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**Are Gandhi's Economic Precepts relevant  
in the Era of Globalization?**

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## *Are Gandhi's Economic Precepts relevant in the Era of Globalization?*

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The idea of economic self-sufficiency was an important element of M.K. Gandhi's economic thought, and part of his vision of freedom. Because the experience of colonial rule was associated with economic backwardness and dependence on imports of manufactures, most nationalist thinkers and political leaders of newly independent countries espoused self-sufficiency as an integral part of the struggle for freedom. There were, however, major differences in the way they interpreted the idea of self-sufficiency. Mahatma Gandhi's concept of self-sufficiency was more radical than most. He sought to correct the negative impact of modernization on the traditional producers who tended to get displaced in the face of competition from modern industries. He therefore advocated an economic arrangement wherein the marginalization of agriculturists, rural artisans and household industries would not occur. He recommended a development path that incorporated the following principles--(a) Local self-sufficiency, especially in the rural areas, which would give villages a significant measure of autonomy. Rural artisans and agricultural producers would have a synergistic relationship. (b) Rejection of modernization, particularly of labour-saving machinery. Gandhi preferred the provision of employment over pursuit of high economic growth; (c) Simple lifestyle that was not dominated by materialism. He was against the enslavement of people by means of temptation of luxuries that money can buy. (d) Sensitivity to the issue of environmental sustainability.

Such views are sometimes received with scepticism today. After all, Gandhi was far more successful in the political sphere with his method of satyagraha, than in economic matters. Gandhi's book *Hind Swaraj*, where he espoused his economic opinions, was published a century ago in 1909. His economic views were opposed in his own lifetime. During the debates over economic policies for newly independent India, they were rejected even by his staunch followers from the world of business, and by ardent political allies like Nehru. In the end, it was Nehru's vision of building a modern India that prevailed after independence. After the mid-1960s, during Indira Gandhi's tenure as prime minister, the idea of self-sufficiency came to mean autarky, i.e., minimal participation in international trade. This notion of

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<sup>1</sup> The author is Professor of Economics & Social Sciences, Indian Institute of Management Bangalore. This paper is based on a talk at the Colloquium on *Gandhi, Governance and the Corporation* organized by the Centre for Corporate Governance and Citizenship, Indian Institute of Management Bangalore, October 2, 2008. I have benefited from discussions with Prof. N. Balasubramanian.

national-level self-sufficiency was quite different from Mahatma Gandhi's idea of self-sufficient villages. Thus in retrospect, we see that most of the Gandhian economic precepts have been by-passed by history. Industrialization and modernization held sway.<sup>2</sup> Today in the era of globalization, the global economic system is vastly different from what it was in Gandhi's time. Thus, it is legitimate to ask: Do Gandhi's economic ideas have any relevance in our time? In this paper, we shall argue that their essential message continues to remain relevant.

We must first note that while it is true that Gandhi's economic vision has not been actualized, the social concerns that they sought to address remain as relevant as ever. In fact, they point to the failures and insensitivities of the economic processes that we have experienced since Gandhi's time. The problems that he identified decades ago still remain the most pressing yet unsolved economic problems of our time—poverty, inequality, unemployment, and environmental degradation. The spectre of climate change and associated mega-disasters looms ominously. There is reasonable evidence that even after a century of economic growth, material progress and high levels of consumption do not necessarily imply higher levels of human happiness in the advanced countries.<sup>3</sup> The persistence of these problems over such long periods of time suggests that Gandhi had identified some fundamental weaknesses at the core of the economic processes underlying commercialization and industrialization. Gandhi therefore leads us to re-examine some of the fundamental characteristics of the economic processes of our own time in order to uncover where they have fallen short. The world has, of course, changed significantly in the decades since. The most notable change is the deeper integration of the world economy through markets, multinational firms and global production chains, as well as through closely interlinked financial institutions and markets. Under its impact, economic nationalism which was important as an ideology during the three or four decades following World War II, has declined. The world is far more integrated also in terms of flows of information and migration of technologically skilled workers. Communism has collapsed, leaving capitalism as the dominant form of economic organization. Within capitalism, a particular variant—the Anglo-American model of stock-market led capitalism, has gained ascendancy.

Globalization, however, is undergoing a severe crisis today. Though the current macro-economic melt-down has shaken public confidence in globally integrated financial markets, I would argue that the underlying phenomenon of globalization still remains robust. The economic interconnectedness of the world is based on a solid technological infrastructure, organizations span continents and markets link producers and consumers across the world. These structures and linkages should remain firm, even if the rules of economic engagement change. Hence, in examining the relevance of Gandhi in the era of

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<sup>2</sup> Modernizers and progressives have tended to dismiss Gandhi as “a backward-looking crank” with respect to his ideas about village self-sufficiency. D. Hardiman, *Gandhi in His Time and Ours*. Chapter 1.

