

THE GANDHIAN ECONOMIC MODEL COULD SEE US THROUGH THIS CRISIS

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

Ideas that seemed antiquated for about half a century are ironically relevant to a post-covid world

Mahatma Gandhi has not been taken very seriously as an economic thinker. His forte was moral ideas. But, in a post-covid world, economic ideas must have an ethical quotient. The way the world economy is crumbling and inequities rising, we should give his ideas a second look. We may find some answers to our current situation in his ideas, even if he arrived at those conclusions intuitively rather than through empirical observations.

Core Gandhian ideals include swadeshi, self-reliance at the individual and village community levels, an abhorrence of mass production and mindless industrialization, a dislike for the amoral extremes of capitalism and communism, and a reduction of mutual antagonisms between the rich and poor. He believed that wealth must be held in trust by the rich on behalf of the poor. Unlike Marx, who saw the interests of workers and capitalists as irreconcilable, Gandhi sought a new convergence of interests. Marx saw labour handicapped as it did not own the means and tools of production; Gandhi's charkha visualized the opposite reality. A worker can and should be able to provide for his or her basic needs through his or her own tools and ability to earn a living.

Gandhi's vision did not materialize during his lifetime, and his instincts on technology were overly negative. But today, as we adopt work-from-home norms and refocus on basics, we find that digital technology has enabled what Gandhi envisioned: empowerment at the individual and village level.

While we are unlikely to revert to the village republics he would have liked, we can see that web-linked villages can indeed earn enough for themselves by offering goods and services from remote places. If you can work from home, you can work from your village too. As the world de-globalizes partially, countries are going for self-sufficiency; local supply chains are less likely to be disrupted by global events. As renewable energy sources grow, a country endowed with sun and wind can produce power locally; today, even housing colonies feed solar power to grids. Much else can be decentralized.

Gandhi was right to take a dim view of both capitalism and communism. Today, the middle path is looking increasingly attractive, not only in welfarist Scandinavia, but also in the US, where redistributive justice is being sought to counter-balance the excesses of unbridled capitalism. As wealth gets more concentrated, wealthy capitalists are displaying new concern for the poor, from Warren Buffett and Bill Gates to Azim Premji and Shiv Nadar. The Tatas, of course, arrived here much earlier. They are giving up a large part of their wealth for social causes, even though they will stay wealthy. Gandhi got it right again, and Marx wrong. "No doubt capital is lifeless," said Gandhi, "but not the capitalists, who are amenable to conversion."

Many entrepreneurs are developing and offering software for free, even as they use other means to make money off their inventions (consider Linux, Google Docs, etc). The "Collaborative Commons" will drive a lot of innovation in the future. One should not be surprised if the discoverer of a covid-19 vaccine offers it for a very low licensing fee, or even free.

Even at the macro level, high income inequalities and growth without jobs are forcing economists to think whether an obsession with gross domestic product (GDP) is healthy. The quality of growth matters. An understanding of who benefits or loses from globalization is becoming a critical issue for policy-makers everywhere.

Gandhi's maxim that there is enough for everybody's need but not for everybody's greed makes a lot of sense today, as we focus on what is truly important to live a dignified life and what we can do without. Once we have seen the back of covid-19, maybe some of the old greed will return. But it's a fair bet that it will not be the sort of unbridled greed that caused the dotcom bust of 2000 and the 2008 global financial crisis.

Gandhi did not have much to say about the excessive financialization of the global economy, for it did not exist when he was around. But it's more than likely that he would have criticized it as excess greed. Nor would he have liked the speculation and debt-fuelled spending by governments and individuals that brought the house down in 2000 and 2008. His advice for economic adversity would have been to limit your needs. Parsimonious to a fault, his message would have been commonsensical: If you want to spend more, save first. Gandhi valued thrift, and a post-covid world will have to relearn its virtues.

A counter-point: If today Gandhian virtues are looking distinctly achievable, we have to acknowledge that this has happened only because we went in the opposite direction and saw both its benefits and costs. Today's digital economy and remote-working would not have been possible if we had remained village republics and millions had not congregated in cities to earn and innovate. Nor would food and energy have been available in plenty without opting for polluting technologies (inorganic fertilisers, solar photo-voltaics, storage batteries, and so on).

Gandhi has come good today because over the last half-century, he turned out to be wrong.

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