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How Hindu Attitudes and Institutions Shaped India's Economic Growth

Hinduism has no single authoritative scripture from which its believers derive meaning. Unlike the Christian and Jewish traditions, its history does not begin at a singular point or event in history (à la “In the beginning God created the heavens and the earth.”). Neither does there exist in the religion a single mode of worship or even a single object of worship. Its disciples draw upon numerous canons, and as a result, within the umbrella term of Hinduism myriad contrasting schools of thought have existed. For this reason, if it hopes to reach meaningful conclusions, an analysis of Hinduism's effect on India's economic development must refrain from a holistic study and must focus on specific components of the greater religion. Vikas Mishra writes of this intricacy, “It is almost naïve to treat Hinduism as one entity. For instance, the economic implications of the ‘Dayabhag’ School of Hindu Law are vastly different from those of the ‘Mitakshara’ School.”¹ Polarizing features can also be discovered in countless other comparisons of Hindu belief sets. For example, the Carvaka school championed materialism while the Ascetic tradition emphasized an aversion toward physical comforts. Interestingly, both beliefs find basis in Hindu scriptures. This disparity between schools of thought in Hinduism complicates the issue at hand.

¹ Loomis and Loomis (1969), p. 10.

This study attempts to establish an analysis of the correlations and possible causations regarding certain Hindu beliefs and India's economic history. It seeks not to make sweeping generalizations about Hinduism, but rather to concentrate on specific aspects of the religion as they relate to the nation's secular development. To that end, this paper will examine various attitudinal and institutional characteristics of Hinduism and will be generally structured by the enumeration and discussion of these concepts. In doing so, it may be enlightening to also examine within this context other closely related religions such as Buddhism and Jainism. This is by no means an all-encompassing study, but it does address many important connections between Hindu beliefs and structures and India's economic development.

A Brief Survey of Hindu Beliefs

To analyze effectively the ramifications of Hindu attitudes and institutions upon India's economic development, it is necessary to first gain a basic understanding of the beliefs of Hinduism itself. With an existence spanning several millennia, Hinduism in one form or another has outlasted even the greatest of human civilizations. Its history can be generally divided into three periods based on the prevailing beliefs of each time – the ancient, the medieval, and the modern period. This study primarily focuses on aspects of Hinduism promulgated during the ancient period, as most followers of Hinduism derive their beliefs from the scriptures of this epoch. Thus, emphasis has been placed on that era in the following historical description.

The roots of ancient Hinduism can be traced back several millennia to the Vedic period (2000 B.C. ~ 500 B.C.), during which the *Vedas*, scriptures upon which orthodox Hinduism is now based, were written. The *Vedas* can be separated into three categories, the *Mantras*, the *Brahmanas*, and the *Aranyakas* along with the *Upanishads*. Hindu literature in this era, like in following eras, was created over the course of several hundred years and by many different authors. The use of the word “literature” here is misleading – the texts were conveyed by means of oral tradition until around the time of the Maurya Empire.

The significance of the *Mantras* lay in their establishment of gods (or a godly figure) that administered the *rita*, or cosmic order. The concept of *rita*, the predecessor of modern Hindu ideas of *karma* and *dharma*, was very important to creating the rituals that became the defining feature of the Vedic tradition. Kenneth Morgan writes, “The gods were considered guardians of both [moral and natural order] and so they had to be propitiated by means of sacrifice. Thus, in the course of time, the punctilious performance of sacrifices came to be considered very necessary for the maintenance of the world and its natural and moral laws.”² The rituals took up great importance, and to ensure that the oral incantations were executed correctly to appease the gods, a class of trained priests was established that would eventually form the *brahmin* class in the caste system.

This early period of Vedic ritual was followed by the age of the *Brahmanas*, during which *varna dharma*, or the law of castes, came into existence. The canon of

² Morgan (1953), pg. 29.

castes stated that society would be split into different social classes, with the Brahmins, or priestly class, at the top. There is no evidence that at this time social class was determined by birth, like the caste system of the medieval period and sometime afterward.

