

## Chapter 4

# Hindu Economic Philosophy

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### 4.1 Introduction to Hindu Philosophy and Weber's Misunderstanding

The propriety of discussing Hindu *economic* philosophy, especially if treated as originating from the Vedic times some four thousand years ago, may be questioned. Can we meaningfully speak of *economic* in a situation where the extent of commercialization itself was very limited and the role of free markets was not significant, let alone the emergence of capitalism? There may not be much role for economics in such a situation, if we recall that economics (or political economy) as a discipline emerged only during about the last 250 years, coinciding with the rise of capitalism. But we are not discussing economics as such in this chapter, but only economic philosophy, in the sense of viewpoint or attitude to things economic worldly, material, or mundane things valued as wealth, and their production, acquisition, and distribution things that are valued in this life. Philosophy suggests

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more than a mere viewpoint, or like and dislike, and covers theorization, and taking up a reasoned stand on the issues covered. In this sense, it is certainly possible to discuss Hindu economic philosophy and analyze what it was.

With the publication of Max Weber's book, *The Protestant Ethic and the Spirit of Capitalism*, in 1905, the idea that religion and culture matter quite a lot even as to a worldly issue such as economic growth, became widely recognized. He showed how the emergence of the Industrial Revolution and economic growth under capitalism had to wait for the rise of the Protestant religion, which had a positive attitude to creation of wealth and prosperity, and to capital accumulation. Protestantism may not have lauded the profit motive, but it valued hard work and thrift, and did not look askance at accumulation of wealth, which led to investment. It emphasized asceticism, which meant a thrifty way of life, and could result in savings. It valued worldly success, and preached a fruitful use of God given natural resources. It had a positive worldview, which Weber thought was congenial to innovation and investment, which in turn enabled the Industrial Revolution and the rise of capitalism and economic growth under it.<sup>2</sup>

Weber also made his incisive observations on Hinduism and Indian religions in general, particularly in his subsequent book, *The Religion of India: The Sociology of Hinduism and Buddhism* (1958). He was not alone. Albert Schweitzer had begun the attack on Indian religions even earlier, in 1936 in his *Indian Thought and Its Development*. Kapp (1963) who came later sang the same tune. The essence of their criticism of Indian religions was that they were so much otherworldly that their philosophy amounted to world negation and life denial. These religions were alleged to have denied any meaning for this world, which in turn implied that there was no meaning in economic betterment of either oneself or the country, or even in alleviating poverty and misery. India's economic backwardness and poverty were blamed on this philosophical background, which was taken to have also accounted for slow economic growth. The slow rate of economic growth in India since 1950 until around 1980 (at 3 percent per annum) was even called the Hindu Rate of Growth by Raj Krishna, an eminent economist of

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<sup>2</sup>Though R. T. Tawney broadly accepted Weber's thesis in his *Religion and the Rise of Capitalism* (1926), he argued that "political and social pressures and the spirit of individualism with its ethic of self-help and frugality were more significant factors in the development of capitalism than Calvinist theology." In due course, "Weber's mono-causal explanation for the rise of capitalism has been abandoned in favor of multi-causal explanation" (*Encyclopaedia Britannica*, Micropaedia, Vol. 9, 15th ed., 2002, p. 740).

India.

## 4.2 Response to Weber's Misunderstandings

This was a huge misunderstanding and bad press for Hinduism. Hinduism has many streams of thought, and the misunderstanding was based on just one of them, Advaita, and that too on a wrong interpretation of it. Advaita is known for what is taken as Shankara's basic teaching *Brahma Satyam jaganmithyaa jeevo Brahmeti naa parah*. It means, "the Absolute (alone) is real and the world is false; the soul is Absolute and not anything else." To really understand Advaita, one has to go back to the Upanishads instead of going by a literal translation of Shankara. It is from the Upanishads that Shankar derived his doctrine. Chandogya Upanishad (III.14.1) says, *sarvam khalu idam Brahma* ("verily, all this, whole universe, is Brahman"). What it means is that Brahman, the Absolute, alone is the ultimate reality, and the phenomenal world is one of only name and form *naama* and *roopa*. The Upanishad explains this with the example of clay and its different forms, and of gold and its different forms. The basic reality here is clay or gold, and their forms are secondary realities; *compared with* the ultimate reality, they are not real. Advaita does *not* tell us that, therefore, relative or secondary reality what it calls as *vyaavahaarika satya* (practical reality) can be ignored and only the ultimate reality (*paaramaarthika satya*) has to be taken into account. Physicists may say the basic or ultimate reality of a table may be its particles or quanta, but that does not mean that the practical reality of a table could be ignored. Both realities have their place in respective contexts, which Advaita has explicitly recognized.

