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Economic Vision of Lord Mahaveera: Building Blocks  
of Relative Economics

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# Economic Vision of Lord Mahaveera: Building Blocks of Relative Economics

The central themes of Jainism are ahimsa (non-violence), anekant (non-absolutism) and aprigraha (non-possession). Non-violence strengthens the autonomy of life of every being and if one believes that every soul is autonomous then one will never trample on its right to live. Non-absolutism strengthens the autonomy of thought of every individual and if one believes that every person is a thinking person then one will not trample on his thoughts and allows diverse views to prevail. Non-possession strengthens the interdependence of every soul and if one believes that one's own existence is interdependent one will think twice before trampling on this planet<sup>1</sup>. These core elements have been the building blocks of economics of Mahaveera.

2. Mahaveera defined man, which in many has instincts similar to that of other souls. Man desires to have family and procreation is one of his basic instincts. He also loves acquiring wealth, powers and authority, but he also believes in religion and considers salvation as his ultimate goal<sup>2</sup>. These basic instincts of man have been recognised in other ancient oriental literatures as well. These instincts of man generate desires, which Mahaveera also considered infinite, going beyond what the sustenance of human body would require. These desires are of four types, each have an higher order-needs of the body (basic survival needs), needs of social life (some comforts), needs of social status (some luxury) and needs arising from the desire of supremacy<sup>3</sup>. The desires are far more than what could possibly be satisfied by available resources. The unlimited wants and limited resources requires both a prioritisation and some restraint, which could be self-imposed as was proposed by Mahaveera, or could be state regulated as would be under communism or as would be governed by the pricing mechanism like it is done in a free market economy. Every human society has to resolve three fundamental problems related to the fulfilment of desires and that is manifested in what commodities are produced, how these are to be produced and for whom are they produced to satisfy their desires. This has remained a key concern of economics and its expanse. Modern economists also conceive economics as the study of how societies use their scarce resources to produce valuable commodities and distribute them among different people and thereby solve these three problems<sup>4</sup>.

3. Economics finds a mention in many Jain texts. All the activities concerning the earning of income and its disposal (use) were considered part of economics<sup>5</sup> and the subject was studied by many people<sup>6</sup>. Though wealth was not considered contributing to the ultimate salvation, yet in the 14 dreams that a mother of a Tirthankara (omniscient) sees included the goddess of wealth<sup>7</sup> which signifies the importance that was attached to the subject in Jain texts and beliefs.

4. Economics can be conceived as being divided in to engineering economics and normative economics, predictive and desirable. Engineering approach is characterized as being concerned primarily with the logistic issues rather than with ultimate ends and such questions as what may foster 'the good of man' or 'how one should live'. The 'engineering' approach also connects with those studies of economics, which have developed from the technique-oriented analysis of statecraft and what was almost certainly the first book ever written with anything like the title 'Economics', namely, Kautilya's Arthashastra was a treaty on state craft. The economics of Mahaveera falls in the realm of normative economics, because as he said that if the basic instincts of man were limited to lust and wealth then there was never any need for ethics and morality and

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1 Based on English translation of Umaswati's Tatwarth Sutra by Dr N.MTantia  
2 Acharya Mahapragya - Mahaveera ka Arthshastra  
3 Acharya Mahapragya - Mahaveera ka Arthshastra  
4 Paul Samuelson & Nordhuas- Economics  
5 Nisheeth Churani- Part IV, 6397  
6 Vrihatkalpbhashya, Part 1, page 388  
7 Abhiseydam- Kalpsutra-5

corruption as ends would have justified any means<sup>8</sup>. Amartya Sen when he says that welfare economics could be substantially enriched by paying more attention to ethics echoes same concerns<sup>9</sup>. Further, guidance to society as how they should conduct their affairs has been a part of benevolence of the Tirthankaras<sup>10</sup>.

### Economics of Mahaveera begins with consumption

5. Consumption has been the starting point of economics in Jain as well as other oriental texts. Consumption or demand always provides the motivation and acts as a determinant of the structure of production that would prevail in a society<sup>11</sup>. Mahaveera believed that desires are unlimited, infinite as the sky<sup>12</sup>. But he nowhere negated the fulfilment of basic necessities. He also recognised that these desires change according to time and circumstances, including the availability of goods. While the basic necessities have not been defined, but the recognition that desires could vary from individual to individual, from community to community and from time to time do suggest that their expanse was considered wider than simply the food, clothing and shelter. This is in a way similar to what Adam Smith had said that by necessities one would mean not only the goods required for survival but all those goods the absence of which would be considered undesirable by majority of people.

