GANDHIAN FRAMEWORK

Gandhian economics is essentially the collection of Gandhi’s thoughts on various economic systems. Gandhi was not an economist and he didn’t propound any new economic theory. In his time any discussion on economics was centered around two accepted economic systems - Capitalism and Socialism. Both were rigid in their own terms and even today there is no universally accepted economic system that can be uniformly applied over space and time. Every region can have its characteristic economic system which varies with time. One has to take into account the prevalent conditions; Socio-political, economic and educational status of the people; comparative advantages and disadvantages of the regional economy etc.

He is remembered today, not only for the exceptional contributions he made to the Indian freedom struggle, but also for giving the world a new doctrine for dealing with injustice and disharmony. He taught us the philosophy of Ahimsa, which encourages the use of non-violence as a tool for the peaceful resolution of differences. 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 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.\textsuperscript{1} 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?

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 has been 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.\textsuperscript{2}

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,

\textsuperscript{1} Hardiman, D., \textit{Gandhi in His Time and Ours}, Chapter 1.
\textsuperscript{2} Tibor, Scitovsky, \textit{The Joyless Economy}
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, 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 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.

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.3 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

3 Hardiman, D., *Gandhi in His Time and Ours*, op.cit
he had experimented with in his time are practicable today. 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. 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.

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. In earlier decades of the 20th 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. 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 Keynesian ideas on the management of the macro-economy. 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. In developing countries, the idea of the ‘developmental state’ made way for liberalized markets. 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. 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. Amartya Sen’s 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. But now, with the severe economic crisis, clearly traceable to failure of financial markets, there is an ideological vacuum. Does

4 Friedman, Milton, *Capitalism and Freedom*
5 Sen, Amartya, *Development as Freedom*
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.6

There has also occurred a marked shift in the culture of work, particularly in the advanced countries, especially America. 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 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. These were typically characterized by new information and communication technologies, smaller firm size, and white-collar workers. The new institutional trends are ‘de-layering’, ‘casualization’ and ‘non-linear sequencing’ of work.

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

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8 Ibid.
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. 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. 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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**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. 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.”\(^{11}\) 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.\(^{12}\) He had proposed three main elements in his approach to development, which is known as his


\(^{12}\) Gandhi, as is well known, drew his inspiration from the *Bhagavad Gita*. Non-attached pursuit of duty is its core message.
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.

He specifically warned while writing in the Constructive Programme: "A violent and bloody revolution is a certainty one day unless there is a voluntary abdication of riches and the power that riches give and sharing them for the common good."¹³ He repeatedly pointed out to the capitalists that their wealth was the cause of their worries and anxiety, unhappiness and insecurity. "They who employ n mercenaries to guard their wealth may find those very guardians turning on them."¹⁴ Writing in Harijan he further warned the wealthy sections of the society, "As for the present owners of wealth, they would have to make choice between class war and voluntarily converting themselves into trustees of their wealth."¹⁵

But Gandhi was not prepared to condone violent methods for the sake of realisation of his ideas of Trusteeship. Nonviolence is too precious an ideal to be sacrificed by Gandhi. Besides the concept of Trusteeship was devised as an alternative to the violent overthrow of privileges so that violent method cannot take precedence, yet if the privileged sections of the society, inspire of all manners of persuasion and moral pressure fail to live up to the ideal of trusteeship, the technique of

¹⁴ Harijan, 1.2.1942, p. 20.
¹⁵ Ibid., 31.3.1946, p. 63.
social compulsion short of violence or coercion can be employed against them.

"All exploitation", observed Gandhi, "is based on co-operation willing or forced, of the exploited."16 Hence if the real producers—the labourers and the peasants resort to satyagraha, accumulation of wealth will fizzle out and the spring of the prosperity of the wealthy sections of the society will dry up. Speaking about the conversion of the recalcitrant landlords into trustees, Gandhi also suggested adoption of the same formula of non-violent non-cooperation. He said, "The moment the cultivators of the same realise their power, the Zamindari evil will be sterilized. What can the poor Zamindar do when they say that they will simply not work the land, unless they are paid enough to feed, and clothe and educate, themselves, and their children, in a decent manner? In reality the toiler is the owner of what he produces. If the toilers intelligently combine, they will become an irresistible power."17

The words like, aparigraha (non-possession) and 'samabhava' (equality) had gripped him.18 He now came to realize that the principles of non-possession and renunciation of one's property or possession or assets as advocated in the Gita can be given effect to by way of trusteeship where by the propertied people while retaining their property can still divest themselves of such possessions by holding the property in form of trust for the real beneficiaries. His study of English Law also came to his help in deciding upon his divesting himself of all possessions. To quote from his autobiography, "My study of English Law came to my help. Snell's discussion of the maxims of Equity came to my memory.