Even if everything is Brahman, this does not mean *neutrality* between poverty and prosperity, or sorrow and happiness. The Upanishads made it clear that Brahman by nature stands for positive things: *Sat* (truth, goodness), *Chit* (awareness, consciousness), and *Ananda* (happiness) (see Radhakrishnan [1953] 1994, p. 70). Imbued with this positive nature, we seek positive things. Many Vedic hymns involve prayers for happiness, even worldly happiness. They also praise charity and helping nature. A hymn in Rigved (X.117.6) declares, "A person who has no concern for others earns his food in vain. I tell you the truth, it is as good as his death. He who feeds neither the good and the learned nor a friend, and eats all by himself, only sins all by himself." Rigved (X.117.4) said almost the same thing about four millennia ago: "*na sakhaa yo na dadaati sakhye sachaa*

*bhuvē sachamaanaaya pitvāh*” (A person is no friend if he does not help the needy; but one who helps is a real friend). *Ishopanishad* (in the second verse) exhorts us to wish to live for a hundred years actively, doing our duties.

The charge against Hinduism in terms of world negation and life denial is due to obsession with a wrong interpretation of one particular school of thought, while ignoring other interpretations and other schools of thought such as Vishishtadvaita or Dvaita, and Bhakti movements during the medieval era. They never regarded the world as false or as illusion or even as a relative or secondary reality.<sup>3</sup> They all had a very positive attitude to the reality of the world. The Vedas too had a very positive attitude toward the world and its pleasures. The Vedic prayers unashamedly sought worldly prosperity for the self, for the family, and even for the world as a whole. For example, Rigved (II.21.6) invokes Indra, praying for best wealth, capable mind, happiness, growth, nourishment, sweet tongue and good days ahead. Vedic prayers sought blessings in the form of more children, more animal wealth, more gold, and more of all worldly possessions. There is a Vedic prayer called *Chamakam* (from *Taittiriya Samhitā* of *Krishna Yajurveda*; ch.18: 1–27 of *Yajurveda*), chanted mellifluously in temples and *mathas* (Hindu monasteries). It rhythmically and repeatedly seeks this *and* that, this *and (cha)* that for oneself (*mey*) through *Yajna* and because of the many repetitions of *cha* and *mey* it is called as the *Chamaka* hymn. Interestingly, things sought in the hymn cover worldly objects, strength, knowledge, happiness, long life and also devotion to spiritual pursuit. Saayana in his commentary on the *Taittiriya Samhitā*, which includes the *Chamaka* hymn, observes that the aim here is to help a person to realize material desires through rites and rituals like *Yajna* (see Kashyap 2010 for Sanskrit text and English translation of Chamaka hymn on pp.81-107, and Saayana’s view on p.5). We should note, however, that the prayer seeks non-material things too including devotion to spirituality. In the Vedic approach, one flies to God using both the wings material as well as the spiritual. There is no conflict between the two.

For a better understanding of Hinduism, it is necessary to see it as consisting of several streams of thought. Though on the whole, there was a priority for spiritual uplift, there was no need to ignore one’s duties in the

<sup>3</sup>This observation is based on my study of some of the literature on Madhva and Ramanuja and the leaders of bhakti movements, and also is evident from the writings of S. Radhakrishnan, S. Dasgupta, and others on Hindu philosophy. See Nadkarni (2008, ch. 1, 4, and 5), Tapasyananda (1996), Yamunacharya (1988), and Sharma (1997).

world. Even in the pursuit of spiritual uplift, Hinduism recognized broadly two paths: one of *Pravritti* and the other of *Nivritti*. The former was extroverted or outward looking, while the latter was introverted or inward looking. The *Pravritti* path went very well with a positive economic philosophy, which was consistent with the path of *karma* (work more about this a little later), and also the path of *Jnaana* (knowledge) for God realization, it did not preach neglect of one's responsibilities in the mundane world, but instead emphasized doing one's work with a sense of detachment. Even *sannyasa* (monkhood), which meant renunciation, meant actually renouncing only one's personal family ties, but involved embracing the whole world as one's family. Radhakrishnan rightly observes that Sannyasa does not mean that we owe no duties to the world, and adds quoting a verse, that if one cannot give up attachment, make it an attachment for all. The three Acharyas (Shankara, Ramanuja, and Madhva) earlier and the modern age Sannyasis such as Swami Vivekananda did exactly the same. The latter particularly took enormous pains to improve both the spiritual and material happiness in the world. All this indicates a strongly positive attitude to the world, which favored positive economic philosophy.

Philosophy, however, requires more than just an attitude. It needs also ethics, a standard or value system by which to evaluate both the attitude and behavior based on the attitude. Hinduism formulated such an economic philosophy some four thousand years ago in the 10th *Mandala* of *Rigveda*. Its verse quoted below can be said to capture the essence of this philosophy:

*Parichin marto dravinam mamanyaad*  
*Ritasya pathaa namasaa vivaaset*  
*Uta svena kratunaa sam vadeta*  
*Shreyaamsam daksham manasaa jagribhyaat*  
*(Rigved 10.31.2)*

Per the author's translation, it means:

*Let a man (or woman) ponder well on wealth,*  
*Earn it by the path of moral law and with humility*  
*Consulting own conscience, and*  
*Heartily gain upright prosperity.*

In this verse, wealth is not assumed to be coming unasked without effort. One has to consciously ponder (*pari chin*) over how it has to be earned by the path of moral law or truth (*ritam*), and not by dishonest means. It has to be earned with humility (*namasaa*) and not arrogance, because success

depends on the grace of God, and one owes it to the society of which one is a member for making it possible. Consulting one's own conscience (*kritu*) also is important in deciding the ways in which wealth is earned. Once these qualifications are kept in mind, one can earn wealth heartily (*manasaa*) and gain justifiable or upright (*daksham*) prosperity (*shreyaamsam*).

