

UNIT 9 CHARACTERISTICS OF INDIAN ECONOMY: PRE-COLONIAL AND COLONIAL

Structure

- 9.0 Objectives
- 9.1 Introduction
- 9.2 Characteristics of Pre-colonial Economy
 - 9.2.1 Agriculture
 - 9.2.2 Trade
 - 9.2.3 Handicraft Industries
- 9.3 Aspects of Colonial Rule
- 9.4 Evolution of Colonial Rule
- 9.5 Impact of the Colonial Rule: Western View-point
- 9.6 Impact of the Colonial Rule: Indian View-point
 - 9.6.1 The Drain theory
 - 9.6.2 De- industrialization
- 9.7 Phases of the Colonial Rule
- 9.8 Agriculture under the Colonial Rule
 - 9.8.1 The New Land Settlement
 - 9.8.2 Commercialisation of Agriculture
 - 9.8.3 Impact on Agriculture
- 9.9 Role of the Colonial State
- 9.10 Let Us Sum Up
- 9.11 Key Words
- 9.12 Answers to Check Your Progress/ Exercises

9.0 OBJECTIVES

The British rule in India did not mean political control only. It extended to every sphere of Indian life-social, economic and cultural. In the economic field the British rule brought about fundamental changes and transformed the Indian economy. This unit attempts to deal with the economic changes brought about by the British rule.

After reading this unit you will:

have an idea about the nature of Indian economy just before the British conquest,
know the ideas of the Western Scholars about the impact of the British rule over the Indian economy, ,
learn about the processes of drain of wealth and de-industrialization, and
be able to assess the role that the colonial state played in the impoverishment of India.

9.1 INTRODUCTION

India was a direct colony of the British and the impact of this colonial rule over the economy, society and polity of India has been quite deep. Many serious consequences of the British Colonial Rule are still persisting and this makes the study of colonial phase of India very relevant for understanding many contemporary aspects of the Indian society. It must be stated at the outset that direct colonial rule leaves a total impact on the colonized society because every aspect of social life is influenced by colonia

policies of the colonizers. A direct colony (as was the case with India) is under the complete control of the colonizers and colonial policies and interests penetrate every aspect of social life of a colony.

Another important fact about India is that the colonial rule lasted for a very long time and this longevity of the colonial rule over India affected the vitals of the Indian society. The long period of British rule over India provided enough time to the British to establish strong and stable institutions for the governance of India. The journey of British occupation of India was slow and steady and it passed through various stages. This evolutionary process provided the British an opportunity to evolve their policies and change their policies on the basis of experience gained through practice. But before we go into that, we should have a look at the nature of Indian economy prior to British rule.

9.2 CHARACTERISTICS OF PRE-COLONIAL ECONOMY

India in the pre-colonial period had a stable economy. Self-sufficient agriculture, flourishing trade and rich handicraft industries-these were some of the features of the Indian economy. Let us look at them separately.

9.2.1 Agriculture

Agricultural operations were carried on in India by subsistence farmers, organised in small village communities. Village was more or less a self-sufficient economic unit and its business contacts with the outside world were limited to payment of land revenue (generally in kind) and the purchase of a few necessary things from the town nearby. The farmer raised only those crops which he needed for his own use and shared the same with the village artisan who supplied him with simple manufacture that he needed for his domestic consumption.

Means of communication were of a primitive type. Therefore, trade in agricultural produce, was somewhat limited. The farmer usually raised enough produce to feed himself and the non-agricultural members of the village community. If his crop yielded more than the consumption needs, due to favourable climatic conditions, he stored that surplus for use in the lean years. Storage of food grains was a common practice among the pre-colonial agriculturists and constituted, under these conditions, the only remedy against famines.