16 Amrit Bazar Patrika, 3.8.1934.
understood more clearly in the light of Gita teaching the implication of the world trustee ... I understood Gita teaching of non-possession to mean that those who desired solution should act like trustees who, though having control over great possessions, regards not an iota of them as his own. “19

Pyare Lal maintained, "Gandhi based his trusteeship doctrine on a celebrated verse in the ancient Hindu philosophical scripture 'Ishopanished', which says: "All that is in the universe is pervaded by God, Renounce first, therefore, in order to enjoy. Covet not any body's riches."20

On October 14, 1909, in a letter to Polak, who was at that time in India, Gandhi employed the word 'trustee' for the first time. He wrote, "Then the British rulers will be servants and not masters. They will be trustees and not tyrants, and they will live in perfect peace with the whole of the inhabitants of India."21 Laying his heart bare before the august audience assembled on the occasion of the opening of the Benaras Hindu University on February 4, 1916, he appealed to the 'richly bedecked noblemen' present on dias to strip themselves of the jewels and 'hold them in trust' for their countrymen in India.22

Gandhi, hand maintained that all property is trust. He was of the opinion that all forms of property and human accomplishments are either gift of nature or the product of social living. As such they belong not to

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19 Ibid
21 The *Collected Works of Mahatma Gandhi* (New Delhi: Publications Division, Government of India), Vol. IX, p. 48]. (hereinafter CWMG will be used
the individual but to the society and therefore, should be used for the good of all. In his own words, "Everything belonged to God and was from God, and therefore, it was for his people and not for a particular individual. When an individual have more than his proportionate portion, he becomes trustee of that portion for Gods people." He further argued, "Suppose I have come by a fair amount of wealth either by way of legacy or by means of trade and industry - I must know that all my wealth does not belong to me; and what belongs to me is the right of an honourable livelihood, no better than that enjoyed by millions of others. The rest of my wealth belong to the community and must be used for the welfare of the community." 

Gandhi divided property in two parts; gifts of nature and product of social living. The gifts of nature include land, mines, natural resources, etc. The second part deals with man-made property.

"All land belong to Gopal where then is the boundary line? He asked? Land, mines and other natural resources, are the gift of nature. No individual has made them. God created these not for any particular individual or group of individuals. Man has only occupied a piece of land and demarcated it. He is only the maker of a boundary line. He cannot be called the real owner of that property. Let us take an example. There is a landlord in a village having 100 acres of land. From where he got his land? 'From his forefathers', can be the safest answer. His forefathers got the land from their forefathers and so on. Actually what would have happened, someone from that family might had occupied that portion of land and created a boundary line. That person was not the creator of land.

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25 Ibid., 2.1.1937, p. 375.
but the creator of that boundary line. The land which should have belonged to other persons also, belong to one particular landlord because of the boundary line.²⁶

Same is the case with manmade property. A capitalist has accumulated huge wealth and established several industries. He alone cannot make that. There may be so many persons who helped that capitalist in accumulating that wealth. Thus, Gandhi emphasized that the ownership of the labourers and the peasants is something more than mere moral ownership. Because the rich cannot accumulate wealth without the help of the poor in the society. Since they have helped the capitalist in accumulating the wealth they have their share in that also. Otherwise also the bounties of nature, felt Gandhi, are meant for the good of God's creation, for the benefit of the entire world. Each is entitled to acquire only that much of wealth or property that is essential for his immediate need or his existence. None has a right to acquire more than what is needed to satisfy his absolute and immediate needs particularly, when millions are unable to satisfy their most basic requirements. He wrote, "You and I have no right to anything that we really have until these .... millions are clothed and fed better."

He allowed the people with talent to earn more but asked them to utilize their talent for the good of the suffering people. "I would allow a man of talent to earn more. I would not cramp his talent. But the bulk of his greater earning must be used for the good of the state just as the income of all earning sons of the father go to the common family fund. They would have their earnings only as trustees, i.e., owners in their own rights but owners in the right of those whom they have exploited .... I will

not dictate to them what commission to take but ask them to take Rs. 50 and give the other Rs. 50 to the workers. But to whom who possesses Rs. 1,00,00,000- I would perhaps say take one percent for yourself, so you see that my commission would not be fixed figure because that would result in atrocious injustice."\(^{27}\)

An industrious person with more than average intelligence, may acquire by legitimate means, more property than idle men and men of average or below average intelligence even without resorting to violence and exploitation. He admitted, "It is my conviction that it is possible to acquire riches without consciously doing wrong. For example, I may light on a gold mine in my one acre of land."\(^{28}\) Some time earlier he wrote in form of a reply to Shankar Rao Deo who raised an issue whether crores can be earned by legitimate means. "Surely a man may conceivably make crores through strictly pure means assuming that a man may legitimately possess riches ... If I own a mining lease and I tumble upon a diamond if rare value may suddenly find myself a millionaire without being held guilty of having used impure means.\(^{29}\) But although such wealth or property may be legitimately acquired without violence and exploitation, he was not prepared to accept it as a source of one's real happiness and his balanced growth. Rather he felt that such possessions and affluence stand as stumbling docks on the way of self-realisation and blossoming of an integrated personality and all round development of the individual since worship of the mammon and cultivation of manliness do not go hand in hand. As a remedy for such an untenable position arising out of the possession of wealth flowing into one's purse almost without any conscious effort on his art for the accumulation of the same. Gandhi

\(^{27}\) *Young India*, 26.11.1931, p. 369.