### 4.3 Ethics and Human Goals in Hindu Economic Philosophy

Note that ethics is an integral part of this philosophy. Mahatma Gandhi was drawing on this ancient approach when he insisted on combining ethics with economics. He said, "I do not draw a sharp, or any distinction, between economics and ethics" (*Young India* 1921). If economics conflicted with ethics, he clarified that it is economics that had to be given up, not ethics. Support for earning wealth was not unqualified. But asceticism was not prescribed for all in Hinduism. One could enjoy life, though by just means and not immorally. Ethics were necessary both in earning wealth and enjoying it.

This also comes out clearly in the philosophy of *Purushaartha*. *Purushaartha* means human goal, and Hinduism conceived there were four of them: *dharma* (moral or righteous conduct), *artha* (prosperity or pursuit of wealth), *kaama* (sensual pleasure), and *moksha* (spiritual liberation or self-realization). There is no need to choose among them; one can pursue all four, but the predominance of *dharma* is emphasized. This means that the pursuit of both *artha* and *kaama* should be in accordance with the moral law.<sup>4</sup> *Moksha* comes later that is, after the other goals are achieved. *Moksha* is unattainable in the absence of *dharma*. Every human being has multiple goals that together give a heroic purpose (*purushaartha*) and meaning to human life. A sense of purpose energizes and enables a person to overcome obstacles and limitations he or she has to face. Multiplicity of goals means that reconciliation among them is necessary to impart harmony, integrity, drive, and direction to human effort. *Dharma* plays a presiding role in this reconciliation.

Reviewing the stand taken by the *Mahabharata*, Badrinath observes:

<sup>4</sup> *Mahabharata* makes this very clear. It says, "he who wishes to achieve *kaama* and *artha* by means which are not really (valid) means (i.e. means other than *dharma*) perishes" (V.124.36). Further, "he who wishes to achieve *kaama* and *artha* must concentrate on *dharma*, for *kaama* and *artha* are never separate from *dharma* (V.124.37)" (as translated and quoted by Malamoud (1982, 42)).

"Acknowledging the importance of material prosperity, individual and collective, the *Mahabharata* is at the same time saying, in the clearest of voices, that wealth should be earned through *dharma* and never through *adharma*. It is saying that the pursuit of prosperity of the one, or a few, should never have the effect of depriving, starving, diminishing, separating, uprooting, hurting, doing the violence, debasing, and degrading the other. When it does, it becomes self-destructive in the first place. True wealth, individual or social, is that which creates: nurturing, . . . enhancing all living beings; which supports, sustains . . . and . . . upholds all living beings; and secures for all living beings freedom from violence, freedom from fear. These are the three foundations of *artha*, true material prosperity; and they are the main attributes of *dharma*". (2007, 89)

It is thus clear that the goal of *artha* be pursued in accordance with *dharma*.

*Artha* as one of the four purusharthas refers not only to wealth, but to worldly goods in general, instruments of livelihood and welfare, and even power and politics. The meaning of *artha* becomes clear only in the context of its use. Whatever the context and meaning of *artha* may be, the norm is that its pursuit follows the moral law. *Artha* may be pursued for its own sake, or for the purpose of satisfying *kaama* (such as eating delicious food, wearing more expensive clothes, or having a nice dwelling), or even merely for the sake of pursuit of *dharma* (helping others in times of need or for coming up in life, and doing such good deeds for the welfare of others). It was always stressed that what adorns a wealthy person is not ornaments and expensive outfits, but humility and charity. Arrogance about one's wealth and any attitude of not sharing it with others in times of their need are generally treated as a great blemish and moral deficit.

It is interesting to note that *artha* is viewed here as an instrument to achieve even *dharma* rather than as an obstacle. *Dharma* is recognized as very difficult to attain in the midst of poverty, though it does not mean that the poor are held to be morally depraved or incapable of *dharma*. What is pertinent is that poverty is not glorified. On the contrary, the *Mahabharata*(*Shaanti-parva* 8.23) says *dharma* flows out of wealth, like a river springs forth from a mountain (*dhanaaddhi dharmah sravati shailaadapi nadee yathaa*). Prosperity enables charity, which is its justification. Pursuit of wealth finds its purpose when wealth finds its way into charity and promoting the welfare of others. A charitable disposition and active compassion are highly glorified in Hinduism, and can constitute an important motivation for pursuing *artha* after satisfying the basic

needs of one's own and family. The Rigvedic verse quoted above (X,117.6) in translation may be recalled in this context. The Gita (3.13) also has a verse to the effect that one who cooks only for himself eats sin. Two qualifications are needed here. One is that Hindu scriptures are not so unrealistic as to expect that wealth has to be earned *only* for the sake of others; meeting commitments to one's family is quite emphasized. The idea is that a householder (*grihastha*) also has to strive to meet moral obligations to others and help the needy. The second qualification is that this precept of Hinduism may not have been practiced satisfactorily by all Hindus, but it at least was an important principle, a norm to be followed.

