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Religion and Economic Activity in India: *An Historical Perspective*

By RAJEEV H. DEHEJIA *and* VIVEK H. DEHEJIA*

ABSTRACT. It is suggested that there has been and continues to be, a deep interrelationship between *religious thought* and *economic activity* in India. This claim is evaluated, first in the context of ancient *India* (the *Mauryan empire*), where self-reliance was stressed, both economically and religiously. In the context of medieval India, the ossification of the once flexible *caste system* had profound economic implications. Based on this historical perspective, it is contended any attempt to understand the economic realities of contemporary India must also take account of its religious realities.

I

Introduction

RELIGIOUS THOUGHT and economic activity have been closely linked throughout the history of India. To justify this claim, this paper will examine briefly two periods in Indian history, ancient India as exemplified by the Mauryan empire, and medieval India of the 8th to the 13th centuries, while suggesting in both cases that a strong interrelationship exists between religious thought and economic structure. Extrapolating to the present, it shall be contended that a key to understanding the social environment of contemporary India is some knowledge of the myriad links between, and the historical evolution of, the religious and economic forces at work in India's current environment.

The apposition in this way, of Indian religious thought and economic activity requires some clarification, because a common view of Indian thought would number mysticism, and other-worldliness, as its defining characteristics, neither of which are readily linked to economic activity. But, in reality, Indian religious thought does address this-worldly concerns. Philosophically, the Hindu tradition recognizes that ultimate reality (*Brahman*) is not only transcendent and im-

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personal, but is, also, immanent (intrinsic) and personal (an *Isvara*). The aim of life for the Hindu is not just *moksa*, or spiritual freedom, but equally *artha*, or material satisfaction. Thus, religion in the Indian tradition has not divorced itself from the secular affairs of society such as economic and political activity. With this perspective, that religious thought embraces thought both social and political, as well as strictly religious matters, we turn to the first historical episode in which this claim shall be evaluated.

II

The Mauryan Empire (c. 321–c. 185 BC)

THE PERIOD OF THE MAURYAN EMPIRE has been called a “golden age” in ancient Indian history.¹ Under the Mauryans, various small kingdoms came together to form the first Indian empire, which stretched from the borders of present-day Iran to Mysore in the south of India. The Mauryan empire, under Chandragupta and later his grandson, the celebrated king Ashoka, was a model of efficient economic management. It has been called “the world’s first secular welfare state, rooted in the toleration of all faiths, the sanctity of all life, and the promotion of amity and peace for all humanity” (Mukerjee, 1959, 92).

The wealth of the Mauryan empire is attributed to its thriving land and sea trade with China and Sumatra to the east, Ceylon to the south, and Persia and the Mediterranean to the west. The silk routes from Europe to China put India at the center of a vibrant land trade route, but the Mauryans also had a well developed merchant navy. Connecting the many ports of the empire was an excellent system of roads, and along these trade routes were “marts” or towns where “goods were assembled from all parts of the civilized world” (Mukerjee, 1959, 101). Among the goods that were traded were silks, textiles, brocades, rugs, perfumes, precious stones, ivory, and gold. The internal road network was an arterial system through which the entire empire participated in foreign trade and reaped its benefits. Somewhat like the modern Newly Industrialized Countries (NICs), the Mauryan empire enjoyed export-led growth. Evidence of India’s booming export trade is to be found in records of the Roman Senate, where Pliny and the Emperor Tiberius both complained of the huge drain of resources to India to pay for Roman imports (Gupta, 1966, ch. 1). As we shall see presently, this period of significant economic prosperity and sociopolitical stability was matched by the self-poised and self-assured character of the Upanisadic religion.

The Mauryan empire saw the pinnacle and fruition of Vedanta as envisaged in the Upanisads. The influence of the earlier Vedic religion, as epitomized by the Vedic fire sacrifice, or *yajna*, had run its course, and in its place the lofty Advaita Vedantic monotheism was the idiom of Hindu thought of that period.

Vedanta holds that all reality is a single principle, *brahman*. Higher reality under this form of Upanisadic religion was to be obtained through *jnana yoga*, or transcendent knowledge of one's own self. The Upanisads boldly declared *tat tvam asi*, "that thou art", implying that mankind needed to look no further than within for ultimate realization. This bold and self-assured position is unmatched in the history of Indian religion. The Buddha (and Buddhist thought) took a stand mainly on the Upanisads and also advocated a Vedantic style self-realization. *Nirvana*, or ultimate reality, was given a somewhat negative coloration as compared to the Upanisadic *brahman*. It is important to point out that neither in the Upanisads, nor in early Buddhism, was there any trace of devotional practices, or *bhakti*, a religious idiom that was to be the hallmark of the religion of medieval India.