\(^{28}\) *Harijan*, 8.3.1942, p. 67.

\(^{29}\) Ibid, 22.2.1942, p. 49.
suggested cultivation of a spirit of detachment for wealth and utilization for oneself only a portion of it that is needed for meeting one's 'legitimate needs' and 'honourable livelihood'.

**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 as well as in the West have long pointed out that consumption is merely one source of satisfaction, and that the trend towards consumerism is a socially conditioned outcome. 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

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31 Veblen, Thorstein, *The Theory of the Leisure Class*
32 Galbraith, Kenneth, *The Affluent Society*
33 Tibor Scitovsky, *The Joyless Economy*
economic thinkers, including Marx, Adam Smith and Pigou, who have argued against relying on material consumption as the key indicator of well-being.34

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 that 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.35 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.36 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

36 Marglin, Stephen A., *Why is Enough Never Enough?*
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 newfound 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.37

His hope was that people would eventually deal with the problem through learning how to better use leisure for higher ends. 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.

Though, in aggregate terms, the absolute level of opulence in the rich countries 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 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 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 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. 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.

However, the force of economic nationalism as a major motivating factor and vehicle for public-spirited action by business is comparatively

38 Ibid., pp 371-372.
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.40 Many such initiatives have sprung up during the last decade and half. Indian corporations should set their paradigms based on Mahatma Gandhi’s trusteeship principle. A distilled essence of this principle is found in the first verse of the Isopanishad (Shukla Veda) Isavasyam idam sarvam…dhanam (the One God is present here and everywhere). It underlines that everything around us has the Supreme residing in them and hence He is the rightful owner. We, who actually possess it, can enjoy a “delegated ownership” as trustees. For the coming generations shall receive it from us. In the meanwhile consumption was not discouraged, but we were cautioned not to accept what was someone else’ quota.

The Mahatma’s trusteeship beautifully explains that enterprise is not discouraged, while we know that socialism numbs enterprise. Gandhi’s trusteeship allows the entrepreneur to keep the surplus. It actively encourages spending the surplus for the benefit of the society. So, one may ask, where is the difference? Gandhiji’s trusteeship rests on three solid pillars – *Ahimsa* (non-violence), *Samanta* (equality), and *Swaraj* (self-rule). Swaraj or self-rule is of the smallest governing unit — the gram panchayat. And this is the unit closest to the people. The relevance of *ahimsa* needs no elaboration in the light of today’s land acquisition debate. Not just lathis, but even the uncertainty of displacement can be described as *himsa* (violence) and hence engagement for negotiations, where and when necessary, should be on completely different parameters.

Gandhi envisaged the entrepreneurs “to use their talent to increase the wealth, not for their own sakes, but for the sake of the nation and, therefore, without exploitation…Their children will inherit the stewardship only if they prove their fitness for it.”

The Mahatma also observed, “When the people understand the implications of trusteeship and the atmosphere is ripe for it, the people themselves, beginning with gram panchayats, will begin to introduce such statutes. Such a thing coming from below is easy to swallow. Coming from above, it is liable to prove a dead weight.”

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 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.\footnote{Prahalad, C.K. and Allen Hammond, “Serving the World’s Poor Profitably”. \textit{Harvard Business Review on Corporate Responsibility}, Harvard Business School Press, 2003.} 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.\footnote{Porter, Michael E. and Mark R. Kramer, “The Competitive Advantage of Corporate Philanthropy”, \textit{Harvard Business Review on Corporate Responsibility}, Harvard Business School Press, 2003.} Others view the rationale of CSR differently—as a part of the moral responsibility of a corporation. 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.\footnote{Handy, Charles, “What’s a Business For?”, \textit{Harvard Business Review on Corporate Responsibility}, p 81.} 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.\footnote{Kaku, Ryuzaburo, “The Path of Kyosei” in \textit{Harvard Business Review on Corporate Responsibility}.}

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 re-modelled 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 cannot have the morally uplifting impact that was fundamental to Gandhi’s goals. 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 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’ Such types of CSR activities are vulnerable, without a moral compass, to the charge that they are 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.”

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

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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.