<sup>3</sup> See Tibor Scitovsky, *The Joyless Economy*

globalization, we should accept that Gandhian economic concepts, such as local self-sufficiency and ‘appropriate technology’, would not gain centre-stage in the near future. This is not to say that they are irrelevant or unimportant, but that they are unlikely to be widely adopted in their original formulation.

We should note here that Gandhi’s approach to politics and economics was not doctrinaire or exclusive. His basic style was one of experimentation and dialogue in search of the correct answers. He believed in debate and engagement with those who disagreed with him.<sup>4</sup> There is therefore no clearly defined Gandhian ‘model’ of economic development to emulate or to reject. The relevance of Gandhi in our time should not be judged in terms of whether or not specific rural technologies or communitarian modes of living that he had experimented with in his time are practicable today.<sup>5</sup> If, on the other hand, we look beyond the *forms* in which Gandhi’s ideas have found expression and focus instead on the *essence* of his message, we would reach a different conclusion.

In this paper, I will argue that Gandhi’s most enduring contribution is in pointing the way to an alternative economic ideology. The great contribution of Gandhi to the pursuit of social and economic change was to relate the struggle for change to its spiritual foundation. Gandhi rejected material consumption as the ultimate objective of economic endeavour. Nor was the mastery of natural forces through science and technology intrinsically valuable for him. In the sphere of politics, the power of his approach— ‘satyagraha’ (struggle for Truth) has been very well demonstrated in many parts of the world. Is there an analogous spiritual dimension that underlies Gandhi’s economic approach? Can such an approach be adapted to yield an alternative economic ideology that is relevant today?

The present period is characterized by a great deal of economic and ideological confusion. Apart from the problems already mentioned, several other systemic difficulties have assumed serious proportions. These include macro-economic crises and corporate governance failures. The ideology of “market fundamentalism” has dominated the intellectual and political landscape for the last two decades. But with the worldwide financial crisis that began in September 2008, the idea that laissez faire capitalism offers the best solution to economic problems is no longer credible.<sup>6</sup> Its principal tenet-- that unfettered “markets know best”-- laid the foundation for the spread of market reforms throughout the world starting in the 1980s. Under its influence the role of government in the economy was rolled back. In the advanced capitalist countries, this took the form of dismantling the ‘welfare state’ and weakened the influence of

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<sup>4</sup> This point about Gandhi’s ‘dialogic’ approach is discussed at length by Hardiman, op.cit.

<sup>5</sup> For example, the ‘charkha’ or traditional spinning wheel is a well-known symbol of Gandhi’s preference for village autonomy, appropriate technology and local self-sufficiency. Whatever might have been the suitability of the charkha in Gandhi’s time, it would be incorrect to evaluate Gandhi’s relevance today in terms of whether or not the charkha can be adapted for current use. A similar statement could be made about the “Phoenix farm” – a rural community of satyagrahis that he founded in South Africa.

<sup>6</sup> In earlier decades of the 20<sup>th</sup> Century, with the end of the USSR, there was a collapse of the ideology of “socialism”. In the debate between states and markets, we have traversed a full circle.

Keynesian ideas on the management of the macro-economy.<sup>7</sup> In developing countries, the idea of the ‘developmental state’ made way for liberalized markets.<sup>8</sup> Market fundamentalism was, however, not only a prescription for an economic policy of state minimalism, but it was also a political ideology espousing freedom. However, in this view, freedom was equated with free markets and economic freedom, and its adherents also believed that free markets led to democratic freedom.<sup>9</sup> But now, with the severe economic crisis, clearly traceable to failure of financial markets, there is an ideological vacuum. Does Gandhi’s approach provide an answer to the quest for a new ideology in our own time?

