

## State Socialism versus Neoliberalism in India: An Ambedkarite Critique of Political Economy

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### Introduction

*The evolution of India's political economy reveals a deep tension between constitutional ideals of social justice and the growing dominance of market-oriented reforms. The intellectual legacy of B. R. Ambedkar is central to understanding this contradiction. While Ambedkar is widely recognized as the chief architect of the Indian Constitution and a pioneering anti-caste thinker, his economic philosophy—particularly his advocacy of State Socialism—remains relatively underexplored.*

Ambedkar's vision of economic democracy, articulated most systematically in *States and Minorities* (1947), sought to institutionalize social justice through state intervention, public ownership, and the redistribution of resources. In contrast, India's post-1991 embrace of neoliberalism following the 1991 Economic Liberalisation in India marked a decisive shift toward market-driven development, privatization, and global integration.

This essay argues that neoliberalism in India represents a significant departure from Ambedkar's emancipatory project. By privileging growth over equality and markets over social justice, neoliberal policies have often reinforced structural inequalities—particularly those rooted in caste. An Ambedkarite critique thus provides a powerful framework for rethinking India's contemporary political economy.

### Ambedkar's Concept of State Socialism

Ambedkar's conception of State Socialism was both radical and pragmatic. It combined elements of liberal constitutionalism with socialist economic principles, all grounded in a deep commitment to social justice and the annihilation of caste.

In *States and Minorities*, Ambedkar proposed the nationalization of key industries such as insurance, transport, and mining (Ambedkar 1947/1979). His objective was to prevent the concentration of economic power in private hands, which he believed was incompatible with democracy. For Ambedkar, political democracy could not survive without economic democracy.

Equally significant was his proposal for collective agriculture. He advocated state ownership of land and its cultivation through cooperative farming systems. This was aimed at dismantling the entrenched system of landlordism and caste-based agrarian exploitation. Unlike Marxist collectivization, however, Ambedkar's approach was rooted in

constitutionalism and democratic governance.

Another distinctive feature of Ambedkar's thought was his insistence that economic rights—such as the right to work and livelihood—should be fundamental rights enforceable by law. This position was far ahead of its time and reflected his belief that civil and political rights are meaningless without material security.

Ambedkar's economic philosophy was inseparable from his critique of caste, most powerfully articulated in *Annihilation of Caste* (1936). He argued that caste is not merely a social system but an economic order that structures access to resources and opportunities (Ambedkar 1936/1979). Therefore, any meaningful economic reform must address caste-based inequalities.

## **Neoliberalism in India: Origins and Features**

India's transition to neoliberalism began in 1991 under **Prime Minister P. V. Narasimha Rao and Finance Minister Manmohan Singh**. Faced with a severe balance-of-payments crisis, the government initiated a series of structural reforms that liberalized the economy, reduced state intervention, and opened the country to global markets (Chandra et al. 2000).

Neoliberalism is premised on the belief that free markets are the most efficient mechanism for allocating resources. It emphasizes privatization, deregulation, and globalization. As David Harvey (2005) argues, neoliberalism seeks to maximize individual entrepreneurial freedoms within a framework of strong private property rights and free markets.

In the Indian context, neoliberalism has coexisted with democratic institutions but has operated within a deeply unequal social structure. While it has contributed to economic growth, it has also led to rising inequality, regional disparities, and the marginalization of vulnerable communities.

## **Ambedkar versus Neoliberalism: A Comparative Analysis**

The contrast between Ambedkar's State Socialism and neoliberalism can be understood along several key dimensions.

First, there is a fundamental difference in the role of the state. Ambedkar viewed the state as an active agent of social transformation, responsible for ensuring justice and equality. Neoliberalism, by contrast, envisions a minimal state whose primary function is to facilitate markets.

Second, the two frameworks differ in their approach to economic justice. Ambedkar prioritized redistribution and equality as essential conditions for democracy. Neoliberalism prioritizes economic growth, often assuming that the benefits of growth will eventually "trickle down" to the poor—a claim that has been widely contested (Drèze and Sen 2013).

Third, Ambedkar's emphasis on public ownership and anti-monopoly measures stands in sharp contrast to neoliberalism's promotion of private capital accumulation. This has significant implications for the distribution of wealth and power in society.

Finally, Ambedkar's thought is deeply attentive to caste, whereas neoliberalism tends to treat individuals as abstract market actors, ignoring the social structures that shape economic outcomes.

## **Caste and Neoliberal Political Economy**

One of the most significant limitations of neoliberalism in India is its failure to address caste. Ambedkar's analysis makes it clear that caste is a system of graded inequality that structures economic life. Access to land, education, and capital is deeply mediated by caste.

Neoliberalism, however, assumes a level playing field in which individuals compete freely in markets. This assumption obscures the ways in which historical disadvantages continue to shape economic opportunities.

Scholars such as Anand Teltumbde (2018) have argued that India's neoliberal economy is best understood as a form of "caste capitalism," where market processes reproduce and even intensify caste hierarchies. Upper castes continue to dominate high-value sectors, while Dalits and Adivasis are concentrated in precarious and informal forms of labour.

## **Consequences of Neoliberalism in India**

The neoliberal turn has had several significant consequences for Indian society.

First, it has led to rising economic inequality. Studies such as the World Inequality Report (Piketty and Chancel 2018) show a sharp increase in wealth concentration in India over the past three decades.

Second, the privatization of education and healthcare has made these essential services less accessible to marginalized communities. This undermines the principle of equal opportunity and contradicts Ambedkar's emphasis on state responsibility.

Third, labour market reforms have led to the informalization of work, weakening job security and labour rights (Breman 1996). This disproportionately affects historically marginalized groups.

Finally, the shift from universal welfare to targeted schemes has limited the scope of redistribution, leaving structural inequalities largely intact (Patnaik 2018).

## **Toward a Neo-Ambedkarite Political Economy**

Given these challenges, there is a need to revisit Ambedkar's economic thought in order to develop a more just and inclusive model of development.

A neo-Ambedkarite political economy would seek to combine economic growth with social justice. It would involve a more active role for the state in regulating markets, preventing the concentration of wealth, and ensuring access to essential services.

Such a framework would also require caste-conscious policies that address structural inequalities. This could include measures such as affirmative action in the private sector, expanded access to credit for marginalized communities, and renewed efforts at land reform.

Above all, it would reaffirm the principle that economic policy must be guided by the values of equality, dignity, and justice.

## Conclusion

The contrast between Ambedkar's State Socialism and neoliberalism highlights a fundamental tension in India's development trajectory. While neoliberal reforms have contributed to economic growth, they have often done so at the cost of deepening social inequalities.

Ambedkar's vision, by contrast, offers a framework for achieving substantive democracy through economic and social transformation. His insistence that political democracy must be grounded in social and economic equality remains profoundly relevant in contemporary India.

Revisiting Ambedkar's economic philosophy is therefore not merely an academic exercise but a necessary step toward building a more just and inclusive society.

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