a demand curve for them that become income inelastic after a certain point (for theoretical discussions refer Brahmananda, 1971). This would imply that after certain levels of consumption have been reached, additional income does not give rise to any new demand including leisure. Control on demand would free certain resources that can be used to produce the requirements of those who will continue to have downward sloping demand curve. It will also help in controlling the use of resources some of which may be overexploited. From this concept was born the refined concept of 'trusteeship'. I do not intend to pursue the trusteeship issues in this article.

Thus, the wants control theory of Gandhi simultaneously solves the problem of consumerism and unsustainable resource use. The disciplines of ecological and environmental economics try to grapple with the equilibrium analysis by internalising the ecological and environmental externalities, but Gandhian Economics, by regulating individual wants and demand functions, has the potential to regulate and control some of the externalities.

On the Macroeconomic front too, Gandhiji was clearly promoting decentralised production systems. The village level self-sufficiency amounted to providing maximum opportunity for production at the local level. He preferred simple systems as against the modern systems which were complicated. Lakdawala's assessment of Gandhian views on economics may be seen in the following expression. "Gandhiji instinctively disliked the working of money or the banking mechanism. The institution of money was too complex in his opinion; transactions in kind were more easily understood and more human. The only types of banks he approved of were in the nature of grain banks for safe local storage. Ordinary commercial banks associated with urbanisation were a part of the mechanism of local exploitation" (Lakdawala, 1971, pp. 47-48).

Just because Gandhiji had an apparent dislike for complicated or complex economic systems did not imply that he was completely ignorant about the macro systems. Poverty and unemployment weighed heavily on his mind. He invited Professor C.N. Vakil, who was heading the Bombay School of Economics then, to write on how a country like India could get rid of the problem of poverty. Vakil's articles in *Young India* in the late 1920s invited good comments and criticism from various national and international quarters. In this context, Sethi argues that Marxism, which was a critical response to the misery in English society after the abolition of the Poor Law in 1836, also ironically rested itself on the classical political economy and provided defence

for it. No wonder values and even simple compassion were considered enemies of Marxism as they had been banished from classical theory. In the name of efficiency, productivity, good management and reasonable return on capital, the corporate sector, with its growing monopolistic and oligopolistic and transnational character, has become the centre not only of economic power but also of the draconian and violent political power. The countervailing power of the state economic sector, instead of countervailing the corporate sector, has become its ally. The alliance is however, losing its legitimacy because it has failed to tackle the major economic issues of unemployment, poverty, inflation, inequalities etc. Besides, the rise of new problems such as pollution, ecological imbalances, exhaustion of resources and massive diversion of resources to nuclear armament etc. – problems, which were kept separate, now demand a joint solution. However, the economic complexities and crisis have not yet produced a corresponding political consciousness for a new political order that can integrate facts, problems and values.

By rejecting the market and its value systems are we saying that State is the God? No, because God failed miserably. It perhaps was bound to happen and many had warned about it (Shenoy was the most vocal in Indian case) The Vakil- Brahmananda Wage good theory also finally led to the same Market-State ideal combination that appeared to fail ultimately (for details refer Desai, 1998). Did Gandhi think differently? It is again important to remember that Gandhi although invited Vakil to write did not agree completely with the measures Vakil had suggested. He wanted to tackle with the poverty problem while still retaining the dignity of the human self and the dignity of labour. His emphasis on the human dignity and labour branded him as a man opposed to machines and therefore to science and technology. It became easy to call him an old-timer belonging to the traditional school and ignore him. It would be unjust to draw the inference that Gandhi was merely in favour of promoting subsistence economy alone. Since he realized that his thoughts on economic systems were traditional and dated, he did not pursue them later. Some have also argued that the fact that Gandhiji chose Nehru as the Prime Minister was an indication that he wanted to see the country industrialise according to Nehru's vision. This version is also not true. Gandhiji was neither averse to science and technology nor did he push for subsistence economy alone. Let us first of all take up his views on machines.