The last era of the Vedic period, that of the *Aranyakas* and the *Upanishads*, heralded a reduction in the significance of rituals. The *Upanishads*, sometimes known as the *Vedanta*, or the “end of the *Veda*”, emphasized the individual role in achieving a cosmic consciousness. Rather than resorting to elaborate rituals performed by a separate, ruling class, believers were encouraged to seek the divine beings within themselves. This inner divinity was called *atman*, and the discovery and release of *atman* became the sole purpose for human life. Morgan explains, “The supreme knowledge was the knowledge of the self, the *atman*. All efforts were made to secure this highest knowledge. Thus the sacrificial religion of the age of the *Brahmanas* based on caste. . . gave place to the intensely personal religion. . . In this new religion, liberation took the place of heaven, higher knowledge of sacrifice. . .”³ The teachings of the *Upanishads* formed the basis for much of the beliefs that would become increasingly representative of orthodox Hinduism.

Post-Vedic Attitudes and Their Economic Ramifications

³ Morgan (1953), pg. 31.

Following the Vedic period, Hinduism faced a rapidly evolving world. Influenced by the Upanishadic values espoused near the end of the previous era, its followers developed three concepts that would have lasting socio-economic consequences – the transmigration of souls, *karma*, and release from rebirth.⁴ Morris provides insight into the religious consequences of these beliefs, “The highest goal in Hinduism is *moksha*, salvation by release from *karma*, the wheel of eternal rebirths. The concept of *moksha* sets as the ultimate value the ideal of perfect asceticism, of absolute wantlessness.”⁵ These religious beliefs, developed from Hindu concepts proposed during the Vedic period, together formed the basis for the widespread proliferation of Hindu ascetics who eschewed material possessions and lived a life of simplicity in self-reflection.

The growing popularity of this lifestyle had interesting ramifications economically. Adherence to asceticism naturally restrains an individual’s materialistic desires, or at the very least, the pursuit of these desires. As a result, one would expect decreased entrepreneurship and investment in an Indian world brimming with asceticism. However, the exact opposite may have in fact been true. Vikas Mishra explains, “To the extent that asceticism encouraged austerity amongst people who continued their normal economic activities, especially the business

⁴ According to the doctrine of transmigration, the human soul undergoes a cycle of rebirths after the deaths of its physical manifestations. In his next life, by the law of *karma*, an individual will be either rewarded or punished for his performance in his current life. This cycle is generally believed to continue forever. There exists, however, one way to escape the rebirthing cycle, and that is through self-realization. By achieving a heightened self-realization and oneness with the universe, the Hindu follower can achieve a cessation of his individual experience and union with God.

⁵ Morris (1967), p. 591.

classes, the amount of savings was bound to increase and. . . the propensity to invest received some encouragement.”⁶ This suggests that asceticism, rather than hindering ancient India’s economic development, could have actually contributed to it by encouraging increased savings. Further evidence that the evolution of post-Vedic Hindu attitudes supported economic growth lies in their rejection of old, wasteful Vedic rituals. Mishra continues, “There was a definite decline in the importance of ritual and the priestly classes, which led to a reduction in waste and unproductive consumption.”⁷ By indirectly encouraging an increase in saving and a reduction of unproductive consumption, the ascetic movement of post-Vedic Hinduism promoted a socio-economic environment more conducive to growth than those of previous periods.

Concurrent to the growth of asceticism occurred the atheistic revolution due in large part to Mahavira and Gautama, the progenitors of Jainism and Buddhism, respectively. To be clear, atheism in this context refers not to a disbelief in god or an unspiritual nature, but rather to these religions’ refusal to accept the *Vedas* as eternal and supremely authoritative. Though sharing with the Hindu tradition the beliefs in transmigration, *karma*, and release from rebirth, Jainism and Buddhism rejected Hindu concepts of the supernatural, the Vedic rituals, and the caste system that had already begun to grow stale to some over the several centuries since its introduction. To many Hindus left disenchanted with their belief system, these two new religions provided a welcome change. Followers of Jainism and Buddhism

⁶ Mishra (1962), p. 24.