This pattern of agriculture continued throughout the medieval times. However, towards the end of the 18th century the village communities began to break up, under pressure from new forces which imparted dynamism to the Indian rural economy. This happened mainly because of two factors, (1) The change in the property relations brought by the introduction of new forms of land tenure which you will study a little later in this unit, and (2) the development of an active export trade in agricultural produce of India. The contact with the west through the establishment of the British rule was responsible for both these developments.

9.2.2 Trade

In spite of the fact that the Indian villages were largely self-sufficient units and the means of communication were primitive, India enjoyed extensive trade both within the country and with other countries of Asia and Europe. A balance of the imports and exports was maintained. The items imported into India were pearls, wool, dates, dried fruits and rosewater from the Persian gulf; coffee, gold, drugs and honey from Arabia; tea, sugar and silk from China; gold, musk and woollen cloth; metals like copper, iron and lead, and paper from Europe. The main items exported from India were cotton textiles. Besides cotton textiles which were famous

the world over, India also exported raw silk, indigo, opium, rice, wheat, sugar, pepper and other spices, precious stones and drugs.

The major features of Indian trade in pre-colonial times were (i) a favourable balance of trade and (ii) a foreign trade most suitable to the level of manufacturing in India. A favourable balance of trade meant an excess of exports over imports, i.e., India exported more than it needed to import. Since the economy was on the whole self-sufficient in handicrafts and agricultural products, India did not need foreign imports on a large scale and continued to enjoy a healthy trade. Secondly, India's foreign trade suited its requirements very well. In other words, the commodity pattern, so important to any country's foreign trade, was in India's favour. India exported the items it specialised in; and imported the ones it needed.

One major change that occurred in India's foreign trade from pre-colonial to colonial times was in its commodity pattern. Although India continued to have an export surplus, the pattern of foreign trade turned up side down. For instance, from an exporter of cotton textiles, India was converted into an importer of cotton textiles, thereby ruining India's rich traditional handicrafts.

9.2.3 Handicraft Industries

As discussed above India was a land of extensive manufactures. Indian artisans were famous for their skills the world over. In fact the reason for India's favourable foreign trade was its excellence in indigenous production. India indulged in a large scale manufacture of cotton and silk fabrics, sugar, jute, dyestuffs, mineral and metallic products like arms, metalwares and oil. Towns like Dacca and Murshidabad in Bengal; Patna in Bihar; Surat and Ahmedabad in Gujarat; Chanderi in Madhya Pradesh; Burhanpur in Maharashtra; Jaunpur, Varanasi, Lucknow and Agra in U.P.; Multan and Lahore in the Punjab; Masulipatnam, Aurangabad and Visakhapatnam in Andhra; Bangalore in Mysore and Coimbatore and Madurai in Madras were flourishing centres of textile industry. Kashmir specialised in woollen manufactures. Maharashtra, Andhra and Bengal were prominent centres of ship building industry. India's ships were bought by many European companies for their use.

India, towards the end of the 18th century was, undoubtedly one of the main centres of world trade and industry. This status of India was completely destroyed under colonial times. Its beginnings can be traced to the after-math of the industrial Revolution in England. The machine made cloth of England began to replace the indigenous manufactures. India's artisans were forced out of production. It was this pressure from the British goods which led to the decline of the traditional India's centres of economic activity listed above. The number of weavers also declined.

9.3 ASPECTS OF COLONIAL RULE

Two aspects of the gradual expansion of British occupation of India deserve attention. The experiences gained by the British in one region of India were either extended or modified in other regions and this learning through practice made them quite powerful in dealing with the problems of a large colony like India. The changes in British society demanded different approach to satisfy the interests of emerging social groups in Britain. The essence of British colonial policies in India was determined by the dynamics of society which witnessed many changes in Britain. The modern British society progressed through stages like mercantile capitalism to industrial capitalism and from competitive industrial capitalism to monopoly industrial capitalism. The interests of mercantile British capitalism lay in trade with India. The interests of industrial capitalism were, on the other hand, market oriented, in which the Indian colony was to provide raw material and buy manufactured goods from Britain. Thus social and economic changes in Britain directly influenced British colonial policies in India.