6. There is, however, no approval for unrestrained consumption. Mahaveera emphasized the need to conquer desires by putting a limit on their consumption. Jainism never considered it desirable to have an iniquitous consumption or excess consumption or its display by a section of community arising due to an unequal distribution of wealth. However, the limits on consumption should be placed by the individual himself and not by the State or society. Mahaveera proposed a set of 12 vows to be accepted by his non-ascetic followers. These 12 vows covered limiting his accumulation for personal use, consumption of goods and services of all kinds covering food, cosmetics and luxuries of life and travel<sup>13</sup>.

7. The limitation on consumption was based on three major considerations. First, the limitation were self-imposed and that these could vary from individual to individual. It shows that Mahaveera was fully aware of the asymmetry of information and that an individual knows most about himself and the knowledge of everyone else other than him is relatively less. He, therefore, realised that only these self-imposed restriction would be durable. Both theoretical and empirical research today also questions the extent to which regulations can achieve the goals for which it has been regulated<sup>14</sup>. There was, therefore, no state control and hence no issue of moral hazard and no monitoring by a third party. Second, it was in a way influencing the production of goods. Since Mahaveera never suggested any separate institutional mechanism for distribution and market continued to be the allocative mechanism, it was incentivising production of goods for mass consumption or wage goods. Third, the self-imposed limitation would result in a more equitable consumption and to that extent reduce the relative deprivation and the jealousy arising due to excessive display of luxury. The Buddhist tenet, which has been a philosophy of compassion also suggested sharing and said that if beings knew the result of giving and sharing, they would not eat without having given nor would they allow the stain of meanness to obsess them and take root in their minds. Even if it were their last morsel, their last mouthful, they would not enjoy eating without having shared it.

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<sup>8</sup> Acharya Mahapragya- Mahaveera ka Arthshastra

<sup>9</sup> Sen, A.K. 1996. On Ethics and Economics

<sup>10</sup> Lord Rishab, the first of the 24 Tirthankaras imparted the knowledge of agriculture (krishi), chivalry(ashi) and writing (masi)

<sup>11</sup> One can equate it with the sovereignty of the consumer

<sup>12</sup> Upsakdasang 1/38

<sup>13</sup> Uvasagdasao- These 12 vows included 5 anuvrat (nonviolence, truth, non-stealing, celibacy, non-possessiveness) and seven others covering the limits on consumption, travel, personal possessions, occupations and the process towards salvation.

<sup>14</sup> Stephen Breyer and Paul MacAvoy

8. Mahaveera was fully aware that the higher consumption does not necessarily lead to happiness. He considered the display of luxuries and excess consumption as something originating in mind and self-imposed restrictions were a better remedy<sup>15</sup>. The teachings of Buddha were also in similar vein when he said that the problem is not with the irresistible things of the world, but the desires in the human mind and the wise should make efforts to avoid all elation with the beautiful things of the world<sup>16</sup>. Ppsychologists and economists have known for twenty years about the hedonic treadmill- a fancy way of saying that no matter how much you have right now, you want more; and when you get more, you will want more still<sup>17</sup>. The self-imposed restriction on consumption is, however, different than living within ones means or skilfulness in spending [samajjivita].

9. The self-imposed restrictions were also conducive to savings and capital formation. While there is no specific mention of the impact of these restrictions on capital formation (expanding the production possibility frontier), both Jain and Buddhist literature and their canonical texts have indicated use of wealth or its allocation amongst the competing demands. Anand, a wealthy follower of Mahaveera had distributed his wealth in four equal parts with each part to be used for economic activities, consumption, social services/donation and as precautionary savings, respectively<sup>18</sup>. Acharya Somdev Suri also suggested use of wealth for expanding economic activities (capital investment), for ongoing business (working capital), for consumption of self and family, and for the subsistence of dependants in equal parts<sup>19</sup>. The Buddha also suggested that the family budget should be divided into five. One part to support the immediate needs of yourself, your parents, your children, spouse, servants, one part to extend generosity towards your friends, one part to be saved in case of emergency, one part which should be used for five sorts of obligations including the taxes to the State and one part to extend support to well-practising monks and ascetics<sup>20</sup>.

10. Four questions are usually raised on restraint on consumption proposed by Mahaveera. First, why should a man restrict his consumption if he can afford it? Second, will this restriction not put a limit to output of a country and in that way set a limit on income? Third, will the restriction not result in putting obstacles to innovation, technological development and intellectual property rights? Fourth, will it not result at the end in deprivation of the society at least in relative terms? While some of these question are dealt with in somewhat detail in later sections, the restrain on consumption by better off persons may actually be conducive to growth. By altering the structure of production in favour of essential commodities, by inducing a more optimal allocation of productive resources, particularly of the labour, by facilitating a higher consumption by majority of people (because affluent ones are outnumbered by others) and by reorienting the research and innovation to more pressing needs of larger community this restrictions could be development inducing.

