

Unit 3- History of Economic Thought

Q. Discuss the economic ideas and views of Gopal Krisna Gokhale.

Gopal Krisna Gokhale was a close follower of Mahadev Gobinda Ranade. He made a deep study of various economic problems of the day and expressed important views on economic, social and political matters. He also gave important suggestions for solving the various economic problems. His top ideas are related to Indian Finance, Decentralisation Of Power, Land Revenue, Public expenditure, Education and Trade. He worked out an estimate of per capita income and came to the conclusion that it was very low.

1. Indian Finance: Gokhale was not in favour of surplus budgets. He held that a policy of surplus budget was unsound. He thought that a succession of surplus budgets would make the government indulge in extravagant expenditure.

Gokhale was against using the budget surpluses for repaying the debt incurred for the construction of Railways. As the railways were a commercial undertaking, it should meet its debt commitments from its own income and not from the proceeds of taxation.

Gokhale suggested an equitable distribution of tax revenue between the centre and provincial governments and local bodies. So he suggested that land revenue, excise and revenue from forests might be given to the provinces. Opium, salt, customs, post and telegraphs might be given to the Imperial government.

2. Decentralisation of Power: Gokhale was an advocate of decentralisation of power. He suggested the creation of panchayats at the village level and then local boards and district councils. He suggested the creation of a council of members in the provinces to assist the Governors. He held that the provincial legislation should discuss important matters relating to finance and the budgets.

3. Land Revenue: Gokhale suggested certain reforms in land revenue system also. He suggested that in the Ryotwari areas, where the cultivators paid revenue directly to the government, the revenue should not be more than 20 percent of the gross produce.

4. Public Expenditure: Gokhale was highly critical of large increase in public expenditure. He pointed out that India's monetary resources were mis-spent in extending northern and north eastern frontiers and in using troops for imperial purposes. He charged that the British government was looking after the interests of British traders and it did not bother about the Indian tax payer. So he emphasised the need for controlling public expenditure in India.

A Royal Commission was appointed in 1895, to enquire into the administration and the management of the military and civil expenditure. Gokhale was one of the non-official witnesses of this commission.

He divided his evidence into 3 parts: The first one dealing with the machinery of control, the second with the progress of expenditure and the last portion dealing with the apportionment of charges between England and India.

He pointed out that in England and other countries, public expenditure was controlled by tax payers. But in India, there was no popular control over the public expenditure. The Indian tax payers had no voice over this matter.

With regard to progress of expenditure, Gokhale expressed the view that ever since the transfer of power from the East India Company to the crown, there was a tremendous growth of public expenditure. The average expenditure increased to Rs. 73 crores from Rs. 3 crores.

Gokhale suggested the following remedies to check the growth of public expenditure:

(a) The expenditure should be incurred with a spirit of economy. It should not be allowed to exceed the normal revenue except under conditions of war, famine etc.

(b) Military expenditure should be cut down and the size of the army should be maintained to the extent of Indian requirements.

(c) More number of Indians should be employed in public services. Indians should be paid salaries at same rate as were being paid to the Englishmen.

(d) The audit should be made independent. The audit report should be laid before the parliament so that effective criticism of the financial administration may be possible.

5. Education: Gokhale stated that an illiterate nation could not make any progress. So educational facilities should be extended to all in the country. The expenditure on education must be an imperial charge. Education must receive same attention as army and railways.

6. Trade: He was in favour of protection on trade for the growth of Indian Economy. Gokhale criticised free trade policy.

On an appraisal of the work done by Gokhale in the various fields, it is beyond doubt that he was an Indian in the real sense of the world. Whatever he said or did was in the interest and for the betterment of the economic conditions of the Indian masses..

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Q. In What ways Gokhale wanted to curb the public expenditure in India?

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