The current ideological dissonance arises from several deep-rooted negative aspects of recent economic experience, despite the higher growth rates and enhanced economic opportunities for trade, investment and flows of knowledge and technology. First, these negative effects include sharply rising inequality of income and wealth—among nations, within nation nations, across regions and across economic sectors. Even in the USA, the median income level has been stagnant, while the top 2 percent of the population has gained dramatically. Second, there has been an increase in economic instability due to a higher incidence of financial crises that showed a tendency to spread across national borders. For example, the Asian financial crisis of 1997 was one of several convulsions that brought economic misery to large numbers of people, spreading from Thailand to Indonesia, Malaysia and even the Republic of Korea. This was not an isolated occurrence. Even before the 2008 sub-prime housing loans crisis, there have been crises in Mexico, Bolivia, Argentina, Brazil, Russia, and also in the USA during the 2000 internet bubble. Consequently, there is a heightened sense of vulnerability and economic insecurity among ordinary people across the world. Third, there are significant social impacts that have flowed from the structural and organization changes that characterize the so-called ‘new capitalism’ associated with globalization. Individualism has increased substantially, while communities have eroded under the assault of markets.<sup>10</sup> There has also occurred a marked shift in the culture of work, particularly in the advanced countries, especially America.<sup>11</sup> The large bureaucracies of both the public sector and the private sector are being downsized. Organizational instability has become the norm. With this trend has come the demise of the idea of stable, long term employment for workers. The manufacturing enterprises that had dominated the

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<sup>7</sup> Keynes had developed a theory of macro-economy that proved useful in analyzing the causes of persistent unemployment, and in combating the Great Depression by means of countercyclical government spending.

<sup>8</sup> The ‘developmental state’ focused on the task of state-led economic development. It had several variants—in South Asia, East Asia and Latin America. It was most successful in East Asian countries such as S. Korea and Taiwan, which experienced ‘economic miracles’ during 1960-1980.

<sup>9</sup> This was the view of Milton Friedman, among others. See his *Capitalism and Freedom*. Amartya Sen’s book *Development as Freedom* questioned this view by proposing a much wider meaning of freedom, defined in relation to the ability to develop human capabilities. Economic freedom, being a subset of freedom, was not sufficient.

<sup>10</sup> See Stephen A. Marglin, *The Dismal Science—How Thinking Like an Economist Undermines Community*, Oxford University Press, New Delhi, 2009, Chapters 2 and 3.

<sup>11</sup> See Richard Sennett, *The Culture of the New Capitalism*, Orient Longman India, 2007, Chapter 1.

industrial scene in past three decades used to provide long-term employment and a social identity for its workers. With the rise of investor activism and concomitant insistence on short term profits and share price valuation, corporations have been under pressure to perform according to new criteria. Many manufacturing jobs disappeared as companies were restructured. For blue-collar workers from the older industries workers, insecurity and the threat of unemployment now loom large. Workers in the new rising industries—such as the high-technology industries, finance and media, have adopted a new culture very different from the earlier kind that is more consonant with their work experience.<sup>12</sup> Temporary work contracts are on the rise. The workplace environment is now more competitive, and highly stressful and anxiety-ridden. There is no longer any sense of identification and loyalty to the organization. There is also a diminished level of informal trust among workers, and a haunting fear of being rendered ‘useless’ through rapid technological or organizational change. There is no room for respect the ‘steady, self-disciplined worker’ in the new paradigm. Consequently, the protestant work ethic has declined. The principle of ‘delayed gratification’ through hard work and saving has given way to rampant consumerism. Though such trends do not constitute the dominant characteristics of work culture in developing countries, they are evident in the now wealthy East Asian countries. Even in India, some of these trends are visible within the IT services industry that is in many ways a cultural trend-setter. Fourth and finally, there is a persistent and disquieting decline in corporate values and ethics. Not only have ‘creative accounting’ scandals and corruption greatly tarnished the reputation of well-respected companies, but it has raised serious doubts about the efficacy of the modern variant of the capitalist system itself. Companies such as Enron (USA), Parmalat (Italy), Vivendi (France), Ahold (Netherlands) have been embroiled in scandal and fraud charges.<sup>13</sup> In India, the impact of the accounting fraud by Satyam Computer Services still resonates, and has shaken investor confidence and public respect for the new industries.<sup>14</sup> This is clearly a global phenomenon. All of these above factors add up to a widespread loss of a sense of social and intellectual cohesion, and lack of public purpose and ethical well-being. The absence of an appropriate ideology makes it difficult to unify, motivate and align the energies of people and organizations towards solving the problems of our time.

In this time of deficient ideology, it may be worthwhile to re-examine the key elements of Gandhi’s approach to economic matters. The radicalism of his approach in today’s context makes them valuable as pointers to what might constitute an alternative.

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<sup>12</sup> These were typically characterized by new information and communication technologies, smaller firm size, and white-collar workers. See Sennett, *ibid* for a detailed discussion based on field research. The new institutional trends are ‘de-layering’, ‘casualization’ and ‘non-linear sequencing’ of work.