A short negative list is prescribed for industry and occupation

11. Mahaveera never set the guidelines for production. His normative approach to production relied on three parameters. First, his proposed restrain on consumption was expected to release resources for production of mass goods through an improved availability of productive resources for production of basic necessities. Second, he proposed a negative list of production/occupation. Third, he suggested a judicious treatment to labour in production process. He treated the right to employment or earning as a kind of fundamental right. There were clear rules with regard to the wage setting.

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<sup>15</sup> This thinking was not an utopia as these were adopted by nearly 5 lakh followers of Mahaveera- as mentioned by Acharya Mahapragya in his Mahaveera ka Arthshastra

<sup>16</sup> Digha Nikay

<sup>17</sup> Richard O' Connor(2008)-Happy At Last

<sup>18</sup> Upsakdasang

<sup>19</sup> Somdev Suri- Neetivakyamritam-29/97 and 105

<sup>20</sup> Aadiya Sutta A.iii.45 (36/93)

Jain texts considered lower payment of wages relative to work and their inadequacy relative to the needs of labour as unethical<sup>21</sup>. Marx later considered profit as stolen wages. Retrenching a worker was also put under a negative list<sup>22</sup>. Acharya Shukra has mentioned three scales on the basis of wages relative the needs, a good scale will provide a better living, a medium scale would cover the basic necessities of the family and a bad one would just meet the subsistence levels<sup>23</sup>. There has also been a mention of wages paid in kind<sup>24</sup>. Shukra also suggests payment of pension, equivalent of half of wages after forty years of regular service<sup>25</sup>.

12. As a staunch supporter of nonviolence, Mahaveera completely prohibited the production weapons of mass destruction, accumulation of these weapons or their storage and training in warfare activities. For his followers, he also directed to limit their involvement in such occupations which were environmentally hazardous, such as mining, clearing of forests, drying lakes and rivulets for rearing of fish, occupation relating to drugs, poison, skin and other animal products derived by killing or suffering of animals<sup>26</sup>. Instead of list of activities which could be pursued by the laities, Mahaveera placed a negative list, because except for those rest were all in the category of permitted. There is clear evidence of Jains undertaking occupations in other categories such as agriculture, dairy, education, trade and industries based on human skills. Money lending was prevalent<sup>27</sup>.

### Concept of Development

13. The current consumption levels of an individual and society are in terms of their income levels or purchasing power, but their desires and aspiration are pointer to the future possibilities and expectations. The fulfilment of these aspirations and the process is in a way a determinant of the future development. If these are not the utopias or imaginations then these are related to the development of their capabilities and their resource endowments. In this development process fate, luck or accidents have a very limited role. Jainism, while conceding that past deeds do fructify and that may result in higher gains/losses, it never gives a commanding role to fate or luck.

14. Upward movement in the living standards of an individual and society is a universally accepted index of development which has remained valid at all times. But it to be true at all times and in all circumstances, it must satisfy the following three conditions. First, if this development remains confined to few people or sections of society and a large section of population remain unaffected (they actually become relatively worse off) then there would be a question mark on its universal acceptability. Second, if this development gets confined to material progress only and does not result in peace and harmony then also its universality will be questioned. Thirdly, if in this process of development the aspirations of future generations are not adequately reflected then also it will not be sustainable. Development therefore has four ingredients- peace, happiness, prosperity and harmony and absence of any of them is limiting development. Satisfaction and happiness are both good and bad. If happiness and satisfaction from the current status leads to inaction it is accepting the supremacy of fate. A person then would consult astrologers and look at stars would never be blessed with wealth. Wealth generates wealth and wealth binds wealth<sup>28</sup>.

15. Mahapragya looks at development as four cornered diamond. Material development, consciousness about environment, development of ethical values and

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<sup>21</sup> Upsakdasang 1/32; Ayashyak Chumi Part II, page 284

<sup>22</sup> Acharya Mahapragya- Mahaveera ka Arthashastra

<sup>23</sup> Shukra Neeti 2/399

<sup>24</sup> According to Vrihatkalp Bhashya, the persons engaged for dairy activities were entitled to keep the entire quantity of milk every fourth day.