Siddharthan (1985) has recounted an encounter of one Mr. Ramachandran with Gandhiji on the issue of machines and modernisation that was printed in the November 13, 1924 issue of *Young India*. Gandhiji was bluntly asked whether he was against all machinery. Gandhiji had categorically said that he was not against machinery as such, but he was certainly against all machinery that exploited people. He also opposed the craze for machinery. He would have certainly frowned upon the gadgets and the gizmos that the top executives carry, flaunt with pride and use these days (and the Financial Newspapers run special glossy supplements on such executive

choices!). Labour saving devices which resulted in human beings thrown on the streets without work is what Gandhiji never took in stride. Man for him was always at the centre and he too abhorred drudgery. Not surprisingly his comment on the invention of sewing machine by Singer was the following. “It is one of the few useful things ever invented and there is a romance about the device itself. He (Singer) devised the sewing machine in order to save her (his wife) from unnecessary labour. He, however, saved not only her labour but also the labour of every one who could purchase a sewing machine” (Siddharthan, 1985, p.35). Interestingly, Marxian surplus can also arise only by squeezing labour and as the capitalism advances it is technology, which is used to throw labour out to increase the profits. Gandhiji had put it slightly differently when he said that machines for greed were not good and he would continue to oppose them, but machine for supporting labour were always welcome.

Siddharthan (1985) analyses Gandhian thoughts on machines and industry in four areas: Labour displacement and the consequent unemployment, factor proportions and resource advantage, drudgery of work, and problems relating to distribution. He argues that in the first stages of the industrial revolution, which England and other countries in the west went through, Gandhiji’s concerns and criticism was perhaps relevant and right. He also compares it with the Marxian analysis and says that both men at one level had similar apprehensions. Siddharthan then writes a postscript in which he says that the fourth industrial revolution (the fourth stage) was the information revolution. Gandhi’s views are a little out of place where this revolution is concerned. Machinery in the form of computer hardware and software skills would be the key to economic progress. He then laments lack of literacy and educational drives in the country. Indeed in 1985 with the 1981 literacy statistics that he quotes, the levels were low indeed. He argues that with increased literacy and skill levels there would be increasing employment. He predicts that India might be short of skilled labour supply as the demand was going to be huge. It is about 20 years since Siddharthan made the predictions. He has turned out to be both right and wrong. India has responded to the fourth or information revolution in an overwhelming fashion and yet we have to contend with the unemployment problem.

Gandhiji’s concern about the type of economic development model was thus relevant then and relevant now. In a labour surplus economy, technology and industry have to be one supporting production for masses rather than mass production. Gandhiji had not anticipated the western type of industrialisation even in the 1930s when the population was around 350 million. In the September 14, 1934 issue of *Harijan* he wrote, “We can never industrialise India, unless of course, we reduce our population from 350 millions to 35 millions or hit upon markets wider than our own and dependent on us” (as quoted in Siddharthan 1985). Thus, Gandhiji was clear that capturing markets in other countries was one possible goal and removing the drudgery

and using the capital in a labour scarce economy was another. Interestingly, today with even 1000 million plus population in India the argument would alter only slightly. Only forty per cent people in India have the purchasing power for most of the industrial and consumer goods that are produced and the mega Indian companies are raring to capture the global markets and that is how there is such a tremendous leaning towards globalisation. Poverty and unemployment persist albeit at much lower proportions than what they were during Gandhiji's times. Industrialisation of the fourth generation i.e. the Information and Technology (IT) type also has had limited advantage in solving the problems of poverty and unemployment.