Satyagraha was a missile or mechanism that Gandhi employed to devastating effect. The expression literally translates to truth force or the active application of the moral strength of truth to highlight a desired objective. The key ingredients were genuine concern and conviction as to the truth or fairness of an issue in general interest without any personal bias, and a strong adherence to its redressal through non-violent means. The important element in satyagraha is the emphasis the issue rather than the personae responsible for it, very similar to distinction between a sin that was to be atoned, and the sinner ought not to be hated. This part of Gandhian philosophy was based on a conviction to the State (or 'the
establishment') was a soulless machine, given to more than minimal violence to impose its will on those who dared to dissent, with the officials or bureaucracy generally inclined to presume forceful coercion as a legitimate weapon of its sovereignty, a situation that people espousing their right to basic freedom ought to resist. This position accords well with the views of several other scholars and philosophers through the ages who even while approvingly visualizing the need for a governing authority for the protection and welfare of its citizens, had anticipated the potential abuse of such powers of the State and prescribed countervailing mechanisms and institutions for safeguarding the liberty and freedom of the governed.\footnote{Lewis, John, E. (ed.), \textit{The New Rights of Man} (New York: Constable and Robbins), 2003.} Similar injunctions of kingly governance and countervailing institutions to preempt abuse of such powers have been documented in Indian scriptural tradition, illustratively in The Mahabharata\footnote{Chaturvedi, Badrinath, \textit{The Mahabharata: An Inquiry in the Human Condition} (Hyderabad: Orient Longman), 2006.} and elsewhere. Resistance to unfair governance could be either violent or non-violent in nature; Gandhi preferred the nonviolent route as the most preferred alternative based on his firm belief that people were capable of developing their moral capacities to an extent that state excesses in intervention and regulation could be contained.\footnote{Iyer, Raghavan, N., \textit{The Moral and Political Thought of Mahatma Gandhi} (Oxford: Oxford University Press), 1987.}

The distinguishing characteristic of Gandhian satyagraha was its non-malicious dissent, or civil disobedience as he styled it after Thoreau (in contra-distinction to Tolstoy's passive Resistance) where the establishment' as represented by the State was defied in terms of disobeying a laid down rule of law but, concurrently, without offering any resistance by force or otherwise to any punitive actions that may follow.
As the Satyagrahis, who are not allowed to use violence in advancing their cause (the idea being that the adversary, too, is sincere since what seems truth to one person may seem untruth to another, while violence never carries conviction,) they must rely solely on the love-force that radiates from their faith and on their willingness to accept suffering and sacrifice joyously, freely.\(^49\)

Two important criteria relating to satyagraha need special mention: first, the cause must be just, in tune with dharma or the norms of conduct and behaviour ordained by tradition and one's own faith even if it was against the temporal laws of the state; second, it should only be directed against the impugned 'unjust' law; with no trace of hatred or disaffection towards the people enforcing it (since they believe they were right in what they were doing). Elsewhere Gandhi presses home the point about the non-malicious nature of the movement' Satyagraha is gentle, it never wounds. It must not be the result of anger or malice.\(^50\) It is never fussy, never impatient, never vociferous. It is the direct opposite of compulsion. It was conceived as a complete substitute for violence.\(^51\)

These then are some, and by no means an exhaustive listing, of the key Gandhian tenets that may well accord with the best practices that one associates with good corporate governance and stewardship. The subsequent section explores this concordance and reviews their application in practice.

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

\(^50\) Easwaran, Ekanath, *Gandhi the Man* (Bombay: Jaico Publishing House), 1997, p. 54.
\(^51\) *Harijan*, April 1933.
showed through his own example, 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. 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 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”\textsuperscript{52}

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.\textsuperscript{53}

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

\textsuperscript{52} Fischer, Louis (ed.). \textit{The Essential Gandhi—His Life, Work, and Ideas}, op. cit., p. 110.
\textsuperscript{53} Ibid., p. 68
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. 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.”

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.”

**Trusteeship for the Individual**

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54 Ibid., p. 161.
55 Ibid., p 128.
Legal frameworks view trusts as organizations that are formed to achieve a stated purpose (for profit or not), where the management is in the hands of individuals who do not run it for personal gain. Gandhi, better known for leading India’s nonviolent freedom struggle, advocated “trusteeship” as a moral basis for individuals in positions of wealth. He conceived trusteeship as a system wherein the individual considers that part of his wealth in excess of his needs as being held in trust for the larger good of society and acts accordingly.

Trusteeship was derived from Gandhi’s spiritually. In the non-dualistic tradition of Hindu philosophy, the individual self (Atman) and the ultimate reality (Brahman) are considered one. Following this tradition, Gandhi saw God not as a personal but an unseen power, which was represented for him as truth, and which became a central tenet for him. He even named his autobiography as “The story of my experiments with truth. His belief that “truth is God” led him to the idea of oneness of mankind and the essential unity of all existence. The practice of ahimsa or nonviolence was the means to attain this truth.\(^{56}\)

Gandhi’s moral philosophy of Sarvodaya, meaning universal uplift or welfare, also flowed from his belief in the oneness of mankind. Sarvodaya was a step beyond utilitarianism, which looked for the welfare of the greatest number. When you seek the welfare of all, you cannot be satisfied with the welfare of the greatest number, and universal welfare flowed from his belief of isomorphism of truth, Atman. And Brahman. It did not matter to him that it may be a goal that is beyond reach.\(^{57}\)


Those who own money now, are asked to behave like trustee holding their riches on behalf of the poor. The question how many can be real trustees according to this definition is beside the point. If the theory is true, it is immaterial whether many live up to it or only one man lives up to it. Absolute trusteeship is an abstraction like Euclid’s definition of a point. But if we strive for it, we shall be able to go further in realizing a state of equality on earth than by any other method.”