<sup>25</sup> Shukra Neeti 2/413

<sup>26</sup> Uvasagdasao 1/24, 28-30, 32, 34, 36, 38

<sup>27</sup> Upasakdasang mentions names of 10 such moneylenders

<sup>28</sup> Kautilya- Arthshastra

development of religious consciousness are the four corners. Even the modern thinkers view development as multifaceted. ‘Development’ – whether understood as fundamental transformations including industrialisation, urbanisation, globalization, and more; as planned intervention; as improvement in human welfare; or as expansion of valued attainable opportunities – is correspondingly a strongly ethically-laden field. What is all the running and risk-taking for? What is the good life? Why are so many of the materially affluent spiritually poor? Who benefits, who loses? Who decides, who is consulted, who is not<sup>29</sup>?

16. It is often said the Jain texts which have emphasized aprigraha (non-possession) is inherently anti-growth as it prohibits accumulation. Such remarks are completely unfounded. He was fully aware that non-possession for a laity is impossible. He only suggested that the accumulation should not be self-glory or for personal enjoyment. The accumulation of capital appears also inconsistent with the Jain texts which have indicated the allocation of wealth for different demands and an allocation for capital formation has also been a part of it. Further, Jainism believes in journey of the soul to the higher levels through right knowledge which continue to get accumulated. More than the physical capital, the knowledge is a more powerful and more durable accumulation. For laity, Mahaveera prescribes limit on personal consumption and not on earning. In earning it is your means which should be ethical<sup>30</sup>. Even A. Parthasarthy mentions, “Renunciation is not severance from the world. Nor does it mean abstinence from possession and enjoyment. Nor restriction and limitation imposed upon the quantum and enjoyment. ....You may possess them. Even join your children at times, enjoy playing with them. And yet claim to have renounced them because you do not treasure them anymore. As you graduate to higher values of life you automatically drop your interest, value for the lower. You grow out of it. That spirit of inner abstraction or resignation is the crux of renunciation<sup>31</sup>”.

17. Mahaveera’s development, however, is conscious of its sustainability. Parasparograhajeevanam, clearly says that souls render service to each other and these are interdependent. He, therefore strongly favoured environmental protection and the list of negative activities for a laity that he prescribes mostly reflect his concerns relating to environment. There is strong similarity between vegetation and human, as both take birth, they grow, they have consciousness, they take food, they have a finite life and they feel pleasure and pain<sup>32</sup>. Their protection, not only is consistent with nonviolence, but it is also necessary for sustainability of mankind. Jainism believes in rebirth, but even if we ignore that part (though that sets a more stringent conditions for sustainability) families act as infinitely lived dynasties because of intergenerational altruism. As Edward Abbey has said growth for the sake of growth is the ideology of the cancer cell. The stages of development which modern economists indicate (Box 1) appear to be converging to his ideas.

Box 1: Stages of Development

Growth	Development	Development of the Society	Sustainable Development
The Factors			
<ul style="list-style-type: none"> <li>• Efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Efficiency</li> <li>• Equality</li> </ul>	<ul style="list-style-type: none"> <li>• Efficiency</li> <li>• Equality</li> <li>• Proper pricing of resources</li> </ul>	<ul style="list-style-type: none"> <li>• Efficiency</li> <li>• Equality</li> <li>• Proper pricing of resources</li> <li>• Balance sheet of the resources</li> <li>• Continuous availability of resources</li> </ul>

18. Simon Kuznets was the first to examine the unethical impact of economic development and theorized that in the initial stages of development income inequalities first widen, and then narrow as economic development progresses. This is shown in the

<sup>29</sup> Des Gasper (2011) - Development Ethics – What? Why? How?

<sup>30</sup> Acharya Mahapragya- Mahaveera ka Arthshastra

<sup>31</sup> Parthasarthy A. (2004)- The Eternities: Vedanta Treatise

<sup>32</sup> Achrang Sutra 1/5/45

famous inverted U-shaped curve that results when we plot income inequality on the “Y” axis and economic growth on the “X” axis for a cross section of data for several countries in the world in different time periods<sup>33</sup>. Recently this theory was extended to environmental degradation, theorizing that in the initial stages of development environmental resources get degraded, but better conservation leads to better environmental resource bases in the developed countries compared to developing countries. When we plot concentration of pollutants on the “Y” axis and income per capita on the “X” axis we get a similar inverted U-shaped curve which shows that in the initial stage of development, pollution increases and then comes down after reaching a certain threshold of development, or per capita income level<sup>34</sup>. But question is could we wait for that eventually happen or do we have the time till then.