9.4 EVOLUTION OF COLONIAL RULE

The British East India Company got a legal charter for trade from the Mughal ruler in 1600, and soon this trading company started conquering India. The conquests began in 1757 with the defeat of the Nawab of Bengal by Robert Clive. The East India Company ruled India for a century, i.e., from the decisive Battle of Plassey in 1757 to 1857 when Indians fought a war of independence. The British defeated the Indians in this war and in 1858 Queen Victoria assumed the responsibility of direct rule over India. The rule of East India Company ended and the British Parliament became directly responsible for the governance of India and this continued till 1947.

Check Your Progress I

Note: i) Use the space given below for your answer.
ii) Check your answer with that given at the end of the unit.

- 1) Read the following statements and mark right (✓) or wrong (x).
 - i) British colonial policies made an impact on every aspect of the Indian society.
 - ii) British policies in India were influenced by the social and economic changes in Britain.
 - iii) The performance of indigenous industries improved after the colonial conquest.
 - iv) Indian agriculture remained unchanged from the pre-colonial to colonial period
- 2) Write five lines each on the state of agriculture, trade and industries in the pre colonial period.

Agriculture

.....

.....

.....

.....

.....

Trade

.....

.....

.....

.....

.....

Industries

.....

.....

.....

9.5 IMPACT OF THE COLONIAL RULE: WESTERN VIEW-POINT

What was the impact of British rule over India? It must be clearly stated that sharp differences have always existed, and continue to persist, among the Indian nationalists and the Western Scholars in their evaluation of the impact of British colonial rule over the economy, society and polity of India.

According to many western writers, the British rule provided political unity and stability of governance to India. It has been maintained by the Western scholars that the British rescued India from chaos and provided political stability. As Morris D. Morris, an American Scholar observes:

"Despite a Hindu tradition of imperial expansion, at no time in Indian history over any large region did a stable political unit survive for more than a century or a century-and-a-half. There was nothing that compares with the imperial chronologies of Rome, Egypt, or China. A crucial consequence is that no tradition of continuous administrative institutions and no persistent bureaucracy ever developed."

Indian political unity, according to them, was a myth, an abstract concept which was concretized into a reality by the British rulers. In the absence of political unity, the eighteenth century India had very low levels of "commerce and capital accumulation" and its implication was that the British rule in India had to deal with very low level of economy. This argument of the western writers challenges the nationalist argument that India was economically very attractive and profitable for the British.

Second, the western writers have suggested that the history of India revealed a very low level of agricultural productivity because it was based on a 'non-animal powered agriculture'. According to many western historians, the absence of any worthwhile technology kept a large portion of India 'virgin land as late as 1800'. Tobacco, potato and peanut cultivation was introduced by the British in India.

Third, according to them, India could not claim any great achievements in manufacturing because it lacked modern technology. Although India had some excellent craftsmen and produced textiles and a few other manufactured goods but they were the result of hard work and not of any developed technology. The evidence for this viewpoint is gathered from the seventeenth century records of the English which point out the inelasticity of textile productivity in India. W.H. Moreland and many other scholars have used the evidence of early European travellers to prove that Indian technology was poor. On the basis of such evidence, Morris D. Morris observes that:

"...the Indian subcontinent was a region in which per capita income was relatively low in the centuries before 1800. Given the lack of political stability, low agricultural and non-agricultural productivity, and insignificant commerce no other conclusion is supportable."

If the opinions of Morris D. Morris, W.H. Moreland, or European travelers or British factory records are accepted that India was underdeveloped when the British gradually conquered it, then the implication is that the British conquest of India was beneficial for the economy, society and polity of this country. In history whenever two societies interact, the advanced and well organized society succeeds in establishing its control over the less advanced society and at the same time the less advanced society gains from the technology and organization of the advanced society. This is the basic premise of the western writers who view the British colonial rule as a rule of advanced society over an underdeveloped society. In the process, the

underdeveloped society like India achieved benefits from the British rule and they are enumerated by the Western scholar:

The British provided political unity and stability to India.