Gandhi believed that economic policy and business behavior could not ignore moral values. He stated that nature provided enough to satisfy man’s needs but not man’s greed. Since the rich had wealth in excess of their needs, it was their duty to use the balance for the welfare of the others. Gandhi says in the autobiography how he was inspired by the notion of aparigraha (meaning non-possession) in the Bhagvad Gita (a sacred Hindu text). “I understood the Gita teaching on no possession to mean that those who desired salvation should act like the trustee who, although having control over great possessions, regards not an iota of them as his own.

Gandhi’s trusteeship is not akin to charity or generosity for he believed that able-bodied people should work for their living, and giving charity to healthy people was not only shameful and degrading but gave the donor a false sense of satisfaction.

He believed trusteeship would help achieve a voluntary form of socialism. Gandhi disagreed with communists due to their use of violence to achieve their ends although their egalitarianism appealed to him. He

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58 Gandhi, M. K., Trusteeship, op. cit., p. 22.
59 Richards, G., The Philosophy of Gandhi op. cit.
says he enunciated trusteeship to counter socialist and communist challenges to the possessions held by the landowners. “If only the capitalist class will read the signs of the times. There is no other choice between voluntary surrender on the part of the capitalist and on the other the impending chaos awakened but ignorant famishing millions.”

Gandhi was not uncomfortable among the capitalists. G.D. Birla, founder of the Birla Group of companies in India, provided much of the money for the maintenance of Gandhi’s ashrams and his various organizations. Gandhi also distinguished between capitalists and capitalism. Thus, “Should the wealthy be dispossessed of their possessions? Society will be the poorer, for it will lose the gifts of a man who knows how to accumulate wealth. The rich man will be left in possession of his wealth, of which he will use what he reasonably needs and act as a trustee for the remainder to be used for society. “Similarly, neither did unequal distribution of wealth greatly perturb him, since from a practical point of view it was preferable to violent enforcement of egalitarianism. Again, “Economic equality did not mean that everyone would literally have the same amount. It simply meant that everybody should have enough for his or her needs, an elephant needs a thousand times more food than an ant.”

Gandhi’s dislike of force and state enforcement made him suggest trusteeship initially as a voluntary practice, but towards the end of his life, increasing frustration perhaps due to lack of wide acceptance made him lean towards legislation and state enforcement. A document listing elements of a “practical trusteeship formula, “put together by Gandhi’s secretary and said to have received his approval, suggests limits on the rights of private ownership of property and income ceilings.
In a wider sense, trusteeship was a generic dynamic process that Gandhi subscribed to which governed the relationship between the strong and the weak, the rich and the poor, and the rulers and the governed. Thus he wanted the English to act as trustees for the millions in their colony, India (it was this idea that led to the adoption of “commonwealth” as a term for the former colonies of the British “empire”). He wanted the Indian princes to be like trustees of their subjects for the revenues received from them. He viewed it as the responsibility of all individuals to retain only what they need and to utilize the rest of their wealth and income for the benefit of others. Gandhi even began practicing trusteeship while running his law office in South Africa.

For Gandhi, wealthy people should not just be encouraged to act as trustees, they are morally required to do so. Gandhi’s justification primarily arose from his Hindu spiritual beliefs, which enjoined the follower not to be “attached” to material possessions that detract one from a path to salvation. This injunction served him quite well. For his desire was to alleviate the poverty he saw around him, and a nonviolent approach to equitable distribution was preferable to either state intervention or the violent means of the communists.

Gandhi’s position that there is a moral justification for acting as a trustee. Even though an individual may claim that he did not cause the poverty, continuing to live in and share the fruits of society requires bearing common responsibility. Under trusteeship, the individual is not giving away excess wealth, but retaining what is needed (a flexible standard) and using the rest for society’s benefit. This approach has a practical appeal to it. The argument that only a few individuals following such a scheme will not make an impact on society can also be challenged. The needs of society are so great that every bit helps. One could even
argue that, by spending on oneself and not taking the voluntary initiative to use the excess wealth for society’s benefit, the individual is certainly causing harm to society for whom the wealth could have been used.

Peter Singer, a utilitarian ethicist, Gandhi’s trusteeship when he states, “In the world as it is now, I can see no escape from the conclusion that each of us with wealth surplus to his or her essential needs should be giving most of it to people suffering from poverty so dire as to be life threatening. That’s right, I am saying that you shouldn’t buy that new car, take that cruise, redecorate the house, or get that pricey new suit. After all, a $1,000 suit could save five children’s lives.”

Singer extends the principle to the level of the nation when it comes to giving aid to the poor nations. He argues that “if we can prevent something bad without sacrificing anything of comparable significance, we ought to do it.”