The Gita provides a scheme of moral evaluation of our activities and motives in terms of three *gunas* (or qualities): *saatvik*, *raajasik*, and *taamasik*. *Saatvik* is gentle and kind and possessed of noble motives. *Raajasik* is purely self-centered or selfish. *Taamasik* is dismal, misleading, and leading to undesirable consequences. For example, the Gita says that charity is *saatvik* when done for the pure joy of it, out of a spirit of altruism, giving due respect to beneficiaries; it is *raajasik* when it is done out of a selfish motive, to get something in return such as publicity or even material benefits; it is *taamasik* when done with contempt for the beneficiaries of charity, or with a mischievous motive of harming them. Similarly work is *saatvik* if it is done unselfishly and with detachment and yet with efficiency and enthusiasm; it is *raajasik* if it is done out of a motive of getting an economic or material return or outcome for one's own self; it is *taamasik* if done in a clumsy or counterproductive way or with the motive of harming others. Where would pursuit of wealth or *artha* fit in this scheme? It may at first glance appear to fit under the *raajasik* quality, as self interest is the motivating force behind such activity. But even pursuit of *artha* can be *saatvik* if it is done honestly and with the motive of *dharma*, though one is not barred from looking after one's own and one's family's necessities and comforts. A business, even if it aims at earning a legitimate surplus or profit, can transcend the *raajasik* quality and become *saatvik* if it also creates employment, treats employees well, gives due value to customers, accumulates for public good, and engages itself in philanthropic or social work. The Gita does not condemn *raajasik*; it only places *saatvik* as morally and spiritually at the highest level.



#### 4.4 Labor for Self–Aggrandizement

The role of human enterprise or endeavor (*pururshakaara*) and labor both physical and mental in creating wealth is well recognized by Hinduism. *Karma* actually means work, and it is in this sense that Gita speaks highly of it. Lord Krishna tells Arjuna clearly that work is greater than idleness (2.8) and that renouncing work in the name of renunciation does not lead to spiritual success (2.4). Though doing *karma* (work) for maintaining the body comfortably (*shareera-yaatraa*) is certainly necessary, the Gita advises going beyond it to cover self less work for the welfare of people (*loka-sangraha*) (2.20, 2.25). This work has to be done with dedication (*yogasthah kuru karmaani*) and with dexterity (*yogah karmasu koushalam*, 2.50). Dedication and efficiency are not possible without interest. But interest is not possible unless the work is expected to give some desired result or outcome. By advising that work be done with detachment and selflessness, Krishna could not have expected any work to be done mindlessly, without planning for its expected outcome. He denounces work done without the consequences being heeded (*anapekshya*) as *taamasik* (dismal, dark) (18.25), but praises work done with neither personal bias nor dislike but with fortitude and enthusiasm (*dhrityutsaaha samanvitah*) as *saatvik* (good, beneficial) (18.23, 18.26). In other words, whatever we do, the Gita expects us to get absorbed in it, and enjoy it. *Chandogya Upanishad* (1.1.10) reveals the secret of what makes one’s work effective or powerful: “whatever one does with knowledge and skill, with faith and commitment, and with full thought, that alone becomes powerful.”<sup>5</sup> The Gita describes a person engaged in such selfless and yet effective work as a *karma-yogi*. A *karma-yogi* neither hates disagreeable work nor is attached only to agreeable work (18.10), and is unbiased between the two. The Gita advises not uninterested, but disinterested work. Detachment eliminates tension and can promote effectiveness. The philosophy of work as developed by the Gita is intended both for personal spiritual benefit and for the welfare and progress of the world.<sup>6</sup>

<sup>5</sup>The original is: “*Yadeva vidyayaa karoti shraddhayaa upanishadaa tadeva veeryavataram bhavati.*”

<sup>6</sup>*Karma-yoga* (the path of work) explained above is different from the Law of *Karma*, which is more popularly known. The Law of *Karma* simply says: you reap as you sow. It is often misunderstood as fatalism or destiny. Actually, the Law of *Karma* presupposes, even requires, free will; robots cannot be subject to it. The implication of the law simply is that one should be cautious in one’s deeds or actions and avoid those that could hurt others. In addition, detached and selfless work can liberate us from the bad consequences

The emphasis on the importance of work was reiterated by the saint poets of the medieval era. Covering the whole length and breadth of the country, their *Bhakti* movement is a notable landmark in the development of Hinduism. They brought religion to the masses and democratized it.<sup>7</sup> A pithy and yet very telling expression of their philosophy of work was given by Basavanna, in Karnataka in the 12th century. He proclaimed, “*Kaayakave Kailaasa*” (to work is heaven). His followers, known as Lingayats, or Veerashaivas, even while emphasizing *bhakti* (devotion to or love of God) as a path of God realization accessible to all, did not hesitate to prioritize devotion to work and one’s calling, even over devotion to God, though they saw no conflict between the two in general. But when there is not enough time for formal worship of God, one need not hesitate to devote oneself to the work of one’s calling, according to a Vachana (saying) of the Veerashaivas. The leaders of the *Bhakti* movement came from the working class from a variety of vocations such as agricultural labor, leatherwork, weaving, pottery, and small trade and one of the followers of Basavanna was a meat seller. The working class background of bhakti saint-poets all over India was no coincidence. They enhanced the prestige of manual work and the worker himself.