⁷ *Ibid.*

were encouraged to replace traditional thinking with new, rationalistic thought, which led to the further exploration of new economic possibilities. Mishra explains, “To the extent that the atheistic revolution set men free from dependence upon heavenly powers and helped cultivate a rationalistic attitude towards life and the universe, the attitude towards material progress tended to become more favourable and knowledge, its economic application, and consumption were encouraged.”⁸

Though an emphasis on rational thought may have stimulated economic activity, this was in no way true of all of the ideas popularized during the atheistic revolution. This fact is perhaps made most clear by the Jainist concept of *ahimsa*, which most significantly restricted the consumption of beef. One author writes, “The stress on *ahimsa* (non-injury to men and animals) restricted the pattern of consumption. This much is plain: an important source of food supply was being denied to many. . . . Like the caste system this was to prove one of the sources of weakness to India’s economic growth.”⁹ This example illustrates that India’s religions and the social values they instill in their followers have historically affected India’s economic development in both positive and negative ways.

One final interesting point about India’s post-Vedic attitudes involves their historical backdrop. The rise of asceticism and the atheistic revolution occurred from 500 B.C. to around 100 A.D. during a period of great Indian development. The Maurya Empire, which began in 321 B.C. under Chandragupta Maurya and lasted a century and a half has been called one of the “golden ages” of India. During this

⁸ Mishra (1962), p. 23.

⁹ *Ibid.*, p. 27.

period, India experienced a tremendous amount of export-led growth with trade routes reaching nearly halfway across the world. Importantly, there is evidence that a burgeoning emphasis on the individual in religious matters translated to the economic sphere, contributing to growth. A relevant article from the *American Journal of Economics and Sociology* reads, “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. In a very clear sense, the religious imperative for self-reliance fed into the vibrant economic activity of the Maurya Empire.”¹⁰ This quote refers to the Vedanta belief in the existence of the *atman* and how this individualistic view of religion correlated with an individualistic view of one’s own socio-economic conditions. In this case, it is clear that these religious views promoted economic growth.

Man and Nature: Contrasting Attitudes in India and the West

One convincing argument that Hindu attitudes stifle economic growth rests upon the Hindu principle of *Brahman*, or oneness within the universe. Incidentally, this is one of the few concepts that have remained static in Hinduism throughout its millennia of existence, so this discussion does not rely on a chronology to impart to it relevance. This argument describes the key to technological advancement, and via causation also then to economic growth, as man’s separation from nature. A. K. Saran explains, “This [separation] then, is the most important factor in the explanation of the huge technological advancement of the West achieved at an

¹⁰ Dehejia and Dehejia (1993),

unprecedented rate. . . Nature must be thought of and experienced as dead, alien to man : something he has to exploit and master for his own purposes.”¹¹ Though this separation occurred in the West – one certainly can envision the practice of strip mining or the invention of coal power within this model of thinking – it never transpired in India because of the Hindu belief in unity within the universe. The basic tenants of Hinduism stand in direct opposition to such a separation.

Here, the author makes a distinction between traditional technology and modern technology, the former of which the Hindu tradition could grasp and the latter which stood out of its reach. A. K. Saran quotes Professor Eliade, who writes, “[In traditional technology] Nature is a hierophany. It is not only “alive”, it is also “divine”; it has, at least, a divine dimension. It is, moreover, thanks to this sacred quality of Nature . . . that the alchemist thought he could obtain his transmuting agent. . . as well as his Elixir of Immortality.”¹² He goes on to posit that it is only through the upheaval of this belief in the sanctity of nature that modern reason and technological advancement can occur. While the West followed this path, India never experienced a “throwing up of ancient technology,” and thus never could experience technological development and the economic advantage that it would create.