Much like Gandhi’s standard of “in excess of one’s need,” Singer uses a criterion of comparable moral significance to determine how much to give. For one person, giving up a second car to donate aid to a poor nation may be worth it, but it may not be for another. However, stopping short of Gandhi’s universalist position. Singer argues that the standard of donating must be a doable 10% of one’s income. Gandhi’s trusteeship differs from the utilitarian position in another area also. The utilitarian may justify the methods employed as long as it secures the desired goal. But for Gandhi, the same moral standards that apply to the ends also apply to the means.

**Trusteeship for the Corporation**

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How would the concept of trusteeship translate from the individual to the corporation? A brief discussion of the corporation’s purpose would help. The argument that business activities should be solely focused on their economic purpose is often traced back to Adam Smith, who argued that the pursuit of self-interest by the business person is guided by an “invisible hand” that leads to the well-being of others. Without negating the argument a larger purpose for economic activity, Smith just folded the moral justification into the economic one.

The need for the moral foundation for business arises from three areas: (1) The state creates and protects corporations, and the purpose of the state is to further society’s interests. (2) The corporation itself is composed of a collective people. If individuals have moral standards and the corporation is a person in the eyes of society, shouldn’t it also have moral standards? (3) Corporations have wide ranging activities that impact the lives of people through the goods and services they buy and sell. Thus, they have to behave in a manner that society would consider appropriate which may be greater than an existence to maximize private gain.

Expressions of concern about the morality of organizations take the form of “corporate social responsibility,” and these expectations get translated into minimum standards that are embedded in law. However, several major decisions that an organization makes such as divestiture, employee layoffs, launch of new products, hiring, aggressively competing with a rival, and so on are based on a set of values. Freeman and Gilbert argue that problems of ethics and morality emerge when different sets of

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64 Sen, A., *On Ethics and Economics* (Oxford: Blackwell), 1
values conflict because the organization is faces with the question of how it should act on that issue.\textsuperscript{65} Tan organization being clear about its ethical and moral foundations would make it easier for making decisions and understanding its future.

Theories of morality usually developed at the level of the individual need to be qualified when applied to the corporation. Thomas Donaldson suggests that the corporation. To qualify as a moral agent, would have to institute a process of moral decision making. This would require to satisfy two criteria: (1) the capacity to use moral would reasons in decision making and (2) the capacity of the decision making process to control the actions, and the structure of policies and rules.\textsuperscript{66}

Trusteeship does not require distribution of assets in excess of one’s needs, only that not it be viewed and used as being held in trust for meeting society’s needs. Gandhi’s formulation also does not prevent an organization from pursuing a goal maximizing wealth. By Donaldson’s criteria, using trusteeship in decision making would require the organization to believe that a taken is for the betterment of society. Thus, the principles trusteeship need to be reflected in the policies, systems, and procedures of the procedures of the organization that guides its functioning.\textsuperscript{67}

One example would be to embody trusteeship in the statement of the mission of the organization. When the organization demonstrates use of its mission in its critical decisions that would assure us that the organization has followed a principle of trusteeship. Birla, the industrialist

\textsuperscript{65} Freeman, R. E. and D. R. Gilbert, Corporate Strategy and the Search for Ethics (Englewood Cliffs, N J: 1988).
\textsuperscript{67} Ibid.
referred to earlier who was also a close associate of Gandhi, once said, “It has been the policy of the House of Birla not to build up business with a view to the accumulation of capital but to develop unexplored lines, harness the underdeveloped resources of the country, promote know-how, create skilled labor and managerial talents, spread education, and above all, add to the efforts of the leaders of the country who have been struggling to build a new, independent India, free from want, the curse of unemployment, ignorance, and disease.”68 This is an example of how one business group incorporated trusteeship ideas in to its purpose.

It would be difficult to find clear evidence of trusteeship (intent followed by behavior) by relying on published information that usually presents an incomplete picture of organizational behavior and decision making practices. Working under limitation, some cases illustrate organizations attempting to work on similar values.69 For example, the first sentences in the mission statement of Medtronic, the medical equipment manufacturer, is “To contribute to human welfare by application of biomedical engineering in the research, manufacture, and sale of instruments or appliances that alleviate pain, restore health, and extend life”70 The fourth sentence states, “To make a fair profit on current operations to meet our obligations, sustain our growth, and reach our goals.” William George, the former CEO of the company, explains, “It is my belief the corporations are created for a purpose beyond making money. Sustained growth in shareholder value may be the end result, but

it cannot be the sole purpose. The purpose of any company boils down to one thing: serving your customers.\textsuperscript{71}

A second example concerns Ben\& Jerry’s Homemade, Inc., a medium sized ice cream manufacturing company. This company was started by two avant grade entrepreneurs in 1978 (since acquired by the Unilever Group in 2000). At the start, the company decided that apart from making good ice cream and making a profit, they would strive to improve the quality of life in the broader community through a social mission. One of their policies included limiting the salary of the top manager to a multiple (seven) of the lowest paid employee. After a few successful years, this rule was perceived to be a stumbling block when the organization started looking for an experienced CEO to sustain their growth in the face of serve competition. Ultimately, this principle was given up.