<sup>13</sup> See Joseph E. Stiglitz, *The Roaring Nineties—Why We’re Paying the Price for the Greediest Decade in History*, Penguin Books, 2003, for a critique of post-globalization capitalist system. He blames the distorted incentive structures that grew within this system, under the cover of market-fundamentalist ideology.

<sup>14</sup> Bhupesh Bhandari, et.al., *The Satyam Saga*, Business Standard Books, 2009.

### Ethical Basis for Economic Activity:

The relationship between material well being and human effort is at the heart of all economic ideologies. It is typically assumed goods and services are scarce relative to wants, and this is the root of the economic problem. Abundance is an unattainable goal because human wants are not satiable. Economists' theories of consumer behaviour begin with the assumption that wants are non-satiable. The avowed goal of both capitalist and socialist policy makers has been to maximize material consumption. Gandhi, by contrast, saw non-material goals—such as 'freedom' in the sense of transcending material attachment, as the more worthy objective of human endeavour.

For Gandhi, a sound ethical foundation was as important for economic activity as it was for politics. He asserted that the underlying motivation for our actions was extremely important, and firmly rejected the relentless pursuit of material satisfaction as the central objective of economic endeavour. Gandhi wanted to situate all human activity on a spiritual foundation.<sup>15</sup> His main goal was moral upliftment. He sought ground this idea in an Indian ethos—arguing that the sense of duty ('karma') was a more desirable goal and motivator as compared with material enjoyment ('bhoga'). In other words, while not recommending asceticism, Gandhi saw the need to *transcend* material consumption.<sup>16</sup> He had proposed three main elements in his approach to development, which is known as his "Constructive Programme". These were (a) 'Swadeshi' (local self reliance), (b) 'Sarvodaya' (commitment to public welfare), and (c) 'Aparigraha' (non-possessiveness). He also emphasized the importance of and the dignity of work. These principles constitute the foundations of his economic ethics. Their intrinsic logic is to create an ideology that is based on freedom from excessive material attachment, freedom from selfishness and a positive commitment to the cause of the larger community.

### Approach to Consumption

In India as elsewhere, quite the opposite has actually occurred in recent decades—unbridled consumerism has gained precedence over all other motivations in human engagements with the material world. It is often taken for granted that consumerism is an immutable and fundamental element of human behaviour. Yet many thinkers and activists both in the East and well as in the West have long pointed out that

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<sup>15</sup> He stated, "I do not believe the spiritual law works on a field of its own, On the contrary, it expresses itself only through the ordinary activities of life. It thus affects the economic, the social and the political fields", in Louis Fischer ed. *The Essential Gandhi—His Life, Work, and Ideas*, Vintage Books, 1962, p. 222.

<sup>16</sup> Gandhi, as is well known, drew his inspiration from the *Bhagavad Gita*. Non-attached pursuit of duty is its core message.

consumption is merely one source of satisfaction, and that the trend towards consumerism is a socially conditioned outcome.<sup>17</sup>

For Gandhi, consumption should be done in moderation. He urged people not to consume more than they need. While the level cannot be defined easily in absolute terms and would also vary over time and space, the principle is clear. It means that ‘self-discipline’ ought to be exercised in consumption. In this manner, people would be genuinely free rather than being enslaved by the urge to consume beyond reasonable limits. Such an attitude is also ethical because according to Gandhi—to consume more than one ‘needs’ is tantamount to ‘thieving’ from another who might need it.

Is this type of approach practicable in the modern world? Can there really be an upper bound to our desire for material consumption? The idea may not be as utopian as may appear. It is interesting to note that John Maynard Keynes (writing in 1930) believed that humankind would *solve its basic economic problem* within a century.<sup>18</sup> By this he meant that the improvement of technology and the accumulation of capital and its productivity would lead to a situation in which people’s ‘absolute needs’ would be met. Keynes distinguished between ‘absolute’ and ‘relative’ needs. The former needs are those that are independent of what others around us consume, while relative needs are those that are consumed because they make us feel superior to fellow to other humans. It is the latter needs that might be insatiable. But, as Gandhi would argue, such needs can and ought to be curbed. The underlying motivation is petty, and hardly spiritually uplifting. To change consumption habits, however, it will require some effort and reorientation of our attitudes. Keynes also disapproved of the race for meeting ‘relative needs’, but he expressed concern about how people might react to new found abundance. He observed that many rich people were quite unhappy because they “cannot find it sufficiently amusing, when deprived of the spur of economic necessity....To those who sweat for their daily bread, leisure is a longed-for sweet—until they get it.”<sup>19</sup> His hope was that people would eventually deal with the problem through learning how to better use leisure for higher ends.<sup>20</sup> Though, in aggregate terms, the absolute level of opulence in the rich countries

