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Welfare Criteria: A Contrast between Gandhi an Economics and Modern Welfare Economics

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A B S T R A C T

Modern welfare economics has correlated a set of welfare criteria in terms of certain marginal or optimality conditions. These conditions apply to the consumption sector as well as the production sector. If all the conditions are met, theoretically, one can say, social welfare is maximized. Essentially, it amounts to specifying certain conditions under which the resources of the community are most efficiently utilized to satisfy given wants the framework of a given distribution of income. specifically, to maximize social welfare, it is required to achieve simultaneously a subjective optimum and a physical optimum: goods must be distributed among consumers in such a way that no one can improve his position except at the expense of someone else, and products as well as factors of production must be allocated in such a way that no greater output can be produce with the same factor input. This is an overly simplified statement of welfare criteria in modern welfare economics but it will serve the purpose of this paper.

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INTRODUCTION

In some respects, it can be argued that Gandhian economics and modern welfare economics are not mutually exclusive. For examples, the optimality condition applicable to the consumption sector is perfectly compatible with the Gandhian principle of non-violence. Distribution of goods among consumers in such a way that no one can better his economic position except at the expense (or exploitation) of some on else, in no way, conflicts with the goals of a non0violent society. Beyond this, fundamental differences –conceptual and philosophical arise between the two systems.

First, the definition of welfare are not exactly the same. Conventional welfare economics uses a purely materialistic, utilitarian and 'ethically neutral' definition of welfare. In Gandhian economics, welfare is defined essentially in **Moral Terms,** although it does not exclude material well-being. Maximization of moral and, to the extent necessary, material

Welfare may be stated as the principal welfare criteria in Gandhian economics. unlike modern economics ,in Gandhian economics, the welfare criterion applies to all, not just the majority of society. The Gandhian term 'SARVODAYA' (welfare to all) is significant in this respect . His welfare model, therefore, does not require the 'compensation principle'

Second, some of the underlying assumptions in welfare economics such as given wants, given distribution of income, wealth and prosperity, are in conflict with the Gandhian model. **'Maximization of wants '** rather than ' given' wants may be construed as a Gandhian criterion of individual and social welfare. His materialistic optimum is restricted to the irreducible minimum of material goods and services, within the context of a given society, not unlimited abundance. Beyond that, the acquisition of material goods, he considered, unnecessary for the real welfae of a non-violent society. With regard to the distribution of income and wealth, Gandhian economics abandoned the position of '**ethical neutrality'** economic equality emerages as a dominant criterion of welfare.

In the words of T.K.N. Unnithan, in Gandhian economics, "the social optimum lies in complete equality of all individuals. This would bring about the equilibrium condition of society,both materially and morally."2

This concept of social optimality in Gandhian economics sets it apart from the notion of optimality in modern welfare economics. The latter assumes away the problem of inequality in the distribution of income and wealth. To Gandhi, maximum social welfare with economic inequality is a fundamental contradiction. Economic equality to him meant **"the levelling down of the few rich in whose hands is concentrated the bulk of the nation's wealth on the one hand, and a levelling up of the semi-starved naked million on the others."3** Redistribution of income and wealth, therefore, must be considered a major welfare criterion in Gandhian economics. To bring about such redistribution without violating the principle of non-violence. Gandhi formulated his controversial doctrine of trusteeship. The same end could be achieved by other, more effective means. But he did not let the end justify the means, if violence in any form was associated with the proposed means. " A violent and bloody revolution", he wrote, " is a certainty one day unless here is a voluntary abdication of riches and the power that riches give and sharing them for the common good."4 This is Gandhi's refined criterion of distribution for the non-violent transformation of society into a welfare state.

Implicit in the Gandhian doctrine of trusteeship is a doctrine of social harmony. Gandhi did not accept the theory of inevitable conflict between labour and capital. If property and wealth are held as a trust to be used for public good, such conflicts need not arise.

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Discussion

“ A true and non-violent combination of labour and capital would act like a magnet attracting to it all needed capital and capitalists would then exit only as a trustee.”5 Gandhi called this doctrine a form of non-violent socialism. Curiously enough, a similar doctrine of social harmony was preached by **Adam Smith,** the great exponent of individualism.

Third, the concept social (or general) equilibrium does not mean the same thing in Gandhian and modern welfare economics. The marginal conditions in the latter are basically a set of static equilibrium conditions in the production, consumption and distribution sectors of the economy. Here, the emphasis is on efficiency in the allocation of scarce resources, on the maximization of production and material (economic) gains –in short, on the maximizing behaviour of the economic man.6 In Gandhian economics, the notion of equilibrium is lifted to a much higher plane of thought. H e defined social equilibrium as an optimum combination of material and moral progress through a progressive movement towards a n0n- violent society founded on economic equality and freedom from economic deprivation as well as economic exploitation. This is the Gandhian version of ‘the magnificent dynamics’ of a welfare state. In this model, we can identify elements of welfare criteria in the old and the new welfare economics, and traces of welfare criteria in socialist economics. Yet, we find something distinctive, without a parallel in any known version of modern welfare theory.

Results and Conclusions

In her critique of modern welfare economics, **professor I.H.Rima once wrote**, “we have become increasingly aware in many aspects of contemporary life that welfare has more dimension than those simply involved in the physical quantities of goods.The improvement of human life is more and more frequently a matter of optimizing than it is a matter of maximizing . Maximizing is essentially an efficiency problem which is analytically possible to separate from the questions concerning the desirability of using resources in one alternative rather than another. Value judgments are not involved in solving problems of the first type ,but they are an integral part of the solution of the optimizing problem.”7

Even if we recognize the importance of the optimizing problem, the definition of optimum, as understood in modern welfare economics, leaves something to be desired. It is referred to as **‘Pareto Optimality’** which essentially relates to ‘an optimum allocation of resources.’ Many critics have pointed out the inadequacies of this concept. “A Paretian Optimum,” wrote one critic, “has come to occupy such an exaggerated position in economists’ thinking that often the phrase ‘ an optimum allocation of resources’ is used when what is implied is only a Paretian Optimum--an ‘optimum’ which may be far removed from what is the feasible social optimum according to some morally impelling social welfare function”8

Gandian economics, one can claim, produced just that –a set of welfare criteria for the attainment of a “feasible social optimum according to some morally impelling welfare function.”

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