The issue of creating or searching for new markets in the world brings us to the present day situation again. What did Gandhi think about international trade? Obviously, he never wrote anything exclusively on it like he did on some other concepts such as trusteeship, *aparigraha*, village industry and Khadi. However, A.M. Huq (1985), in an interesting article, has made a good attempt to interpret Gandhian thought on international trade. It is of course obvious and important to understand the concept of Swadeshi in this context. However, there is also a danger that while understanding Swadeshi one concludes that Gandhiji rejected the comparative advantage thesis. Huq constructs an interesting thesis of a positive doctrine of international trade from the Gandhian perspective. It accepts the logic of comparative advantage but rejects it as the sole basis for trade among nations. Put it differently, Gandhiji was in favour of fair trade more than free trade. His concept of fairness had an ample measure of non-economic sanctions too.

Let us reiterate Gandhi's concept of Swadeshi once again. To quote Gandhi as Quoted by Huq, "A Votary of Swadeshi will carefully study his environment, and try to help his neighbour wherever possible, by giving preference to local manufacturers, even if they are of an inferior grade or dearer in price than things manufactured elsewhere...It is sinful for me to eat American wheat and let my neighbour, the grain dealer, starve for want of customers. Similarly, it is sinful for me to wear the latest finery of Regent Street when I know that if I had but worn the things woven by the neighbouring spinners and weavers, that would have clothed me, and fed and clothed them". This clearly is a case for supporting production by masses. His emphasis on Khadi and village industry would become amply clear from this quote of his. If the non-economic value of supporting the neighbour is accepted then the concept of Swadeshi becomes clear. The subsequent dogmatisation of village self-sufficiency by Gandhiji's followers also known as Sarvodaya people has to be seen in this light. Gandhiji was realistic enough to admit that no village or for that matter a country was capable of producing all that it *needed*. The emphasis on needed is added because he was also clear that he was not talking about demands. Need, according to Gandhiji, is not demand because the former is weighed in terms of the ethical values and the principles of non-violence involved in its production.

Gandhiji was thus not against international trade per se. He would impose economic and non-economic sanctions in a big way and to this extent he would not allow free trade. Secondly, he also knew that relying solely on comparative advantage does not help poor nations to prosper because the powerful nations push their greed and manage to manipulate. Failure of talks of agriculture in WTO is a case in point. If we combine this aspect with the difference between the need and the demand (read contrived demand), cultural hegemony is also inevitable and Gandhiji was strongly Swadeshi as far as culture is concerned.

Thus, once we understand the basic tenets of Gandhi's thoughts on Economics, it becomes clear that globalisation appears at a fairly late stage. In his writings that are scattered, he has written to the effect that he was not against trading surplus in the local economies. He was not averse to technologies and knowledge that reduced human misery and drudgery. It did not matter whether it was local or foreign. But it is also very clear that he never was in agreement that the economies should be growing with export as the engine. By promoting that which was more local and which helped in the generation of dignified livelihood, the cultural onslaught from outside would by itself get minimised. In his scheme, globalisation would not find an entry into the developing economies so easily as it is threatening to do today.

Looking back, one is amazed at the acute understanding of each of the problems Mahatma Gandhi threw light on. He dealt with some problems more intensively than others but he never lost sight of any one of them. He denounced the concept of economic man because he refused to recognise the separation of economics from ethics. He denounced technological determinism because it enslaved man and sanctified only those technologies that conformed to value premises. Above all, he struggled against the mightiest imperial power in terms of non-violent theory and order. As he went about these tasks, he discovered his own science of economics, although he did not analyse it in a very vigorous manner. He was not interested in the scope of and method of economic science, as we economists "naturally understand it". Rather, he worked for an entire lifetime on articulating the principles of an alternative and "more real" human economy centring on the very themes outlined in his 1916 Lecture: the lack of correlation between material expansion and genuine progress, the need for an economics-cum-ethics that would enable moral growth and dignity in general, the fallacy of seeking happiness in individual acquisitive behaviour, and the need for encouraging people to seek a life in terms of acquiring a healthy self-esteem and a genuine meaning. Modern Economic Development including globalisation tend to bypass Gandhian tenets.

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