Development also more consistent with priorities of society than individual

19. The all-time objective of economics is to establish an organized social structure which can come to terms on the following two expectations. First, the structure should ensure most efficient and optimal use of the limited resources at the command of the society. Second, the production of goods and services is consistent with the aspiration of the majority of the constituents of the society, that it should satisfy the demands of the society in maximum possible manner. One of the major problems inherent in this structure is that the society is not a single homogeneous unit. Society is not only composed of a large number of people, but each of them have their independent desires and aspirations and also to an extent have the freedom to chalk out a programme to meet these desires. Society as a single unit can ensure an appropriate distribution and utilisation of these resources only when the diverse desires and aspirations of the individuals are in conformity or consistent with the priorities of the society.

20. Universal acceptability of this social structure also depends on whether the constituents of the society not only believe that the priorities accorded to their desires are consistent with their expectations but also whether the priorities accorded are based on a standard set independently and in a fair and just manner. Besides the satisfaction of these two conditions of setting priorities, the completeness of the social structure and its acceptability also requires that the production of goods and services is also according these priorities.

21. In a society where numerous individuals as consumers have their priorities so are many producers who take their decisions independently based on their own individual perception. Even if we assume that the priorities of production are aligned to the priorities of consumption or vice versa even then the question arises whether the utilization of individuals as owners of resources are in accordance with the priorities of the society. The techniques of production could be many and in each technique the combination of resources could be different. Universal acceptability of an economic structure also needs to guarantee that choice of the technique of production is in accordance with the availability of resources and their use is consistent of the priorities of the society.

22. Society is neither a group of unorganised individuals nor it has been formed with unselfish interests. Whether we take it as a social contract or as an outcome of the evolutionary process, societies have been formed because it provides greater scope for specialisation and economies of scale and economic prosperity. Community living provides more opportunities for safety, security and economic growth than what an individual can hope for living alone in an isolated island like Robinson Crusoe. But if this specialisation and stratification gets rigid like the caste system or if that specialisation fails to offer equal opportunities then the resultant social structure may also not be stable.

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<sup>33</sup> Kuznets Simon- Modern Economic Growth – Rate, Structure and Spread,

<sup>34</sup> Sen, Gupta, Ram, Prasad-Ecology and Economics: An approach to Sustainable Development

23. An individual has many desires and resources at his command remain inadequate to provide him with all that he desires. These unlimited needs cannot, therefore, be accorded equal priority and a choice becomes inevitable. But the choice is to be made from among the options available. The entire market structure is based on this fundamental assumption that the selected option from among the ones available is not only the best for the individual but it is also the most preferred. Further the selection and having that option also indicate his endowments which he has access to as an owner of productive resources. Each consumer is also a producer or owner of a resource. In fact his ability to act as a consumer is also determined by the price which he commands as a producer or owner of a resource. A decline in his income relative to others also reduces his status as a consumer and the so called consumer sovereignty is then of little significance.

24. The availability of resources with an individual and the prices that these resources command generate inequality. This inequality could be because of the differences in the acquired capabilities or quality of resources and the initial endowments. Inequality arising because of the differences in the acquired capabilities is somewhat tolerable, but the initial endowments which comes as hereditary distort the initial conditions and allow the inequalities to persist and strengthen themselves. The desire of power, ownership of resources and accumulation is a basic tenet of an individual's personality. The basic motivation for each individual has been a greater access to income and a larger increase each time relative to others. Neither the economists today nor their ancestors had any difference of opinion that self-interest and relative prosperity are the all-time motivators. Mahaveera also accepts and recognises these as incentivising an individual to work. But this makes all other intentions as secondary and dependant<sup>35</sup>. This is like a plant which sucks life out of the one which provides it with the shelter. Concentration of economic wealth and centralisation of the endowments are the ultimate outcomes of this process.

25. Economic inequality affect the coordinating activities of a society. First, the priorities of individuals do not remain consistent with the priorities of the society. Second, pricing of the resources and their allocation also get distorted and inconsistent with the priorities of the society. Thirdly, the production of goods and services gets aligned to the purchasing power of the individuals and not with the priorities of the society. These coordinating problems could arise because economic principles based on individual rationality remain at variance with the rationality of the society and the absence of normative rules in allocation. If we equate the rational rules of conduct based on self-interest as ethical or moral rules because acting in one's self interest is fostering the interest of all<sup>36</sup>, this ethical egoism would generate discontent.