The British developed a system of roads and rail transport which had a positive impact on the economic development of India.

The British developed irrigation and other public works which facilitated the growth of agriculture, commerce and manufacturing activities in India.

To sum up, the Western writers have made two points regarding the impact of British rule over India. First, on the eve of colonial expansion, the British found a highly underdeveloped India with low productivity in agriculture, very low per capita income and absence of any developed technology or tools for manufacturing. Second, the benevolent policies of the British helped in the establishment of political unity, a system of governance and it laid the foundations of economic development in India.

9.6 IMPACT OF THE BRITISH RULE: INDIAN VIEW-POINT

As against this, the Indian nationalist scholars put forward a different hypothesis. Dadabhai Naoroji, Romesh Chandra Dutt in the 19th century and Rajni Palme Dutt in the 20th century represented the Indian nationalist perspective. The question they raised was: why did the British East India Company gradually get involved in local wars of conquest? Why did the British Queen in 1858 take up the direct responsibility of ruling over India till 1947? How was it that the East India Company which came to India with a trading capital of 68,000, went on to make fortunes? If the Indian economy was really stagnant, how did it sustain the East Indian Company and its expenditure?

Two important aspects of British colonial rule over India highlighted by the nationalists were the 'drain theory' and the theory of 'de-industrialisation'.

9.6.1 The Drain Theory

The drain theory, as formulated by the nationalists, referred to the process by which, a significant part of India's national wealth, was being exported to England for which India got no economic returns. In other words, India was made to pay an indirect tribute to the English nation. Needless to say, this drain of India's wealth to England, in the form of salaries to British officers posted in India, home-charges and the profits made on the British capital invested in India, benefited England and diminished the sources for investment in India. Amiya Bagchi observes:

Since after acquiring dominion over India, the East India Company and private traders could appropriate Indian goods or tribute or profits without really paying for them. Britain did not any longer have to send bullion to India to balance her accounts. Instead bullion was now sent out from India either to China or to Britain.

Bagchi's estimate is that 'external drain' from Bengal constituted about 3 to 4 per cent of the gross domestic material product. If expenditure on wars of the East India Company is added in this period, Bagchi maintains that "at least 5 to 6 per cent of resources of the ruled land were siphoned off from any possibility of investment."

An elementary principle of economic development is that surplus is generated for investment but if the surplus is siphoned off from a colony to the colonizers, the colony gets underdeveloped. This was the impact of external drain on the economy of India under British colonial rule starting with Bengal after the battle of Plassey in 1757.

External drain, however, was only one element of British exploitation of India, linked, with other sources of exploitation like heavy taxation and an unfavourable trade. The British benefited immensely from the plunder and exploitation of India. Lord Curzon wrote:

India is the pivot of our Empire... If the Empire loses any other part of its Dominion we can survive, but if we lose Indian the sun of our Empire will have set.

The Company obtained Dewani or civil administration rights of Bengal, Bihar and Orissa in 1765 and this opened new opportunities for plunder by the Company. The land revenue because of Dewani rights were remitted by the Company to England. This monopoly plunder and exploitation by the Company continued till the end of eighteenth century when England moved from mercantile capitalism to industrial revolution and the emerging industrial capitalists in Britain started demanding the end of Company rule in India.

9.6.2 De-industrialization

Besides the external drain theory, the nationalists argued that British rule led to the deindustrialization of India. India was an exporter of cotton manufacture and this was how the Company started its trade but gradually India became an importer of cotton manufacture and thus Indian artisans, craftsmen and important trading centres collapsed and whatever manufacturing activity existed was destroyed under the impact of imports of cotton manufacture almost exclusively from Britain. Amiya Bagchi observed: "for more than seventy-five years up to 1913, India remained the major importer of cotton goods from Britain, often taking more than forty per cent of the British exports."