#### 4.5 The Bane of the Caste System

The significance of this achievement can be better appreciated against the background of the caste system in Hindu society. Most of the leaders of the Bhakti movement deplored the caste system and its inequity. The original form of the caste system consisted of the *varna* system, which emerged toward the last phase of the Rig Ved. Its emergence owes itself to the recognition of the advantages of division of labor and specialization in vocations. Instead of each person doing everything, it was recognized that each could more advantageously specialize in a calling or vocation and devote oneself to it. This increased the productivity of the society, and gave more time to some classes to pursue more fruitfully literature and religious rituals, or to develop skills in warfare. As the Gita (4.13) explicitly makes clear, this division was based on aptitude for different types of vocations or work (*Guna-Karma*), and *not birth*. The *varna* system, however, deteriorated into the caste system due to two tendencies. Because

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of karma.

<sup>7</sup>For details, see the fifth chapter on Bhakti Movements in Nadkarni (2008).

there were not enough trade or craft schools, except for religious preaching and teaching the skills of warfare and statecraft, the artisans had to train their children themselves in their own vocation. That is how a system based on aptitude turned in to one based on birth. The second tendency was that different types of work began to be valued in society differently, and the system became hierarchical. This led further to according a lower status to manual work such as that of artisans and laborers. Hindu texts were divided in endorsing this. While some such as the *Dharmashastras* endorsed and authenticated the birth based caste system, there were several others such as the Gita and Upanishads, and later the compositions of the medieval saint poets, which condemned caste hierarchy.<sup>8</sup> The irony is that Hindu society saw the advantages of division and specialization of labor, but overdid it to the point of making it inhumane by putting restrictions on social mobility. But Hindu society and religion also gave scope to correct these excesses by raising the status of the worker and working class (as was tried by the Bhakti movement), and even by mobilizing them for constructive social action and raising the social status of lower castes within the framework of the Hindu society (as happened in the case of Ezhawas and Nadars, see ch. 2 in Nadkarni 2008).

The caste system, which was the bane of Hindu society, though not a part of religion as such, was damaging from the point of promoting a healthy egalitarian economy as well as society. From Adam Smith onward, competition has been accepted as necessary for providing economic stimulus for efficiency and progress. But the caste system effectively blocked competition by restraining social mobility, at least until recently. The caste system may have blocked innovation too, because in a feudal system, artisans had little to gain from it. The whole system of caste was oriented only toward *maintaining* the society, rather than to achieving *betterment and progress*. Of course sculptors who turned out more beautiful statues, architects who designed beautiful temples, carpenters who constructed sturdy chariots, and blacksmiths who fashioned powerful swords and arrows must have been honored and rewarded more than the mediocre ones. The better ones received royal patronage and encouragement. But when it came to

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<sup>8</sup>See the second chapter, "Is Caste System Intrinsic to Hinduism?" in Nadkarni (2008). There are two types of texts in Hinduism: those regarded as sacred (Vedas, Upanishads, and the Gita), and those that are meant for guiding day-to-day conduct and that are in the nature of civil law (*Dharmashastras*). While the former did not endorse and even opposed the birth based hierarchical caste system, some of the latter endorsed it. But it was unanimously agreed since ancient times that where there is a conflict between the two, the former will prevail.

more common goods such as agricultural implements, handlooms, and vessels for common use, the markets were highly localized (except in the case of silks, which were exported). There was not much incentive for innovation. The positive economic philosophy that should have promoted economic development and even an industrial revolution was offset greatly by the social structure of the caste system. Both Hindu society and Hinduism, and even the Indian economy, suffered as a result. Many significant steps have been taken after India's independence to remove the injustice of the caste system, particularly by providing for a system of positive discrimination and affirmative action in the form of reservations for sects in admissions to educational institutions and in allocations of up to 50 percent of vacancies in government jobs to lower castes. This has helped many of them to come into the mainstream of the Indian society, economy, and particularly polity. As they were a numerical majority, the establishment of democracy based on adult franchise gave more power to these lower classes than any religion could.

But even as a religion, Hinduism was not consistent with the birth based and hierarchical caste system. Because of this system, Hinduism received bad press as being based on inequality. On the contrary, Hinduism treated every individual equally in spiritual and moral terms, which could serve as the logical basis for treating all persons equitably in political and economic terms as well. A verse in the Gita (6.32) expresses this egalitarian philosophy quite clearly. Translated, it reads, "The one who sees pleasure and pain everywhere by the same standard as applied to one's own self, that Yogi, Oh Arjuna, is the highest."<sup>4</sup> From the tenor of the argument in the Gita, this seems applicable not only to yogis, but to everyone in life. A whole philosophy is implicit in this verse, which favors justice, equality, and even liberty. One is entitled to maximum freedom, consistent with similar freedom for all. In the same way, one is entitled to equal treatment consistent with similar treatment for all. The principle provides a solid foundation for a just economic and political order.