26. In production of goods and services, individual and his labour is a partner with capital. The consideration whether his role is primary or secondary and what price that labour should command has remained a question from time immemorial. The socialist think this should be in accordance with his needs- get what you need for work which you perform as per your capabilities. But needs are never based on any standard, these are highly elastic. If each gets according to his needs independent of the quality of work then these would no longer be differentiable. These can completely distort the motivations with neither the capable persons working as they get frustrated nor the other ones who in case cannot work. Socialism indeed has the compassion but it fails in providing adequate motivation and incentivise the innovation and enterprise. Keynes in 1936 said that the outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes<sup>37</sup>. These are as valid today as these were during great depression and the economic prosperity thereafter. The conflict between equity and efficiency has emerged our biggest socioeconomic trade off, and it plagues us in dozens of dimensions of social policy.

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<sup>35</sup> Acharya Mahapragya- Mahaveera ka Arthshastra

<sup>36</sup> Sidgwick: Outlines of the History of Ethics

<sup>37</sup> J M Keynes- General Theory of Employment, Interest and Money



Mahaveera by proposing (directing) ethical means in earning and not to deprive anyone from his livelihood is in a way provides an answer to these issues. Even the concept of fixing prices of products so that basic needs of the producer are met is in a way setting benchmarks for a better coordination.

Role of state is to set order

27. Mahaveera was perhaps aware that the institution of market (even modern economists have arguments in favour and against the market), which decided the production of goods and sets their limit usually fails to allocate priorities to the goods and services of mass consumption (consumption by relatively poor people). It generally fails in producing goods and services considered necessities and merit goods. Some kind of control on market have generally been considered necessary<sup>38</sup>. Chanakya had even suggested keeping certain industries out of the preview of private sector and emphasized the role of the State in making arrangements for disadvantaged groups. These sentiments also finds a mention in modern economic literature. “Public policy enters not as an aberration from the natural order but a natural means of addressing a different set of problem<sup>39</sup>.” Existence of externalities, possibilities of market failure, lumpiness of investment and a weak institutional set up may require the government to directly engage itself in production and distribution of a variety of goods and services. This is in addition to its sovereign functions including that of defining and enforcing property rights. Canonical Jain texts also recognise public distribution of essential commodities and public provisioning of health and medication<sup>40</sup>. The role of State as is being conceived today perhaps was not different in those days (Box 2).

Box 2: Role of the State <sup>41</sup>				
	Addressing Market Failures			Improving Equity
Minimal Functions	Providing pure public goods Defence, Internal Security, Law and order, Property rights, Public health, Macroeconomic management, Building perspectives			Protecting the poor Anti-poverty programs, Disaster relief, Public distribution
Intermediate Functions	Addressing Externalities Basic education, Environmental Protection, Rural roads	Regulating Monopoly Utility regulation	Overcoming imperfect information Consumer Protection, Crop insurance, Sectoral credit support	Providing social insurance Family pensions, Unemployment insurance, Direct subsidies
Activist Functions	Coordinating private activity Cluster initiatives, State as an entrepreneur			Redistribution Assets redistribution, Land reforms

28. There are alternate methods of allocating publicly produced goods and services. In terms of delivery these could vary from government provisioning, contracting out to private sector or NGOs, community participation and individual's responsibility. Even when these are provided publicly, there could be alternate methods of inter personal allocation and pricing. User charges- partial or full, uniform allocation or first cum first serve have been in vogue for various services/goods that governments may choose to deliver<sup>42</sup>. Buddhism in some way proposes philanthropic action. It says, “To those in the kingdom who are engaged in cultivating crops and raising cattle, let Your Majesty distribute grain and fodder; to those in trade, give capital; to those in government service assign proper living wages. Then those people, being intent on their own occupations, will not harm the kingdom. Your Majesty's revenues will be great; the land will be tranquil and not beset by thieves, and the people, with joy in their hearts, playing with their children, will dwell in open houses<sup>43</sup>”.

<sup>38</sup> Even Chanakya included control on markets as one of the key functions of the State in his Arthshastra  
<sup>39</sup> The Nature of the Fiscal state: The Roots of my Thinking- Richard A Musgrave, in Readings in Public Finance- ed. Amaresh Bagchi, page 63  
<sup>40</sup> Oghniryukti- paje 28 and Uttaradhyayan 15/8  
<sup>41</sup> Adapted from National Human Development report 2001, Planning Commission .  
<sup>42</sup> Joseph E Stiglitz - Economics of the Public Sector  
<sup>43</sup> Digha Nikaya: Kutadanta Sutta: I 134-36

29. Jainism has recognized both public ownership and private ownership of property and there are no judgments on this sphere. This in a way similar to the views of Greek philosophers. "Property should be in a certain sense common, but, as a general rule, private; for, when everyone has a distinct interest, men will not complain of one another, and they will make more progress, because everyone will be attending to his own business... And further, there is the greatest pleasure in doing a kindness or service to friends or guests or companions, which can only be rendered when a man has private property. These advantages are lost by excessive unification of the state<sup>44</sup>".

