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Positives of the Moderates (*led pre 1885 INM also)

1. Began project of **Nation Building**

1.1. **1885 Bombay session** –INC declared its goal of “building national unity”.

1.2. For this they focused on issues common to all Indians to strengthen national unity (*e.g. later MG picked up issue of salt in CDM 1930-34 & it being a common issue, acted as a unifying issue)

1.3. **1886 INC rule** by Dadabhai Naoroji that INC to take up only political questions & not social & class questions which may cause disunity among Indians. (*i.e. only issues where Indians vs British + not Hindu-Muslim, Upper Caste-Lower Caste, Men-Women, Working Class-Capitalist Class, Ryots-Landlords issue).

1.4. Tried for unity between religions

1. **1888 INC decision** – no resolution to be passed by INC if majority of Hindu/Muslim members don't agree.

2. **1889 INC minority clause**– in future council reforms, seats should be reserved by Govt for minorities in ILC & PLC as per % in population.

1.5. Each INC **session was held in different part** of country & President of session was not to be from region of session. This helped build national leadership & inter regional bonds. (*imagine a Bengali person reading speeches of a Marathi President in Calcutta session & he now viewing Marathi leader as his leader; also the leader will become more aware about Bengal's issues)

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2. Built culture of **Parliamentary politics** as INC sessions were held like a Parliament & in democratic manner (*watch a LS session)
3. Therefore Modern Political era in true sense began with INC.
4. **Supported Indian capitalists not because they were anti-poor but because** wanted Indian economy to industrialize like west (**alternate model of Communist economy: Communist Russia born only in 1917, industrialized only after 1929) + Capitalism in India was in infancy stage & Indian capitalists were under high competition from British imports & British businesses in India.

Drain Theory

- 1) Drain theory prominent especially after **dissatisfaction with Indian Councils Act (ICA1892)**.
- 2) Drain theory by- **RC Dutt** (ex ICS officer who wrote Economic history of India [1901]), **Dadabhai Naoroji**, **MG Ranade** (father of Indian economics) etc.
- 3) Biggest contribution of moderates was- intellectually proving that British rule exploited India by developing economic critique of British colonialism (*& they were not fulfilling any White Man's Burden).
- 4) Argued that British industrialization converted India into a **source of RM & EM** [raw materials & export market] for British factories.
- 5) **India became net exporter of RM** from earlier net exporter of Finished Goods (*i.e. value of exported RM > value of Imports of Finished Good)
- 6) Indian handicrafts sector was destroyed and Indian **artisans** lost domestic & export markets. Since there was no Industrialization of India, the artisan had no opportunity to convert to a worker and forced to turn to Agriculture sector.

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Hence, **Agriculture sector got overburdened** (*modern worker works in machine based factories)

7) **Revolution in Transport sector** escalated drain from India (**steam engine fitted railways & ships + Suez Canal construction from 1859-69 shortened distance by 4500 miles)

8) Therefore, British looted India by **plunder & mercantile capitalism prior to 19th c** & via **Industrial Capitalism from 19th c** & this drain prevented IR of India as money unavailable for investment (*Mercantile Capitalism= actions/policies adopted for maximizing profits via Trade)

9) **Core idea**= misuse of political power over "State" of Colony for economic benefits to Colonial Power.

10) **Components of drain**

a) **Pre 19th century (*pre 1800s)**

- i) Misuse of Dastaks + Plassey plunder 1757-65 + LR from British India from 1765 (*began with Treaty of Allahabad 1765 where LR of Bengal Orissa Bihar)
- ii) therefore structure of British trade with India changed from inflow of gold to India -to- outflow of gold from India.

b) **From 19th century(1813+):** modern colonial relationship developed i.e. colony = source of RM & EM for colonial power.

- i) **Absence of Protective Tariffs** -i.e. of import duty to protect Indian manufacturers [1st time applied @WWI (1914-19)]. Therefore, drain due to high imports of Br goods.

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- ii) Such manipulation of **exchange rate** (Rs to Pound) that benefitted British Businesses.
- iii) **Tax financed trade (post 1833)**- Importers of Indian goods bought Council Bills (CBs; Council = India Council (1858)) with Forex, from SoS in London. These importers then purchased Indian goods with Council Bills (*Foreign importer would give CB instead of Forex to GOI which will give Indian Rupee to Importer for purchase of Indian goods). Hence, India did not get forex for its exports & Indian taxpayer money financed this trade instead of Forex financing this trade.
- iv) EIC **earned forex/gold by exporting Indians goods** e.g. opium to China & this forex did not come to India as taken to London.
- v) **Home Charges** – for Expenditure by Br/SoS on behalf of India (*Home= Br; Charged India for Goods & Services provided to India by Br) (*now think from British perspective with purpose of justifying Home Charges):
- vi) **Salaries, pensions & training** costs of British officials & soldiers (* they **gave** their career to service of India)
- vii) **Dividends** to EIC shareholders (*EIC **gave** Governance service to India; hence its shareholders need to be compensated)
- viii) **interest on loans** taken by EIC (* **for** expenses of GOI)
- ix) expense related to SOS **for** India & **India** Council (earlier BOC)
- x) **Purchase of stores/goods** E.g. stationary, steel **on behalf of** India by SoSforIndia

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- xi) Payments to **British War office** (*e.g. purchase of weapons **for India** + use of Royal Military by EIC **for defence of India**)
- xii) **Interest on FDI** (*given to Br businesses so he can **develop India** i.e. to attract FDI **for India**)

Did British modernize India?

- 1) \$45 trillion = drain at 2022 prices as per some sources. Thus any modernization was only an unintended by-product. (*following content organised as British Arguments & then counter argument by Moderates)
- 2) **Railways** linked India internally & to world economy via rail to port infrastructure
 - a) Dalhousie started railways in 1853 for faster movement of army. Hence original purpose was military control over India.
 - b) Railways connected Indians markets & sources of RM to ports & therefore to British manufacturers & didn't connect Indian markets & sources of RM to Indian manufacturers.
 - c) Very limited transfer of technology & that also in low technology areas like bridge building, tunnelling etc.
 - d) Goal was to create investment opportunities for British businesses i.e. railway manufacturers.
 - e) 5% guaranteed interest on FDI:- Companies were given free land with 99 years of lease & at any time they could sell railway line to GOI & get back their capital with 5% interest. This led to wasteful construction. Therefore,

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profits were private while losses were public. Same money could have been invested in irrigation for food security of India.

f) However, by-product = by 1947, 78% of India covered by railways + building of feeder roads from Indian factory hubs to railway line enabled utilization of railways by Indian businesses + railways increased people to people contact therefore increasing national unity/inter-regional bonds.

3) **Canals** became role model for Asia. They led to development of irrigation infrastructure, helped food security & modernized agriculture.

a) (*@Qty) by 1947 only 25% cultivated area under public irrigation

b) (*@Quality) Canals built only in non-PS1793 areas where LR could be increased e.g. Punjab, Western UP, coastal Madras + Water from canals was not free therefore only rich farmers benefitted.

c) Many famines in 1860s, 70s & Bengal Famine as late as 1943 therefore no food security.

4) Any Drain was price paid for west like development e.g. guaranteed interest on FDI attracted FDI into railways, roadways, irrigation etc.. Also drain was only 2% of Indians exports value in early 1900s.

a) GDP growth was not substantial (**Qty)

b) (*Quality) There was uneven regional growth + not enough investment in irrigation, health, education

c) Hence neither quantity nor quality for money given by India as drain.

d) Dadabhai Naoroji argued that this 2% was surplus that if invested in India would have led to GDP growth.

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