The prevalence of the caste system suggests a contradiction between the above moral principle and practice. It should be appreciated, however, that Hinduism as a religion had nothing to do with caste or untouchability, a point Mahatma Gandhi also emphasized. He announced once that if he were convinced that Hinduism had endorsed untouchability and inequity of caste, he would not have hesitated to renounce Hinduism. On the contrary, he took pride in proclaiming that he was a Hindu, even a Sanatani Hindu. Manu, the author of *Manusmriti*, may have felt utterly uncomfortable with

Gandhi's views on caste, but Gandhi reflected the moral essence of Hinduism much better than Manu. Though some of the oft-quoted statements in a few *Dharmashastras*, particularly in *Manusmriti*, do look very harshly on the lower castes, these works also contained verses that gave a different image. Realizing that caste as a system emerged out of economic necessities of division of labor and specialization, *Dharmashastras* ordered kind treatment of servants belonging to lower castes, and said that it was the duty of their employers to look after all their basic needs such as food, clothing, and shelter. If a guest comes unexpectedly, the guest was to be fed, never at the expense of the servants, but of one's own self. If the master could not afford to look after the servants, they could leave such a master and seek shelter elsewhere. Thus, the system was quite different from slavery. There is a beautiful *Subhaashita* (quotable saying) (source unknown), which shows that Hinduism did not lack social concern. It says:

*Taaditaah peedithaah ye syuhu taan mama iti abhyudeerayet/  
Sa saadhu iti mantavyah tatra drishtavya Ishwarah//*

It means: "One who declares those who are oppressed and harassed as his own (and helps them), he is to be regarded as the real saint; it is here that God is to be seen." The caste system was inhumane no doubt, but that was not a part of Hindu philosophy. Hinduism did have concern for the poor and the meek, and opposed social injustice, of which there is evidence in practice (see Nadkarni 2007 for a substantiation of this point).

#### 4.6 Creation, Enjoyment and Distribution of Wealth

The principles of hard and honest work to create wealth, hospitality, compassion, kindness, and charity were considered essential for all, particularly for householders or *grihasthas*. The main task of creating wealth as well as distributing it was that of the *grihasthas* and *grihinis* (housewives), the latter considered as equal partners. The famous "convocation address" to departing students in *Taittiriya Upanishad* (I.11.2) commands that the guest be treated as god (*Atithi devo bhava*) in the same manner as parents and the teacher. Next (I.11.3), it commands that whatever is given be so with faith, generosity, and modesty. In the premodern India, when there were no hotels, people still traveled widely covering the whole length and breadth of the country. How did they manage? They requested and duly received food, buttermilk, and water free of cost from wayside household-

ers, who even often had to provide shelter too for the night. Having a guest at home for lunch or dinner was considered by householders as good luck. Tiruvalluvar, the author of an ancient classic in Tamil called *Tirukkural*, says that if one has fulfilled the moral obligations of a householder, there is nothing left for him to achieve further by way of spiritual pursuits! (Rajagopalachari 1999).<sup>9</sup>

Thus, the Hindu economic philosophy was not only positive with regard to the importance of creating wealth and enjoying it, it combined it with its emphasis on just means of doing so, compassion, kindness, and charity, and the need for moderating, if not eschewing, self-interest. Yes, self-interest was given scope in the philosophy of *purusharthas* particularly through permission to pursue *artha* and *kaama*, as discussed above, combined with *dharma* and a moral obligation to help others. Much later in the history of development of Hinduism, Gandhi formalized and turned the economic philosophy of ordering the economy on the basis of compassion and charity into one based on moral obligation. He did this by formulating and recommending the principle of trusteeship. Through this principle, he tried to reconcile the need for an economic incentive to accumulate and achieve a sense of self-worth with the need to reduce inequality and enable the worst off to become even. Yes, one can accumulate wealth beyond one's needs, but only in the spirit of holding this wealth or investment in the form of a trust for the benefit of society. Such altruism may seem unrealistic at first glance. But it was because of its wide prevalence that pilgrims and others traveled the length and breadth of the country in pre-modern India, depending on the kindness and sense of moral obligation for charity of householders. They could also stay in charitable lodges, called *dharma-shaalas* or *choultries*, constructed in places of pilgrimage, or on trunk routes. The principle of charity has been working even in modern times. *The Economist* (August 14, 2010, p. 50) reported that "Two-thirds of Tata Sons [a Corporate enterprise in India] is owned by charitable trusts which finance a wide range of philanthropic activities." The IT giant Infosys has promoted Infosys Foundation, which is doing similar work. Several other corporate enterprises are

<sup>9</sup>Al-Biruni (973–1048 AD), who traveled in India extensively, has left a travelogue with many observations about the then Hindus in India and their customs. He has noted that after paying one-sixth of their produce to the king in taxes, the householders divide income into four parts: the first for "common expenses," the second for "liberal works of noble kind," the third for alms, and the fourth for holding as a reserve. If the second was also for charity as it seems, nearly half of the posttax income was used for charity. Al-Beruni also mentions that some devoted only one-ninth of their income for alms, but this also is not negligible. See Ahmad (1988, 235–36).

engaged in rural development and social work. Such philanthropic work may not be as widespread and adequate as needed, but its existence and significance does suggest the practicability of Gandhiji's trusteeship idea.