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<sup>17</sup> Among the Western critics of consumerism are Thorstein Veblen and John Kenneth Galbraith. Veblen’s famous work, *The Theory of the Leisure Class*, criticized conspicuous consumption, while Galbraith (in *The Affluent Society*) pointed out the role of persuasion through advertising in the creation of demand—thus challenging the idea of the ‘sovereign consumer’. Tibor Scitovsky (*The Joyless Economy*) questioned the prevalent economists’ notion of ‘consumer satisfaction’ being based merely on the quantity being consumed. Amartya Sen has argued that ‘opulence’ in the sense of commodity possession is an inadequate indicator of the ‘standard of living’ or of ‘well-being’ more generally. Sen also notes the long line of major economic thinkers, including Marx, Adam Smith and Pigou, who have argued against relying on material consumption as the key indicator of well-being. See Amartya Sen, *The Standard of Living*, (The Tanner Lectures, Cambridge 1985).

<sup>18</sup> John Maynard Keynes, “Economic Possibilities for Our Grandchildren” (1930), in *Essays in Persuasion*, W.W. Norton & Company, New York, 1963. See also Stephen A. Marglin, “Why is Enough Never Enough?” This essay is a contemporary discussion of the social factors that drive up both absolute and relative needs. ( Marglin op. cit., Chapter 11).

<sup>19</sup> Keynes, op.cit., p 367.

<sup>20</sup> It may be worth quoting Keynes at length, where he sees this transition as a return to goodness: “I see us free, therefore, to return to some of the most sure and certain principles of religion and traditional virtue.. We shall honour those who teach us how



is higher than he may have predicted eighty years ago, the hoped-for change in attitude towards consumption is yet to occur.

Keynes had, of course, imagined that the attitudinal transition would evolve sequentially from a prior resolution of the 'economic problem'. But can we afford to wait? Gandhi did not base his prescription for limiting consumption in terms of an altered preference between leisure and consumption, which would grow out of the technological achievement of abundance. He appealed directly to an ideological orientation self-discipline, non-possessiveness and concern for the welfare of others. For developing countries like India, with its pervasive poverty, the burden of economic necessity is the pressing reality. Here, Gandhi's solution for limiting consumption is even more relevant and compelling.

### *Producer Motivation and Responsibility*

Gandhi's prescriptions with regard to production have been much discussed. We have noted his preference for ecologically sensitive, employment preserving production based on appropriate technology. These views are championed several movements and civil society groups throughout the world. A key idea underpinning Gandhi's view about production once again is about the motivation for production. He held that there ought to be an ethical basis even for capitalist production. It should not be motivated solely for making profit and amassing wealth. Gandhi believed that this guiding ethos should be inspired by the idea of 'non-attached' action. Hence he believed in non-possessiveness. He was concerned for two reasons. The first was that in the rural areas, the process of profit-seeking commercialization often disrupted the economic system leading to rapid differentiation of income and asset holdings, and the displacement of the more vulnerable sections of the workforce. Modernization may have its beneficiaries, but it also had losers. In fact, a very large proportion of India's poor population after independence can be traced to erstwhile artisans and their descendents. The second source of concern was about the ethical value of accumulation of wealth. Without a larger purpose beyond personal aggrandizement, such wealth would be psychologically binding as a source of attachment, and not a source of liberation or true freedom, even for the rich. It is in this spirit that he suggested that if rules of market competition dictate the pursuit of profit, those that succeed in accumulating wealth should hold this wealth in a spirit of 'trusteeship', and use it for the wider public good.

The idea, that money-making is not the sole objective of business but that businesses should have a larger public purpose, has a long history. Many business organizations and their leaders have, during the last century, demonstrated a commitment to the larger public good. In Gandhi's time and for several decades

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to pluck the hour and the day virtuously and well, the delightful people who are capable of taking direct enjoyment in things, the lilies of the field who toil not, neither do they spin." Ibid., pp 371-372.

after independence, many business leaders saw their larger role as one of contributing to national economic and social development. Without relying on government incentives or prodding, many industrialists tried to contribute to the cause of the nation as they perceived it. Indeed, there were instances where they had to make considerable efforts to convince a sceptical colonial government to permit them to spend on social causes. They clearly embraced these actions from a sense of duty to the nation, and not from a profit calculation. An outstanding Indian example is Jamsetji Tata, the founder of the House of Tatas, who embodied the spirit of 'trusteeship'. His successors (particularly his son Dorabji Tata) followed his lead in supporting causes that they felt would benefit the nation. Higher education and scientific research were high on Jamsetji's priorities, and he left half of his personal fortune to establish the Indian Institute of Science.<sup>21</sup>