Thus the industrialization of England was accompanied by the decline and destruction of Indian cotton manufacturer. As a result, India witnessed, from the early 19th century onwards, a steady decline in population dependent on indigenous industries and a consequent over-burdening of agriculture. This proved injurious to both. its political ramifications have been summed up by Sumit Sarkar:

The sufferings of artisans have to be kept in mind as a significant factor in the understanding of many movements of our period: both in the way in which de-industrialization stimulated patriotic sentiments among intellectuals alike in the Moderate, Extremist and Gandhian eras, as well as more directly, in occasional urban and rural explosions of various types.

The decay of Dacca, Surat, Murshidabad and many other flourishing towns bears testimony to de-industrialization of India. Sir Charles Trevelyan observed in 1840:

The population of the town of Dacca has fallen from 1,50,00 to 30,000 or 40,000 and the jungle and malaria are fast encroaching upon the town... Dacca, which was the Manchester of India, has fallen off from a very flourishing town to a very poor and small one; the distress there has been very great indeed.

9.7 PHASES OF COLONIAL RULE

The twin processes of the drain and the de-industrialization were carried out extensively through the various stages of colonial rule. The process itself started from 1757 when with the battle of Plassey, the East India Company, representing the British mercantile class, took over the Indian control. During the same period a fundamental change was taking place in Britain by a series of inventions leading to the industrial Revolution: for example, the spinning-Jenny of Hargreaves in 1764, Watt's steam engine in 1765, water frame of Arkwright in 1769, Crompton's mule in 1779, Cartwright's power-loom in 1785. Before these inventions, the Bank of England was established in 1694 and plunder of India helped capital accumulation and inventions helped in generating the industrial Revolution. The transformation in England created new interests and East India Company became the target of attacks in England and finally its fate was sealed by the War of Indian independence in 1857.

The impact of the British rule, in the initial stages has been summed up by R.P. Dutt:

While machine-made cotton goods from England ruined the weavers, machine-made twist ruined the spinners. Between 1818 and 1836, the export of cotton twist from England to India rose 5,200 times.

The same process could be traced in respect of silk goods, woollen goods, iron, pottery, glass and paper.

The effects of this wholesale destruction of the Indian manufacturing industries on the economy of the country can be imagined. In England the ruin of the old handloom weavers was accompanied by the growth of the new machine industry. But in India, the ruin of the millions of artisans and craftsmen was not accompanied by any alternative growth of new forms of industry... The old populous manufacturing towns, Dacca, Murshidabad, ... Surat and the like, were in a few years rendered desolate under the 'Pan-Britannica' with a completeness which no ravages of the most destructive war or foreign conquest could have accomplished.

The merchant capital of the British, found new opportunities in India, when, Company started its conquests, in which monopolistic buying of Indian material was undertaken by the revenue earned from India, and they were exported to foreign markets with maximum profits. The pre-industrial British capital, instead of making so-called "investments", were buying Indian commodities for profitable exports on the basis of money earned from revenue in India. Thus, the conquest of India by the British East India Company gave it the 'power to levy and collect land revenue and other taxes', and, on the basis of the gross profits the Company exploited Indian commodities. This 'semi-bondage' situation of India made the British mercantile capitalism earn "tribute from conquest". According to Professor Habib, during the later half of eighteenth century the total British imports from India increased from 12 per cent to 24 per cent, and the British exports to India increased from 6.4 per cent to only 9 per cent of the total British exports.

The phase of Merchant Capitalism, gave way to the phase of industrial Capitalism towards the beginning of the 19th century. Now the emphasis shifted from revenue collection and trade to new forms of surplus appropriation. Indian economy was now geared to serve the interests of industrial England. India was now used to provide raw material to the industries of England and a market for the readymade British manufactured industrial goods. Indian resources continued to be drained out to England, although in different forms. Similarly, the process of de-industrialization also got accelerated.