30. There is no mention of any price fixation by the State in Jain canonical or other texts, yet it was recognised that state could fix the prices of essential commodities and expropriation by the State of any economic rent that may accrue to the business on account of scarcity of essential goods<sup>45</sup>. Other literature of that period speak of high prices during peak demand season and price fluctuations. These clearly mention that intensity of demand, availability, cost of production/procurement and the characteristics of goods are the determinants of prices<sup>46</sup>.

### Emphasis on development of capabilities of the individuals

31. Development is a process and never an end. But the process is that which results in increasing the capabilities of an individual and the society for a better living. Improving the capabilities is conceived as increasing the capabilities of human resources, increasing the capabilities of resources created by human efforts including the capital formation and machinery, increasing the access to new natural resources including bringing them in the domain of being utilised from what were hitherto unknown and increasing the technical capabilities, but in this process there is hardly any mention of altering or modifying the priorities of distribution.

32. In the modern history of economics so far, the number of poor people have outnumbered the economically affluent ones and that too by a wide margin. Why has this situation prevailed and how is this linked with the process of development has been a question which economists and social scientists have continued to look at. In the primary stages of development, the structure of production was essentially family driven. During this period human resource development was an important factor for development. Marketing and better price for the products were the key issues facing the State and the society. Greek philosophers and the ancient Indian thinkers, therefore, considered the exploitation by traders of the craftsman, small producers and farmers by under-pricing their products as unethical. Until 19<sup>th</sup> century, production was largely decentralised and factory labour had not emerged as the key source of income.

33. The biggest challenge today is to provide gainful employment to people. For that neither can we return to the primitive mode of production nor can we revert to revolutionary Marxian ideology. In the first there is hardly any place for prosperity and in the latter there is hardly any incentive for innovation and enterprise. The development of a nation is not in terms of the gold and silver coins that it has accumulated but in using human resources of a country in producing goods that are useful to the society<sup>47</sup>. A World Bank study concludes that under the preferred specification, a one-standard-deviation increase in the correlation between morality and ability raises the log of per-capita income by about one-fourth of a standard deviation, equal to approximately \$3,600 for the median income country in the sample<sup>48</sup>.

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<sup>44</sup> Aristotle- Book 5

<sup>45</sup> Somdev Suri -Neetivakyamritam

<sup>46</sup> Shukra Neeti

<sup>47</sup> Adam Smith- Wealth of Nations

<sup>48</sup> David J. Balan and Stephen Knack: World Bank, Development Research Group, June 2011: The Correlation between Human Capital and Morality and Its Effect on Economic Performance

34. Skill base of population in India is very low. Using the unit level data of Employment and Unemployment Survey (1993-94) of National Sample Survey Organization (NSSO), National Commission for Enterprises in Unorganised Sector (NCEUS) estimates that nearly 90 per cent of total population in India do not have any skills. In rural and urban areas, proportion of skilled workers for men was 10 per cent and 19.6 per cent, respectively. For female workers, the ratio of skilled workers in rural and urban areas was only 6.3% and 12.4%, respectively<sup>49</sup>. Educational levels of the labour force, which have a significant bearing on capacity to acquire and absorb skills, have not undergone any significant changes in last fifteen years. Nearly 35% of the persons in workforce (usual status) are still illiterate and other 42% have education up to middle level. The level of education and wages are also closely related. Average daily wages of regular employees, who are illiterate, varies from 22% to 43% of the employees who are graduates and above. Improving the educational and skill levels could significantly contribute to productivity growth. The skill Upgradation becomes all the more important to take advantages of the “demographic dividend”. Poor skill and educational levels could also be a factor for the predominance of informal sector and near stagnant employment in organised sector.

35. Jainism encouraged human resource development in two ways. First, it pursued with laities that should say no to drugs, intoxicants and others. This made their life more balanced, healthy and receptive. Second, Mahaveera encouraged people to search for truth themselves. When Arthur Lewis speaks of using their own judgment, exercising their critical faculties, and deciding things for themselves as contributing to development, he in fact echoes what Mahaveera had suggested many centuries back.

36. Development has always been multifaceted and confining it to growth or material prosperity was a mistake. This has made private interest our only motivation and society has become too individualistic with a significant fall in trustworthiness of people<sup>50</sup>. Organisation for Economic Cooperation and Development (OECD) prepared a taxonomy of societal progress (Box 3), which is both inclusive and holistic. We can see it is very close to what Mahaveera has been suggesting.