However, the force of economic nationalism as a major motivating factor and vehicle for public-spirited action by business is comparatively weak in the era of globalization. After all, many leading enterprises today are global in their operations, employees and financing. The social role of private business had waned even earlier in India during the period of planning, during which the public space was dominated by government, and many restrictions were placed for those who might have been willing to engage. However, the situation is now very different. The fiscal capacity of governments has shrunk, and public investment even in human and social sectors is inadequate relative to need. Meanwhile, the private corporate sector has prospered and acquired an economic clout far greater than in the pre-globalization era. At the same time, the growth process has greatly exacerbated inequalities and excluded large sections of the population from growth gains. It is not surprising therefore that the idea of a larger purpose for private business has gained currency. Many businesses see it as a systemic necessary in the contemporary world. It is being reinvented through the global movement towards 'corporate social responsibility' (CSR), which is quite distinct from nationalist concerns.<sup>22</sup> Many such initiatives have sprung up during the last decade and half.

The interesting question from our perspective is whether all types of corporate social initiatives are in consonance with Gandhi's principles. The idea of corporate social responsibility has turned out to be controversial, for it goes to the very heart of our understanding of what is capitalism and what is the proper role of a capitalist firm. This issue has been debated for several decades. Milton Friedman, at one extreme, had argued that the only responsibility of a corporation is to maximize profits while competing

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<sup>21</sup> See R.M. Lala, *The Creation of Wealth—the Tatas from the 19<sup>th</sup> to the 21<sup>st</sup> Century*, Penguin Portfolio, 2006. Chapter 23 details the philanthropic activities of the Tata group. Jamsetji had to persist hard to allow the then Viceroy Curzon to enable him to contribute towards establishing the Indian Institute of Science. There is an impressive list of institutions operating in diverse fields that owe their origin to this source.

<sup>22</sup> Meera Mitra, *It's Only Business—India's Corporate Social Responsiveness in a Globalized World*, Oxford University Press 2007, provides a contemporary analysis of the key issues and examples.

fairly. This view has been the dominant view till recently. While there is now a shift away from this view, several different justifications are given for social engagement by business.<sup>23</sup> One modern line of thinking views CSR in strategic and instrumental terms. They see CSR, not as a contradiction of the profit-seeking behaviour of firms, but as a new and socially relevant way to make profits.<sup>24</sup> Others view the rationale of CSR differently—as a part of the moral responsibility of a corporation.<sup>25</sup> Each country has its own style of CSR. The Japanese approach’, known as ‘Kyosei’ or ‘spirit of cooperation’, is for corporations to work cooperatively with all its stakeholders for the common good and solve collective problems. They seek to involve not only employees, but also suppliers, competitors and the government.<sup>26</sup>

The increasing focus on CSR shows the continuing relevance of Gandhi’s ideas on how producers should behave. However, he would be more aligned with those who take a moral approach. Ethical grounding of business would be more important to Gandhi than producing goods that the poor may be able to buy. This criterion of true motivation of business is of greater relevance today in the globalization era. We have alluded earlier to the heightened pressures on businesses to meet the expectations of investors and to focus attention on stock market valuation. Particularly in the advanced capitalist countries, short term goals predominate, and the earlier balance of stakeholder interests has been dented. Financiers have gained the upper hand, and the internal structures of the corporations have been remodelled drastically. Managers’ incentives now favour quick results, and there is less emphasis on the long term stability of business organizations. This state of affairs has led to a rise in fraud, deception and scandals. Many view the recent global financial crisis as the resultant of unethical behaviour of some financial institutions. Thus, the ethical deficit has begun to jeopardise the entire system.

The difficulty with the instrumental approach to corporate social responsibility is that it is open to being misused merely to boost the public image of a corporation, no different from any other public relations exercise. Unless backed by genuine ethical practice in the other dimensions of the corporation’s functioning, this type of CSR can not have the morally uplifting impact that was fundamental to Gandhi’s goals.<sup>27</sup> Such types of CSR activities are vulnerable, without a moral compass, to the charge that they are

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<sup>23</sup> See the collection of essays *Harvard Business Review on Corporate Responsibility*, Harvard Business School Press, 2003.