After 1857, when the British Government took on direct control of India, some British capital also started pouring into the Indian market, along with the manufactured goods. This was the result of the accumulation of capital at an unprecedented level in the leading industrial countries. Now England needed India, not only

as a market for their goods, but also as a favourable ground for the investment of their capital. As a result India started getting industrialized, but only on foreign capital. All the major industries like Railways, Jute, Iron and Steel (with the exception of cotton textiles) were being run by British capital. Its result was a further drain of wealth, as all the profits made on British capital were going back to England.

Thus up to the end of nineteenth century India was sucked by the British during both phases of colonialism, i.e., during mercantile capitalism and industrial revolution in England.

Check Your Progress 2

- Note:** i) Use the space given below for your answer.
ii) Check your answer with at given at the end of the unit..

1) Read the following statements and mark right (✓) or wrong (x)

- i) There was a basic agreement between the Indian and Western Scholars regarding the role of British policy towards Indian economy.
- ii) The nationalist Scholars felt that the British rule had provided unity and stability to India.
- iii) The drain theory was put forward by the Western Scholars.
- iv) The industrialization of England was largely responsible for the de-industrialization of India.

2) Write fifty words each on the following themes:

Drain of wealth

.....

.....

.....

.....

.....

De-industrialization

.....

.....

.....

.....

.....

3) Write 10 lines on the phases of the colonial rule.

.....

.....

.....

9.8 AGRICULTURE UNDER THE COLONIAL RULE

Various aspects of a country's economy are interconnected. Agriculture supports industry and industry develops agriculture. The British agrarian policies in India destroyed prosperous agricultural economy and brought unparalleled human misery on the people living in the countryside. Even the plantation development policy of the British in the field of tea, tobacco, jute and indigo did not benefit the Indian people.

What was the basic agrarian policy of the British which led to the destruction of the Indian agricultural economy?

9.8.1 The New Land Settlement

The disintegration of the Mughal Empire, the gradual conquests of the East India Company and the desire of the British to extract maximum land revenue in cash made the British evolve a land system in India which would ensure payment of land revenue and also establish a collaborating class in rural India.

The infamous Permanent land settlement of Lord Cornwallis in 1793 for Bengal, Bihar, Orissa and later extended to parts of North Madras created a class of zamindars who became "landlords in perpetuity". The land revenue was fixed on permanent basis, and the zamindars became intermediaries between the rulers and the peasantry. The amount fixed broke the back of the peasantry. While under this system the peasantry suffered enormously the landlords and the British rulers benefited. Lord William Bentinck himself observed:

If security was wanting against extensive popular tumult or revolution, I should say that the Permanent Settlement, though a failure in many other respects and most important essentials, has this great advantage at least, of having created a vast body of rich landed proprietors deeply interested in the continuance of the British Dominion and having complete command over the mass of the people.

Besides the Permanent Settlement, the British evolved the Ryotwari System implemented in Madras Presidency in 1820 by Sir Thomas Munro. The Ryotwari system had two features. First, the government and the cultivators would have direct relationship and land revenue will be settled directly between the two without any intermediary. Second, unlike the system of Lord Cornwallis, Munro's system was based on periodical re-assessment of land revenue.

Whether the system in some parts of India was Permanent Zamindari settlement, or its minor variant Temporary Zamindari settlements, or the Ryotwari settlements, landlordism became the system under the British. It dispossessed the cultivators, moneylenders entered rural India, the tenants were unprotected and the majority of real cultivators became landless labourers. When real cultivators are dispossessed and intermediaries and non-cultivating interests emerge powerful, agricultural development suffers and the majority becomes poor. This happened in India as a result of the policies of the British. The beneficiaries were landlords and the government and victims were the peasants. In the words of Daniel Thorner:

In no other period of Indian history can be found so large, so well-established, and so secure a group of landholders as that which grew up and flourished between the 1770s and the 1840s.