Both Medtronics and Ben and Jerry suggest that there are organizations that see a larger purpose in their existence beyond Friedman’s narrow view that profit maximization should be the sole responsibility of corporations as long as they stay within the limits of the law.\textsuperscript{72} While these two cases may not be complete examples of trusteeship, they suggest the possibilities for organizations that want to move in that direction. For example in recommending an organization formulate an “enterprise strategy” to deal with the question of “what do we stand for?” Freeman and Gilbert caution that it is not just a slogan but hard work in trying to understand the values of the people within the


\textsuperscript{72} Friedman, M., Capitalism and Freedom (Chicago: University of Chicago Press), 1962.
company while trying to connect ethics and morality as part of an organization’s purpose.  

Trusteeship goes beyond our existing notions of stewardship, philanthropy, and social responsibility. Stewardship aims for collectivism and relies on trust and higher values in the running of an enterprise. Philanthropy involves making a contribution to activities that are involved in good works, and hence is an expression of support and encouragement. It does not involve any transformation of the giver’s an intent or behavior beyond this act of donation. Neither does it provide constraints on decision making. Social responsibility stipulates that corporations need to recognize their responsibility towards society and to act accordingly in a responsible manner. This sets a minimum standard of expectations; and organization that recalls its product from the market when it has evidence of possible harm to consumers and before being required to do so by regulatory authorities would satisfy an expectation of socially responsible behavior. Another organization may seek to establish its socially responsible credentials by sponsoring sports or arts events.

Sometimes what appears like trusteeship is not really so. Andrew Carnegie, the U.S. steel magnate of the late nineteenth century, raised a question in the spirit of Gandhi’s approach to trusteeship. He asked, “What is the proper mode of administering wealth after the laws upon which civilization is founded have thrown it into the hands the few? And proceeded to answer it thus; This then, is held to be the duty of the man of wealth; To set an example of modest, unostentatious living, shunning display of extravagance; to provide moderately for the legitimate wants of those dependent upon him; and, after doing so, to consider all which he is

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73 Freeman. R. E. and D. R. Gilbert, Corporate Strategy and the Search for Ethics, op. cit., p.72.
called upon to administer in the manner in which, in his judgment, is best calculated to produce the most beneficial results for the community the man of wealth becoming the mere trustee and agent for his proper brethren, bringing to their service his superior wisdom, experience, and ability to administer, doing for them better than they would or could do for themselves.  

Carnegie’s benevolence was prodigious. He is estimated to have given away about $100 billion in today’s money towards construction of libraries and various foundations. However, more recent reviews of him have also pointed out his ruthless behavior towards his employees and unions, and a retired life in a castle, suggesting even self-serving motives for his philanthropy and definitely not in the spirit of trusteeship. As Gandhi’s quotes provided earlier suggests, practicing trusteeship may be difficult while its value as a goal to be followed may be more powerful.

Carnegie’s quote also suggests another argument that can be used to challenge trusteeship, namely, that it is paternalistic in its approach. Acts of benevolence, reflecting a positive concern for the well-being of others, are seen as paternalistic, an infringement of the autonomy of the individual, and have not found much favor in the United States. To differentiate trusteeship from paternalism, it is important to be clear about the difference in intent. Trusteeship does not require one to override the individual’s choice through imposition of one’s will; the trustee is not performing his acts because he thinks he knows better, but because his

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75 Ibid., p. 25.
moral motivation requires him to utilize the excess assets under his control in a manner that is not for private gain.\textsuperscript{76}

The changing needs of a globalizing world are altering society’s expectations of business and the organizations own self-image. For example, the “Global Compact,” proposed by the UN Secretary General at the World Economic Forum in 1999, aims for businesses to incorporate the principles of human rights, labor, and environmental protection in their business strategies.\textsuperscript{77} And several organizations in the United States and elsewhere have done so. Corporation in Western Europe and Japan have seen a larger role for themselves that fall within the scope of “welfare of the employees.”\textsuperscript{78}

Gandhi’s trusteeship is an ideal standard that requires being proactive. It is ethics, philanthropy, and social responsibility all rolled into one. It would require a moral basis of operation that goes beyond writing a check for a tax deductible cause, or disposing of hazardous waste safely. It would not only require an organization to see itself as using assets for the benefit of society, but would also require that it follow a moral path in the way it conducts business.\textsuperscript{79}

How do we recognize that an organization is behaving like a trustee? When a pharmaceutical company limits its dividend to past averages allowing it to hold the price (and forego excess profits) of its essential drugs that serve the needs of large sections of the poor, then it

would have displayed trusteeship behavior. A drug that Merck and Co.
was previously championing as a special kind of pain killer was
withdrawn by the company recently after evidence that it could cause
cardiovascular problems.\textsuperscript{80} A recent report suggests that here was
suspicion within the ranks of the company of the problem even earlier and
the needs of marketing and science were in conflict as decisions were
made about its launch and promotion. This suggests a lack of clarity of
the moral purpose of an organization and decisions being driven by only
economic considerations.