<sup>24</sup> Examples of such approaches are C.K. Prahalad and Allen Hammond, “Serving the World’s Poor Profitably” and Michael E. Porter and Mark R. Kramer, “The Competitive Advantage of Corporate Philanthropy”. Both are part of the Harvard Business Review collection just cited above.

<sup>25</sup> Charles Handy for example states “The contribution ethic has always been strong. To survive, even to prosper, is not enough.... We need to associate with a cause in order to give purpose to our lives”. This passage appears in “What’s a Business For?” in *Harvard Business Review on Corporate Responsibility*, p 81.

<sup>26</sup> Ryuzaburo Kaku, “The Path of Kyosei” in *Harvard Business Review on Corporate Responsibility*.

<sup>27</sup> It is ironic that Satyam Computer Services led by Ramalinga Raju, which is at the heart of the recent major corporate scandal in India, had several excellent CSR initiatives in the areas of education and health services. Raju’s case illustrates very graphically the ethical dilemmas surrounding business success in an overall business environment that is amoral. His personality seems to have combined traits of both goodness, and unethical behavior in the drive for success. He was apparently “the

manipulative ploys. If the corporation's unethical business practice is exposed subsequently, the CSR initiative is also disgraced and this vitiates the atmosphere with cynicism. Regardless of how well the initiative (say for example a particular charitable hospital supported by the unethical corporation) is run, it can no longer evoke a sense of 'goodness' within the society at large. Thus the demoralizing impact of moral failure is quite palpable—even though this may not have a measurable material impact.

While Indian companies and corporate culture has not been affected in the same manner and degree by stock market pressures. But the moral landscape for business is marred by other difficulties. One of the arguments for market reforms had been that liberalization would reduce corruption. No one would attempt to make that argument today. The opposite has happened. The relationship between government, business and politics has created a troubling context. 'Crony Capitalism' is a serious threat not only in India but in most other countries experimenting with market liberalization. Public faith and confidence in the integrity of politicians, business people and civil servants are low. Institutional reform (such as the strengthening of regulatory bodies, greater transparency and vigilance machinery) is one route to improvement. Gandhi, if he were alive today, would have wanted corporations to "have a conscience".<sup>28</sup> He would much prefer a solution that arose out of a public movement for reform in the spirit of satyagraha. Though better governance is desirable and could be effective in curtailing unethical corporate conduct, only a movement that relies on cleansing the attitudes and motivations of economic agents can change and uplift people.

### National Self-Respect

A central objective of Gandhi's efforts in the social arena was to win respect. He wanted first and foremost to earn genuine self-respect, and also the respect of the adversary. His advocacy of 'swadeshi' was also motivated by the goal of restoring self-respect. The search for respect remains an important goal for many in an unequal world. We search for it in diverse ways, including the show of wealth and/or power by those who possess them. One common avenue is that of indulging competitive conspicuous consumption. The trend towards grandiose outward display by the rich and powerful has strengthened during recent years following the retreat of egalitarian values. This style of social conduct, of course, goes against the spirit of Gandhi's message. His idea of earning self-respect had an inward focus. This was the essence of 'satyagraha', the core principle of his life and legacy. As he showed through his own example,

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proverbial good boy, diligently following all the rules" during his early years, "but he later took to flouting the most basic rules of business with impunity". See Vandana Gombur, "Jekyll and Hyde?" in Bhupesh Bhandari, et.al., *The Satyam Saga*, op.cit. p.30

<sup>28</sup> An early article, that explored the issues insightfully and made the case for conscientious behavior, is Kenneth E. Goodpaster and John B. Mathews, Jr. "Can a Corporation have a Conscience?". Originally published in 1982, it is reprinted in *Harvard Business Review on Corporate Responsibility*.

it was through self-improvement and self-purification that he sought to attain the inner source of self-respect. Once this was attained, he was secure in that awareness, and did not require the approval of others to confirm it. Hence, it was possible for him to respect his adversary and also to earn their respect.<sup>29</sup>

In the quest for respect in our time, what are the ways in which Gandhi's approach can guide us in the economic sphere? Today, the image and status of India in the world of economics and business is better than it was a few decades ago. Many individuals and organizations have been highly successful in global competition. There has been a palpable rise in confidence in our capabilities. But is the attainment of individual excellence sufficient for self-respect? Gandhi did not place great value on individualism. He believed that "the good of the individual is contained in the good of all"<sup>30</sup> Hence, so long as large sections of the population remain poor and hungry, the task of our collective 'self-improvement' will remain unfinished. Ignoring these problems will only lead to social alienation, even as the numbers of Indian billionaires increase. We will be unable to truly respect ourselves if we attain merely wealth while being surrounded by an ocean of poverty. So by assuming the responsibility of creating economic opportunities for the poor, and by undertaking this task in a spirit of humility, we would be taking the Gandhian way to earn our self-respect. This is as true today as it was in Jamsetji Tata's time. The spinning wheel may not be economically feasible today, but the task for which it was envisaged by Gandhi—namely of finding employment, inclusion and gainful economic engagement for those that need it—still remains to be carried out.<sup>31</sup>