The trusteeship principle needs active support and encouragement not only from individuals but from the state. For example, there is at present a tax concession in India under Section 80G of the Income Tax Act. While donations to government relief funds enjoy a 100 percent tax exemption by way of deductibility from taxable income, donations to private charitable trusts receive only a 50 percent concession. While proper audit and monitoring of such trusts by the state is necessary, there is no need for such discrimination against private charities. The ceiling for tax exemption of donations under Section 80G, which is presently at 10 percent of the "adjusted gross total income," may also be lifted to encourage charity. Retired persons with no dependents and wealthy people can certainly spare a much higher proportion of their income for charity. Imposing a ceiling for all at 10 percent is unjustifiable.

The need to control one's wants is a basic necessity in this economic philosophy. Otherwise there would be no savings to be channeled into charity and philanthropic work. In the context of a looming environmental crisis, this insistence on moderating one's wants assumes added significance. Gandhi's famous saying that the earth has enough to meet everyone's needs, but not enough for greed, is imbued with deep significance in this context. It is wasteful consumption that has led to this environmental crisis. Gandhi's advice of simple living and high thinking can avert it. Producing goods with a long life, and maintaining them instead of throwing them out even when repair can bring them back to use, seems to go against the grain of the present economic order. But the Gandhian approach makes abundant environmental sense.

The positive economic philosophy of Hinduism (discussed above) seems to bring it close to Protestantism. The positive attitude that Weber found in Protestantism, which according to him helped the emergence of capitalism in the West, is not found wanting in Hinduism. Both Protestantism and Hinduism have taught simple living and moderation of one's material wants so that saving could occur. Both emphasized hard work and deplored laziness and idling. The Gita's advice to choose a vocation according to one's aptitude comes close to doing devoted work in one's chosen calling under Protestantism. But there are also important differences between them. Hinduism is not averse to the innocent pleasures of life; it only insists on subjecting one's enjoyment of life to moral law. But Protestantism had an

explicit antipathy to “worship of flesh,” and went to the extent of regarding pleasure-seeking as sin. Hinduism stressed charity more, and looked with disfavor on any tendency to accumulate wealth without spending on charity. It does not mean that it did not want investment, but such investment was more for social good—such as constructing tanks and drinking water wells, restoring them, constructing roads, and building *dharma-shaalas*. Wealthy persons, kings, and feudatory chiefs did engage in such investments for the public good. Doing something for the public good was considered as an act of earning *punya* (spiritual merit). Even expenditure on temples and *mathas* served the cause of accumulation for social good as they contributed to developing irrigation facilities and drinking water wells, educational institutions, and healthcare. Investments for private gain were not disfavored, such as in irrigation wells and other irrigation works, construction of cowsheds, and the making of handlooms and artisan tools. But modern economic development is of recent origin in India, and production of capital goods such as machinery and engines had not started until then.

Merely because the Industrial Revolution started in the West, it does not mean that the West alone had a positive attitude to the world and that other civilizations did not have it. The Chinese civilization had a positive worldview, and invented such things of fundamental significance as paper and gunpowder, yet the Industrial Revolution as such did not start there. The very term, “Industrial Revolution” and its assumed association only with the West, completely ignore scientific and technological advances of fundamental importance that took place in the East before it. The positive economic philosophy and the positive worldview that was also in the Indian civilization in practice had some amazing results. It is worthwhile recalling some of the scientific, technological, and economic achievements in India as evidence of the economic philosophy of Hinduism also working in practice.

#### **4.7 Worldly Achievements of Hindus in Economics, Mathematics, and Medicine**

Ancient India was known for its advances in mathematics and science. Hindus are credited with developing the concept of zero and decimal numerals, a breakthrough of fundamental significance, which paved the way for later advances in mathematics and sciences, and facilitated day-to-day business. Arya Bhatta, much earlier than the West, discovered the diurnal motion of the earth around the sun. Hindus developed a sophisticated medical sys-



tem of Ayurveda, which thrives even today. It has two branches, one based on herbal medicines (*vanoushadhi*) and the other on metals or chemicals (*rasoushadhi*). Even surgery was developed to some extent: the *Sushruta Samhita* mentions as many as 120 surgical instruments. The ancient text gives also instructions in preoperative, operative, and post-operative care, including precautions against infections (Thakur 2001). To ignore the human body and its illnesses was not considered proper, because it is primarily through our bodies and when we are alive that we can move along the path of dharma (*shareeramaadyam khalu dharma-saadhanam*). Yoga was developed as an outcome of this philosophy. Yoga is designed to tone up the whole body along with the mind, and control several illnesses in addition to improving general health. All these advances would not have taken place with a worldview of life or world negation.

The economic system even in early India had reached a fairly sophisticated state, compared to the then Western economies. Correspondingly, economic ideas had also become fairly sophisticated. There are several sources of economic ideas in Hindu texts. Kautilya's *Arthashastra* (fourth century BC) is only one of these. The text had been lost for some time during the medieval era and was discovered in 1904 by R. Shamasastri in Mysore. A handy translation in English with a detailed introduction and notes is available (Rangarajan 1992). Among other sources of economic ideas may be cited *Shukra-Neetisaara*, and *Dharmashastras* by Gautama, Apastambha, Vasishtha, Baudhaayana, Naarada, and Yajnyavalkya respectively. Aiyangar (1934) has made use of these sources to represent and explain the main aspects of ancient Indian economic thought. Kane's (1990) five-volume *History of Dharma Shastra*, first published between 1930 and 1962, is a useful source to trace economic, political, legal, management, and governance ideas in ancient India as contained in the *Dharmashastras*.