The economy of the Mauryan empire was outward looking and confident, and one notes a clear parallel between the self-assured and bold religious thought of that day and the economy of the Mauryan empire. Both religion and the economy relied on and stressed the actions of individuals to generate progress.² Just as the individual was charged with the responsibility for seeking his own ultimate spiritual realization, in the sphere of economic life, he was charged with the responsibility for his own well-being (except under special circumstances, when he was entitled to support from the state). In a very clear sense, the religious imperative for self-reliance fed into the vibrant economic activity of the Mauryan empire. The state apparatus of the empire provided the political stability, nationally and internationally, for Indians to achieve this well-being through industry and trade.

III

Medieval India

MEDIEVAL INDIA (A.D. 8th to the 13th centuries) was characterized by very different religious and economic modes.³ The lofty Vedantic monotheism and the atheistic Buddhism were replaced by a form of theistic Hindu and Buddhist thought. This was the heyday of the *bhakti* movement of India with philosophers like Ramanuja and Madhva and singer saints like Tulsidas, Kabir, and Surdas, to name only a few, advocating the joy of devotional surrender to God. Historians have noted the role that the Muslim invasions played in this *bhakti* movement; devotionalism was partly a reaction to the religious and social persecution that was unleashed on the Hindus by the invaders. Devotional theism implies dualism between man and God, and was distinctly different from the monistic Upanisadic thought where man and God were one continuum.

This distinct form of religious thought in medieval India was matched by an economic structure that was equally different from that of ancient India. Medieval India, like much of the world, was characterized by a feudalistic hierarchy. Romila Thapar notes that although Indian feudalism differed in some respects from European feudalism, it was feudalism all the same (Thapar, 1966, 242). The country was governed by an overlapping and fragmented hierarchy of feudal chiefs, lords, and kings, one owing allegiance to the other in a stepladder chain. Although some coastal trade continued both on the east and west coast of India, the heartland of India, divided as it was by chiefdoms and kingdoms, became inward looking and had little economic contact with the outside world. Feudalism assured the feudal lord, or the king, wealth and position, but both of these declined incrementally as the socioeconomic structure reached the indentured laborer. Economic growth was discouraged because of a punitive system of high marginal taxation, whether it was in kind or cash: "Surplus production would hardly have benefited the peasant, since it would have led to a demand from the land owner for a larger share" (Thapar, 1966, 244).

This economic self-sufficiency that was forced on the villages led to a decline in trade, which in turn affected the growth of the economy (Thapar, 1966, 250). Unlike the ancient Indian economy in which gold was accepted and used as medium of exchange, during this period gold was hoarded.⁴ A barter system was widely prevalent, in turn further hampering trade. The practice of "granting land in lieu of cash salaries" intensified this process (Thapar, 1966, 242). Concurrent with the feudalization of India (discussed in greater detail below) was the ossification of the once flexible caste system, a process which had a "restrictive effect on the intellectual tradition" (Thapar, 1966, 254) and greatly constrained labor mobility and, hence, economic activity. These factors resulted in economic stagnation and political fragmentation.⁵ Although there were pockets of courtly prosperity, the country as a whole was economically and politically weak, and the seeds of modern India's economic and social problems were already being laid.

While feudalism ushered in an economic structure of a stepladder dependence, *bhakti* as a religious idiom made spiritual freedom dependent upon God. Both stood in sharp contrast to the self-assured independence, springing as it did from the lambent and self-sustaining intellect, of ancient Indians. Loyalty was the watchword, economically and religiously; loyalty to the chief in one case and loyalty to one's personal God in the other. Again, as above, there was a strong complementary relationship between religious thought and economic structure.⁶ Perhaps the most significant instance of this, was the caste system.