The trusteeship idea can be applied in a limited way in several
areas of decision making. What should be the location of the unit? Will it
benefit the community without affecting the environment? What should
be the technology used? If it is launching a new product, has it taken all
precautions to ensure safety in the manufacture and use of the product?
What manner of advertising is used to attract new customers? If the
company has to downsize, is it done in a manner that causes the least
harm?

Thus while we extend the trusteeship idea from the level of an
individual to the whole organization. It requires running the organization
in such a way that, in addition to its basic economic purpose, the
organization considers for itself a larger role in society aimed at
improving the welfare of those within the community. It needs to be
proactive. Admittedly, as the Ben & Jerry’s situation shows, this is
difficult to sustain in our society without major changes in our
expectations of a market-based system. Moreover, when an organization

\textsuperscript{80} Mathews, A. W. and B. Martinez, “E-mails Suggest Merrck Knew
Vioxx’s Dangers at Early Stage,” \textit{Wall Street Journal}, 1 November 2004,
decides to move off the beaten track and adopt missions other than profit maximizing. It becomes subject to considerable scrutiny and its Actions are often held to higher standards. And, as Bakan comments, since corporations are created by public policy, there is no reason for the state, which is meant to protect the public weal, to create a structure, set of laws, and to protect a body solely for private benefit.  

Business organizations today are not just a place where we earn a living. They are the dominant form of institution in society and dominate even socially important sectors such as education, health care, and public services. Apart from providing the means of existence for a substantial majority of our population, they also supply almost all the goods and services we consume, and shape public policy. They are few individuals today who can exclusively live off the land increasingly, the model of privatization that has spread around the world has also resulted in a many services that used to be provided by private organizations.

Under such circumstances, society should require organizations to live to a higher standard. Trusteeship provides such an ideal standard. The requirements of trusteeship are not easy to reach in a society that, over the years, has devised the rules and structures to expect purely economic behavior from organizations. Although, as Gandhi realized, a standard such as trusteeship cannot and should not be instituted through a government flat, regulations that may prevent such behavior should be removed. Moral suasion should be used to drive organizations towards this end.

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Recent history has shown that societies organized on strict communist principles failed to provide for the well-being of their members to a greater extent than capitalistic societies. Trusteeship depends on the rights of individuals to use their skills in building wealth to maximum extent possible, taking from their accumulations what they believe they need, and using the remainder for the benefit of their fellow human beings. Thus, trusteeship can coexist with capitalism and with individual rights.

Adam Smith’s “invisible hand” is often used (albeit mistakenly) as justification for business persons to pursue self-interest without concern for moral issues, since society’s well-being was also being achieved simultaneously. The traditional view of wealth accumulation as being devoid of moral values is also captured in the biblical saying, “Is it easier for a camel to go through the eye of a needle than for a rich man to enter the kingdom of God.” However, taking into account the pressures from society for better behavior from its businesses. George observed sanguinely in 1972. Today’s manager recognizes his multiple obligations because of his peculiar place of stewardship over vast resources. The employees and the community’s well-being takes equal or greater precedence over owners and customers in many matters. It would be perhaps more appropriate to say that the importance managers have given to their larger role in society has waxed and waned over the years.82

There are several examples to suggest that society continues to expect business to live up to some moral standards of behavior although these standards may be difficult to codify and make specific. When U.S. CEOs’ pay continues to rise many times above that of the average wage

earner, or when top management secures lucrative severance deals for themselves, they are often not violating any rules. But the feeling that the organization should not be doting this is widely subscribed to and arises out of moral expectations.\textsuperscript{83} William McDonough, president of the New York Federal Reserve, commenting on the fact that in a market economy some people will be rewarded more than others, asked, “Should there not be both economic and moral limitations on the gap created by the market driven reward system?”\textsuperscript{84}

In September 2003, it was disclosed that the head of the New York Stock exchange (NYSE), Richard Grasso, had been granted a deferred pay package of $139.5 million. The widespread feeling that this was “excessive” (although not illegal) arose from a sense of morality, Phil Angelides, Treasurer of the State of California, stated, “It is fundamentally important that Grasso resigns, so the New York Stock Exchange can restore its moral authority.\textsuperscript{85}

It is in this context that Gandhi’s trusteeship can provide an acceptable moral foundation for businesses to take a larger view of their responsibilities. It may appear to be easier for individuals to practice the principle rather than organizations that are answerable to varied owners and financial markets. But it is important for organizations to go beyond ethics codes or corporate philanthropy. It will be a slow process for individuals to be convinced of the need to act differently, for organizations to stumble along the path of devising policies and

procedures, and regulatory systems, and expectations to also change. CEOs need to take the lead and inculcate in their organizations the character to go beyond the immediate consideration of profit margins and do idealistic and difficult to achieve, we can take comfort in Gandhi’s assertion that it does not matter how successful we are in living up to it as long as we believe in it and aim for it.

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.

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.