Box 3: The Proposed Taxonomy of societal Progress<sup>51</sup>

Ecosystem Condition: Outcome for Environment	Human Wellbeing: Outcome for people	Economy	Governance	Culture
<ul style="list-style-type: none"> <li>• Land</li> <li>• Fresh Water</li> <li>• Seas/Oceans</li> <li>• Biodiversity</li> <li>• Atmosphere</li> </ul>	<ul style="list-style-type: none"> <li>• Health</li> <li>• Knowledge</li> <li>• Work &amp; Leisure</li> <li>• Material wellbeing</li> <li>• Freedom</li> <li>• Interpersonal relationships</li> </ul>	<ul style="list-style-type: none"> <li>• National Income</li> <li>• National wealth</li> </ul>	<ul style="list-style-type: none"> <li>• Human Rights</li> <li>• Civic Engagement</li> <li>• Security and Crime</li> <li>• Access to services</li> </ul>	<ul style="list-style-type: none"> <li>• Heritage</li> <li>• Art &amp; Leisure</li> </ul>

Is the relative prosperity of Jains to do with its philosophy?

37. In every religion there are three parts. “First, there is the philosophy, which presents, the whole scope of that religion, setting forth its basic principles, the goal, and the means of reaching it. The second part is mythology, which is philosophy made concrete. It consists of legends relating to the lives of men or of supernatural beings, and so forth. It is the abstractions of philosophy concretized in the more or less imaginary lives of men and supernatural beings. The third part is ritual. This is still more concrete and is made up of forms and ceremonies various physical attitudes, flowers and incenses,

<sup>49</sup> Report of the sub-committee on skill development, affirmative action and corporate social responsibility  
<sup>50</sup> Richard Layrad in Financial Times (March 11, 2009)  
<sup>51</sup> OECD- Global Project on Measuring the Progress of the Societies

and may other things that appeal to the senses<sup>52</sup>". While rituals are binding factors, it is the philosophy that contributes to outlook of its followers.

38. The protestant ideology is considered to have ushered in industrial revolution. In contrast to Catholic's glorification of monasticism, the Protestants projected economic activity into the centre of religious life and replaced the Catholic cycle of sin, repentance, atonement, and release, followed by more sin, with a cumulative notion of moral life. The result was a "this-worldly asceticism," which focused adherents on diligent, efficient economic activity, thrift, and non-ostentatious accumulation of wealth, which he saw as the bedrock of modern capitalism. The Protestant Reformation triggered a mental revolution which made possible the advent of modern capitalism through its emphasis on personal diligence, frugality, and thrift, on individual responsibility, and through the moral approval it granted to risk-taking and to financial self-improvement<sup>53</sup>.

39. It is said that a cardinal feature of sramana movement was their emphasis upon the superiority of warrior caste over brahmins, whether in a spiritual context or a secular one. Their spiritual leaders, including Mahaveera and Buddha, were invariably from this caste. Hence these movements tended to find common cause with local kings. Furthermore, by allowing members of any caste as well as women to enter the ascetic orders, the sramana group created an entirely separate society, parallel to the vedic one. They were able to attract large numbers of ascetics and lay followers and thus constituted a significant force- social, political and economic as well as spiritual - within large cities where they were concentrated<sup>54</sup>. While this ancestry encouraged Jains to take risks, the emphasis on continuously updating and searching for truth was also an important factor. The theory of karma which explains the forces of nature, time, universal laws, self-exertion and the karma- all contributing relatively and cumulatively to the occurrence of an event<sup>55</sup> made them action oriented. Their ethical laden lives, restraint on consumption together with frugal living resulted in an unparalleled capital accumulation bit by bit.

#### Relative Economics

40. This broad outline of the economic issues and priorities provide a strategy and coordinates of relative economics. The new thinking should result in better coordination between labour and machines, should give preference to needs of society in investment and coordination between present and future needs. Let me conclude with two quotes, first from Edmund Burke that the age of chivalry is gone; that of sophisters, economists, and calculators has succeeded and will perhaps prosper further and the second from Shakespeare, the fault, dear Brutus, is not in our stars- but in ourselves.

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52 Swami Vivekanand- Collected Works

53 Jacques Delacroix 1992

54 Padmanabh S Jaini- Foreword to the English translation of Umaswati's Tatvarth Sutra

55 Forword by Muni Mahendra Kumar for the book Neurosciences and Karma