One aspect of the evolution of *bhakti* was the resurgence (from the early Vedic period) of rigid ritualistic practices, and as part of this ritualistic rigidity,

the caste system took on a new form. Though an ancient doctrine, throughout much of India's history, the caste system was flexible and tolerant in that it allowed for mobility between castes and did not discriminate on the basis of caste with respect to economic opportunity and education. However, in the medieval period the caste system became inflexible, and, consequently, impacted significantly on the economic system. Fundamentally, the rigid caste system limited labor mobility. It prevented individuals from employing their own particular talents irrespective of their caste, and also generated distortions in the economy by granting particular castes monopolies in specialized activities. For example, there was a trading caste, a carpenter caste, a leather working caste, *etc.* The economy, and with it the trading opportunities (both internal and external) that had traditionally driven growth in India, was shackled. Thus, the caste system furnishes a clear instance of religious thought having profound economic consequences. The consequences of the caste system are still felt in modern India.⁷

IV

Implications of the Analysis

THE BRIEF ANALYSIS of Indian history during two of its many phases suggests that religious thought and economic modes of activity have been closely linked throughout Indian history, as it was during these two substantial periods. Not sought in any of the analysis presented above was a causal primacy for either religion or economics. Carefully and consistently to sort out the relations and interrelations between these two is an undertaking that is beyond the scope of this short paper but the subject of future research.

An understanding of the economy of present-day India, however, must be grounded, in part, on an understanding of the evolution of religious thought in India. To ignore these linkages and to focus on the purely economic aspects of India's current situation, as orthodox economic studies invariably do, is to bring to bear on the analysis, at the very least, a limited and, at the worst, a dangerously distorted vision. The creation of appropriate economic policies to deal with the problems of contemporary India should not be undertaken in an historical vacuum, but should be alive to the richness of India's past and the ways in which this past shapes the perspectives and attitudes of modern-day Indians, and the economic structure of their country.

V

The Relationships at Present

OUR KNOWLEDGE of the linkage between economic structure and religious thought affects the interpretation of more recent developments in India, though

what follows is, of necessity, somewhat speculative, as these developments are still being played out at the time of this writing.

Since 1947, India has been attempting to break out of the shackles of its colonial past and to establish itself as a nation, sovereign both economically and politically.⁸ Jawaharlal Nehru (1889–1964) chose to guide the country into a mixed economy, combining elements of the Soviet-style command economy with free markets, and forty-four years later the results are, at best, only moderately successful. While large public sector undertakings and centers of technical learning, which Nehru called the “temples of modern India,” provided the country with an impressive infrastructure and technical manpower, the economy remained largely grounded, realizing only a fraction of its growth potential, and India remains a “caged tiger” as characterized in 1991 in *The Economist*, June 8.

Events of the past few years have demonstrated that despite the phenomenal growth of consumerism in India's 200 million strong middle class, the country finds itself on the brink of anarchy, both political and economic. As the nation teeters on the knife-edge of foreign exchange and foreign debt crises, the cohesive political will, necessary to stir the elephantine government structure which encumbers the economy, seems not to exist.

Religiously and socially, modern India seems to have moved away from the exalted Upanisadic Advaita Vedanta of ancient India, and the *bhakti* of medieval India, toward a type of religiosity never before witnessed in her civilization. In the last 40 years, there has been a growth of gurus and godmen promising either solace or instant salvation. The Nehruvian vision of secularism which envisioned the state as being equidistant from all religions has deteriorated into a pseudo-secularism where the state is equally involved in all religions. At the time of writing, the country had just emerged from a bloody election campaign which saw the assassination of Nehru's grandson, Rajiv Gandhi, and, perhaps only for that reason, eschewed the rise to power of the Hindu fundamentalist Bhartiya Janata Party (BJP).

Once again, we see a possible linkage of economic structure and religious thought. The decline of Hinduism seems to parallel the torpor and stagnation of the economy, and these two are linked through the decay of social values in contemporary India. On the one hand, the modern (urban) Indian absolves himself of moral and ethical responsibility toward his fellow citizens through the absolution and solace of religious ritual. On the other hand, in the economic sphere the modern Indian, free of religious constraints, pursues his own ends, and is oblivious of legal and ethical constraints. This generates a Hobbesian war of “all against all.” The corruption and bribery stemming from this religious

and economic attitude have undermined the very legal structures that are a prerequisite for stability and growth.

It is significant that the BJP which stresses a resurgence of Hindu values in their traditional splendor, is at the same time championing free market economic policies. For the BJP and its leader, L. K. Advani, there is an explicit linkage between economic resurgence and religious resurgence in India. This view, that a renewed commitment to Hinduism and a Hindu India is desirable, implies a commitment to the political and economic strength of the nation. Whether this particular vision of India is the one that will come to dominate the next half-century, as Nehru's twin ideals of secularism and socialism did the past half-century, only time will tell, but it is truer than ever that, in India, religion, economics, and politics move hand in hand.

