

## RANADE'S MODEL OF THE INDIAN ECONOMY \*

N. V. SOVANI

IN discussing Ranade's economic thought, we can divide the subject into two parts. The first can deal with his basic, theoretical or philosophical position, and the second with his ideas regarding Indian economic policy and the particular policy-measures that he advocated in different spheres. It would be interesting to see whether the latter are logically consistent with each other as well as with his basic position mentioned earlier.

In regard to Ranade's basic, theoretical or philosophical position, Ranade's essay "The Indian Political Economy" is our Bible. In this essay, Ranade enunciated the fundamental proposition: The laws of economics cannot be of universal application; they are, to a considerable extent, reflections of the circumstances and the environments in which they develop; there is a fundamental difference between the physical and the social sciences and the laws of social sciences have to be applied not universally, but relatively, to time and space; and the method in economics must not be purely deductive but historical.

This fundamental position is unassailable even today. That economic laws are not of universal application has perhaps been recognized much more today than was recognized in the heyday of *laissez faire*. But, having accepted this basic proposition, it is necessary, we bear in mind its qualifications also. Firstly, economies do differ from one another and will continue to differ in several particulars. But, if some of them become subject to similar technological and structural transformations, they begin to have many similar features. North America and many Western European countries have today very similar economic structures, though each country retains its own individuality. In such economies the same laws of economics would be generally applicable. It must also be recognized that environments do not always explain or are not the sole cause of the theories that arise in them, but that there is a certain process of ideation itself which also can give rise to theories. As a discipline becomes more and more scholarly and ceases to be a plaything of pamphleteers or practical politicians or men of public affairs, it gradually acquires a basic theoretical structure. The more academic it becomes, the more it tends to follow a logic of its own, and this fundamental structure seems to be rather impervious to events and happenings, unless the latter are pervasive and

\* This is a revised version of a paper submitted to the Poona University Teachers' Social Sciences Seminar held at the Gokhale Institute of Politics and Economics, Poona, on February 17-18, 1962.