The author proposes three Hindu attitudes that prevent it from fostering modern technological evolution. First, he cites “the timeless and historyless character of Hinduism” which refers to the Hindu belief in eternality. Without time,

¹¹ Saran (1963), p. 88.

¹² *Ibid.*, p. 89.

thinking simply halts rather than becomes overthrown by another, more modern idea. Second, he mentions that “by turning all human action into ritual, and all thinking into contemplation of the Divine Mystery, Hinduism prevents the alienation of Man and Nature and all utilitarian or means-end conceptions of human action.” Finally, he points to “the relentless self-transcendence of Hinduism.” With an endless ladder of achievement to reaching spiritual enlightenment, Hinduism fosters a realistically non-achieving society.

In his study, A. K. Saran postulates that India never reached the technologically advanced level of the West because of its Hindu beliefs. This is a case in which religion can be shown to hinder Indian economic growth. By identifying the key to economic development and explaining the apparent disparity regarding that key between India and the West in terms of three Hindu attitudes, Saran establishes a negative casual relationship between Hinduism and economic growth.

A Persisting Hindu Institution: The Caste System

Though the discussion thus far has been limited to attitudinal aspects of Hinduism, one cannot overlook the influence of its institutional aspects as well. In this section, the study shifts to an examination of one of the most characteristic institutions of Hinduism – the caste system. In doing so, it first presents a brief introduction to the system and its justification in Hindu scripture and then attempts to determine its socio-economic relevance.

Varna Dharma

Varna dharma refers to the governing laws of the castes, or *varnas*. Though the concept of caste first appeared in the ancient Vedic period, it was not until several centuries later that it achieved the form in which it is now widely recognized. This form included the separation of Indian society into four castes. The *brahmins* formed the highest social class and served as the designated priests and religious leaders. They performed the sacrificial rituals of the Vedic period and were thus placed at the top of the hierarchy when the caste system was introduced. Next came the *kshatriyas*, or the caste of kings and warriors. This social class included many landowners and leaders. The *kshatriyas* were followed by the *vaishyas*, the merchant class. They held domain over all occupations involving business and skilled labor and often formed guilds to protect their interests. Below the merchant class stood the lowly *shudras*, who were the common laborers. The four castes represented a division of labor and status, and members of all castes were encouraged to stay within the confines of the duties prescribed to their position in society. The *Bhagavad Gita*, one of the most important Hindu scriptures, promotes this view, "For there is more joy in doing one's own duty badly than in doing another man's duty well. It is joy to die in doing one's duty, but doing another man's duty brings dread."¹³ It is for this discouragement of social mobility that the caste system is most harshly criticized regarding its economic ramifications.

The beliefs upon which the caste system operated included the post-Vedic traditions of the transmigration of souls and *karma*. Adherence to one's duties was advocated in the scriptures, and so *karma* was naturally believed to punish violators

¹³ Morris (1967), p. 591.

in their next life. Morris explains, “By the working of *karma*, the iron law of retribution, man is born into a specific caste with a specific function in this life. . . . If one is to improve his socioeconomic position, he must do his duty and only that, aspire to no one else’s status. . . . The reward will come in the next reincarnation.”¹⁴ Built on this set of beliefs, the caste system created an effective division of labor and status that was rarely questioned.