*Artha-Shastra* was recognized as a separate and important branch of knowledge in ancient India, though a very much mundane subject. It was a must for princes, scholars, and administrators. *Artha-shastra* did not mean economics or political economy in a narrow sense, and included even *danda-neeti* (governance). Its economics part included a study of the economy, *Vaartaa*, which in turn was comprised of agriculture (*krishi*), animal husbandry (*pashu-paatan* or *go-rakshaa*), commerce (*vaanijya*), money lending and banking (*kusheeda*), manufacturing, arts and crafts (*kalaa*), sculpture (*shilpa*), and architecture (*sthaapatya*).

Agriculture, cattle rearing, and commerce had reached a well-developed stage by the then standards by the time Kautilya wrote the *Arthashastra*.

These branches of the economy realized maximum attention in governance as they formed the main base of the economy. Earning wealth was the result of pursuit of any of the above professions, called *vritti*. *Amarakosha*, a lexicon, mentions synonyms of *wealth* that are suggestive. *Dhanam* or *vittam* used in the singular meant wealth in general, while *dhanaani* used in the plural meant possessions, stressing the variety of forms in which it was held—land, cattle, gold, and buildings. *Svaapateyam*, a synonym of *dhanam*, suggests the quality of being appropriated; *artha* suggests its quality of being earned and accumulated; *bhogyam* suggests it can be enjoyed or consumed; *vibhavam* suggests it is transferrable or transacted, and can be the subject matter of disputes (Aiyangar 1934, 20–21). *Dhanam* is capable of *vridhhi* (growth, increment) when used judiciously and intelligently. *Vridhhi* is also used in the sense of interest on loans given. Mark the sophistication with which both the economy and wealth are treated as a subject matter with many terms to reflect different nuances. This would not have been possible if Hindus were indifferent to wealth or economics.

Seeds of both the labor theory value and scarcity theory of value can be found in ancient Indian texts. *Shukra-Neetisaara*, for example, mentions clearly that price (*moolya*) depends on several factors such as utility (capacity to satisfy desire—*kaama* or want), the ease (*sulabha*) or difficulty (*asulabha*) with which a commodity can be obtained, and its scarcity—how rare (*apratima*) it is. It was also realized that these qualities were not fixed or absolute, but varied with *desha* (place) or *kaala* (time) (see Aiyangar 1934, 91–92).

#### 4.8 India's Craft Guilds and Riches Before 1700 AD

Trade, both internal and external, had developed to the extent that Indian merchants traveled over vast stretches of the seas, from the south and from Sindh and the Gujarat coast. There were ports. There are indications to suggest that Dwaraka was an important ancient port on the western coast. As trade developed, a need was felt for state regulation of trade practices to prevent abuse of customers. The state also played an important role in resolving disputes in business transactions. There were also nongovernment institutions in the form of trade or craft guilds, which protected and promoted the interests of their members.

India was not an economically backward country until the colonial period. Several foreign travelers have referred to the past opulence of India

and its cities and temples, suggesting that the Indian economy compared favorably with other countries in the world before the British rule. It is colonial exploitation that turned an advanced country into a poor one. Angus Maddison's monumental research under the Organization for Economic Cooperation and Development (OECD) has shown that between years 1 and 1700 AD, India accounted for a quarter to one-third of the total world GDP, but began to decline sharply from 24.4 percent in 1700 to 16.0 percent in 1820, 7.5 percent in 1913, and 4.2 percent in 1950. The slide continued to 3.1 percent in 1973; this, however, reversed and began a climb up to 5.4 percent in 2001 (Maddison 2003, 261). The pre-British Indian economy would not have attained the diversity, complexity, and level of development it did if the bulk of its inhabitants had a negative attitude toward creating wealth and no interest in economic matters.

#### **4.9 Conclusion**

Ancient Hindus did take a serious note of economy as a field of legitimate human activity as well as of political economy or economics as a field of thought and teaching. Hinduism did not come in the way, but contributed to it. It had an economic philosophy which was coherent, logical and positive that favored the creation of wealth, its enjoyment as well as equitable distribution. That is how, India which still has a bulk of its population considered as Hindus, did not fall behind the rest of the world in economic, scientific and technological development till the 18th century, when imperialism overtook and impoverished it. The attempt to blame Hinduism for India's poverty and economic backwardness thereafter was actually a cover to hide the ruinous impact of colonialism. Of course, it is important to note that the Hindu economic policy is not the same as economism which has been the dominant philosophy of neoclassical economics or of capitalism. The persistence of poverty in India after Independence is because India also adopted the same philosophy of economism. On the contrary, Hindu economic philosophy made a serious attempt to integrate economics with ethics and environmental concern. And there lies the continuing relevance of Hindu economic philosophy for today's world.

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