The idea of respect has several other dimensions. One aspect was public cleanliness. Gandhi was deeply distressed by public squalor that he saw around him. It represented a clear indication of lack of respect for others. In a speech at the Hindu University Central College, in Benares in 1916, he said:

"If even our temples are not models of roominess and cleanliness, what can our self-government be?.....It is not comforting to think that people walk about the streets of Indian Bombay under the perpetual fear of dwellers in the storied building spitting upon them.... We do not know the elementary laws of cleanliness. We spit everywhere on the (railway) carriage floor, irrespective of the thought that it is often used as sleeping space."<sup>32</sup>

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<sup>29</sup> A striking example of this impact can be seen from the tribute that General Smuts (his opponent during the struggles in South Africa) paid him decades later: "It was my fate to be the antagonist of a man for whom even then I had the highest respect...He never forgot the human background of the situation, never lost his temper or succumbed to hate...even in the most trying situations", in Louis Fischer ed. *The Essential Gandhi—His Life, Work, and Ideas*, Vintage Books, 1962, p. 110.

<sup>30</sup> Fischer ed., p. 68

<sup>31</sup> Gandhi's true objective of swadeshi can be gauged from his statement "I would favour the use of the most elaborate machinery if thereby India's pauperism and resulting idleness be avoided." In Fischer ed., op.cit., p. 161.

<sup>32</sup> Fischer ed., op. cit., p 128

Can we say that in our time that this problem has been overcome? Alas, this is not the case. It is not filth per se that is the main issue here. It is connected with the state of our collective self-respect. The insides of homes are cleaned scrupulously while garbage can be found strewn around carelessly in most urban neighbourhoods. We can extend this observation further and note the same callous attitude in the continued use of plastic and other non-biodegradable packaging material. Surely, this is an area crying out for socially responsible production and recycling mechanisms. Business firms are well aware of the environmental damage being caused. Instead, we find the responsibility for containing the damage being shifted to governments. The governments, in turn, find the task hopeless in the face of resistance from business lobbies, and the inadequate public pressure for improvement.

In India today, obedience to rules of any kind is, more often than not, motivated by fear of punishment rather than a sense respect for fellow citizens. This attitude, prevalent among both producers and consumers shows once again that Gandhi is still very relevant. We can observe this pattern of behaviour also in other areas of public interface. A good example is the rampant disregard of traffic rules or in observance of the simple decorum of orderly queues in most urban areas in India. Despite higher incomes, better education and technological empowerment, we find a decline in the capacity to function respectfully with fellow citizens. Six decades after independence, the intrinsic essential features of swadeshi still remain goals towards which we must continue to strive. Change can come about only through a change in attitude. While the older bonds of caste and community have weakened under the pressure of economic changes, an alternative bond based on the idea of citizenship is yet to develop.

### Conclusion

This paper has argued that despite profound economic and social changes that have taken place since Gandhi's lifetime, his economic ideas continue to be relevant today. The need for a re-orientation of economic ideology is keenly felt today. The failure of market-fundamentalism has revealed very starkly the necessity of re-establishing an ethically grounded ideology for both business and for policy. Gandhi's economic thought was deeply rooted in ethics. Gandhi had developed an integrative ethos that helped Indians unite purposefully to dislodge colonial rule. He had also discovered a powerful method for non-violent contestation of opposing ideas. We have discussed the essential principles of his approach, which was based on a goal of freedom that transcended material gratification and individualism, and upheld the principle of collective well-being as a desirable motivation for economic activity. These principles can contribute towards mainstreaming ethical and responsible corporate behaviour, as well as that of consumers. Gandhi's ideas and methods of non-violent persuasion can also help in transforming

economic and social attitudes towards a culture that can bring about inclusive patterns of growth, and help in curbing environmental damage.

There are many individuals and organizations that are already working along principles that Gandhi would have endorsed. Empirical analysis and assessment of such ongoing initiatives are beyond the scope of this paper. As Gandhi's own example shows, the application of his methods of struggle and persuasion on a scale large enough to create a movement to change the pre-existent ideological system calls for tremendous courage and sacrifice.