The recognition of this reality has important policy implications for present-day India. During the last year, the Indian government has been attempting to undertake a program of economic liberalization to give a renewed impetus to growth. But if the foregoing analysis is correct, any economic policy that fails to address the religious (and social) ills of the country is ignoring a factor that fundamentally impinges on the economy. In particular, without an attempt to rejuvenate the country's values, without eradicating the notion that the Hindu religion absolves an individual of responsibility toward his fellow men, corruption and bribery will not be extirpated, and will eventually undermine the reform process. In this respect, the BJP correctly prescribes not only a new economic system for the country, but also a new system of values. Where the BJP goes wrong is in advocating a set of values which is manifestly intolerant of religious minorities.

Thus the principal conclusion of this paper, that religion and economics are deeply interrelated in India's past and present, has important policy implications. This insight is an important one, because it can readily be generalized to other countries and is potentially important in many contexts other than the one discussed.

VI

Economic History and Theory

THE MOST LIKELY OBJECTION to this conclusion is that it calls for economists to leave their narrow world of theory and enter into discourse with other disciplines. However, recent developments in economic theory give sanction to this opening up of economic theorizing. The analysis undertaken in this paper has implications for the larger tradition of economic analysis.

The view that history is important and that religious and social values may shape economic behavior, which the preceding illustrations and analysis have advanced, might have seemed heretical in the economics profession even ten years ago. Neoclassical economic models, static or dynamic, invariably incorporated the global stability of a unique equilibrium, and hence, economic analysis of the neoclassical bent discounted the role of history in understanding economic phenomena, since no matter where an economy starts, it should, in principle, end up in the same place. It is only following the very recent emphasis on the importance of nonergodic (or path-dependent) dynamic processes, that the decisive role that history can play is slowly being accepted by mainstream economists.

Indeed, Paul David (1988) has argued that the time is opportune for a renewed marriage of economic theory and economic history, since neoclassical economic theory, by nature ahistorical, is unable to account for a large number of economic phenomena. This, he argues, is because many economic phenomena spring from path-dependent economic processes, which implies that it is necessary to make a careful study of the historical past of an economic phenomenon to help explain its present. In other words, we must be good economic historians to be good economic theorists.⁹ This short paper may play a role in demonstrating the validity of David's thesis and respond, in some small measure, to the challenge for a new research agenda implicit within it.

Notes

1. Thapar (1966), 70–92, on the Mauryan empire. For further historical discussions of the ancient Indian economy see: Adhya (1966), 95–176; Gupta (1970), 1–28; and Digby (1982b), 125.

2. For an alternate view of the relation between these two in ancient India see Mishra (1924), 25–29.

3. See Thapar (1966), 241–265 for an overview of the period.

4. See Narain (1929), 56–57 and Moreland (1923), 52–53, on the Indian hoarding of precious metals. Terry, cited in Narain, 58: “. . . I am sure of that many silver streames runne thither as all rivers to the sea, and there stay, it being . . . a crime not less than capital to carry any great summe thence.” Hawkins, in Moreland, 53: “India is rich in silver . . . this coin is buried in India, and goeth not out.”

5. Rothermund (1988), ch. 1 and Digby (1982a), 45–47 share this view of the medieval period.

6. Again Mishra (1924) offers parallel interpretation of this period and its ideas.

7. The view of the caste system offered here is part of a rethinking by Indian historians of the country's history and institutions. See Gangal (1991).

8. For an overview of the Indian economy since 1947 see Vaidyanathan (1983), 947–994, Krueger (1990), and Srinivasan (1990).

9. David (1985) furnishes a fascinating illustration of this principle by considering the evolution of the typewriter/computer keyboard.

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On Free Trade

RODNEY J. KING, Executive Directors of TOES/AMERICAS, in the Fall 1992 newsletter wrote as follows:

Of particular concern to us is the movement toward a single world market. For all its positive aspects, a free market policy is not a sufficient environmental policy. A free market is not an adequate social policy. And, a free market is no guarantee of a truly democratic political system. As our government abdicates social and environmental responsibility to the workings of the "market economy," we find ourselves thrown into a position of common opposition, or resistance, and faced with a common challenge.

Some other information of interest on the "free trade" front was also presented.

In August the New York State published a report to Congress entitled, *Free Trade for Whom? The Impact of The Free Trade Agreement on Labor, the Environment*