For the current discussion it is also important to note a few distinct characteristics of the system. First, the caste system represented not just a division of labor, but a division which was determined by birth. Furthermore, it featured an uncompromising segregation between members of different castes – in practice this meant intermarriages between castes and social mobility were practically non-existent. This, however, had not always been the case. When castes were first introduced in the Vedic period, quite a bit of social mobility was afforded to individuals. It was not uncommon for a *Vaishya* or even a *Shudra* to be promoted for good deeds. It was only centuries later that the caste system ossified into a more rigidly structured doctrine. Another feature of note is that while the castes hierarchically ordered society by status, no necessary correlation existed between status and wealth or power. That is to say, a *brahmin* was not necessarily greater in wealth or power in comparison to his *vaishya* counterpart, as the caste distinction applied only to status and occupation. In fact, during periods of increased economic activity and trade, *vaishyas* often profited a great deal and were known to overtake *kshatriyas* and even *brahmins* in wealth and power.

¹⁴ Morris (1967), p. 591.

The Caste System and Economic Growth

It was alluded to earlier that the caste system's discouragement of social mobility hindered Indian economic development. Recent studies involving large cohorts of Indians across all castes support this connection, pointing to Hindu beliefs as its source and decreased economic activity as its effect. One report writes, "The results of recent research indicate that the culture of India's caste system combined with the religious tenants of Hinduism may discourage individual economic behavior, specifically in their decision to engage in entrepreneurial pursuits."¹⁵ This hypothesis, in its current vague form, cannot stand up to intense scrutiny. For further support of this argument, it is necessary to precisely define the mechanisms by which the caste system discourages individual economic behavior. Recall that the caste system enforces boundaries with regards only to status and job description. An individual's access to wealth and power is not inherent in this definition. Indeed, it was mentioned above that members of the lower class had previously risen to greater wealth and power than their higher-classed brethren. This theoretically unfettered access to wealth and power would seem to support increased individual economic behavior. It is important, however, to keep in mind to which caste those individuals who gained much belonged. Under the strict caste system, only the *vaishyas* were allowed to practice business, and so only they were given the means to economic success. All others outside of this caste, though they may have been inclined to seek riches, lacked the means by which to do so. Audretsch and his team write, "The caste system belief that only *vaishyas* (the

¹⁵ Audretsch (2009), p. 2.

merchant class of the caste system) are suited and intended to engage in business appears to cause statistically significant numbers of Hindus in lower classes to avoid entrepreneurial pursuits.”¹⁶ Because Hindu scripture discouraged working outside of one’s duty, those born outside of the merchant class were likewise discouraged from entrepreneurship and the economically individualistic beliefs key to economic development. Empirical data support this claim. One study found that Hindus in India are 8.6 percent less likely to be self-employed compared to those who practice other religions.¹⁷ Clearly, Hinduism and the caste system are strongly correlated with decreased economic activity.

Though the caste system is generally criticized for its discouragement of social mobility, it was not without its merits. It forced a division of labor that facilitated the procurement of work skills. Because a child’s future occupation was known at birth, mentors could begin teaching a trade to him or her at a very young age. This style of learning contributed to economic growth, as Nadkarni explains, “Education in skills and knowledge required in hereditary occupations began quite early right at home from childhood. As families became specialized in arts and crafts, they flourished and sought even distant markets.”¹⁸ Endowing craftsmen with the expertise and success to reach “distant markets,” the caste system by dividing labor into hereditary occupations cultivated economic growth.

Conclusion

¹⁶ Audretsch (2009), p. 2.

¹⁷ *Ibid.*

¹⁸ Nadkarni (2003), p. 4790.

This study has analyzed numerous relationships between the Hindu religion and India's economic development. In many of the cases the two are negatively correlated. It has been shown that the presence of Hindu attitudes and institutions often discourages an individualistic and rationalistic spirit necessary for socio-economic growth. One inescapable complication remains, however. Though in the analysis the direction of causation from religion to economics logically makes sense and the empirical data support this claim, it remains nearly impossible to prove causation. Such is often the case when dealing with sociological studies, especially when examining a religion with so many disparate yet equally accepted ideas as Hinduism. Still, the relationship between the tenants of the Hindu tradition and India's secular growth is undeniable, and religious beliefs will likely continue to shape India's economic development for many years to come.

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