The agrarian system as evolved by the British had a built-in system of destruction of agriculture which is proved by the famines of 1870s and late 1890s and epidemics and slow growth of population.

Agriculture could develop if investments were made in public works either by the government or by the efforts of the peasants. Naturally poor peasantry could not do it. The British did it in a very limited manner. Wherever government took initiative in public works, results were encouraging as in the case of the canal system in Punjab. Since the government and the landlords showed very little interest in public works, agriculture remained backward. The impoverishment of the peasantry was a glaring fact during the British rule over India. The agrarian policies pursued by the British increased the number of landless labourers, the pressure of population on backward village economy and the profitable plantation economy filled the pockets of the British. The magnitude of rural poverty was graphically described by the saying that the Indian is born in debt, he lives in debt and he dies in debt. "The vast majority of peasants live in debt to the moneylender" was stated by the Simon Commission. Even for paying land revenue to the government, the peasants were obliged to borrow and how could an indebted peasantry develop agriculture?

9.8.2 Commercialisation of Agriculture

The new land settlements, discussed above, brought about a revolution in the property relations. Along with this, a commercial revolution, known as the commercialization of agriculture, began to take shape in Indian agriculture around 1860s. Simply put, commercialisation of agriculture meant that the agricultural produce was oriented towards a market, i.e., agriculture became a marketable commodity. Many factors were responsible for it:

A rapid development of railway occurred in this period. The length of the railway tracks increased from 288 miles in 1857 to 30576 in 1908. This expansion of the railway facilitated the commercialisation of agriculture.

The opening of Suez canal in 1869 shortened the sea route between England and India by about 3000 miles and brought the two countries closer to each other for purpose of trade.

Certain technological innovations in England between 1873 and 1886 replaced sailing vessels with modern steam ships. This brought down the freight rates by half and had a stimulating effect on the export of agricultural produce from India which grew rapidly both in volume and value.

The Civil war in North America diverted, for the time being, the British demand for raw cotton from the United States to India. Consequently there was a sudden increase in the export of raw cotton from India after 1862. From 5.6 crore in 1859-60, it rose to 37.5 crore in 1864-65.

The result of all this was a phenomenal increase in the export of agricultural goods from India. The total value of export went up by more than five hundred per cent from 1859-60 to 1906-07.

Paradoxically, this increase in foreign demand for Indian agricultural produce did not lead to the development of Indian agriculture. There were many reasons for this:

the backward agricultural organization in the country.

lack of resources with the farmer for technological improvement,

his unpreparedness for the commercialisation and therefore inability to take full advantage of the opportunities offered,

absence of any increase in the productivity of land, and

the role of colonialism which super-imposed the commercialisation process from the top. It was precisely because of colonialism that the commercialisation of agriculture emerged as an artificial, forced process which could not lead to a genuine growth in agriculture. The objective conditions for such a growth had already been destroyed by colonialism.

However, the impact of the commercialisation was quite far reaching. To begin with, it led to a scarcity of food. This happened because the increasing demand for cash crops like raw cotton, jute, indigo and opium etc. was met by substitution of commercial crops for traditional food crops. This was done by the farmers to increase their profits, as the commercial crops were more paying. But its impact on the food supply of the country was disastrous. It was reported that one major cause of the famine in 1866 in Bengal and Orissa was that the best land was cultivating indigo instead of rice.

Yet another impact was a differentiation among the farmers. Although a small section of the farmers, who had the resources, prospered by shifting completely to the cultivation of commercial crops, the poor farmer suffered great losses as he had to now depend on a market for his own food requirements.

However, there were some positive aspects also. Regional specialization grew and the village lost its isolation and got linked with the world market. The farmer, in his choice of crops, came to attach greater importance to market demands and prices than to his own immediate needs.

9.8.3 Impact on Agriculture

To sum up, agrarian system and policies pursued by the British created stagnant agriculture, indebted peasantry, galloping landless labouring class, deaths through malnutrition, famines and epidemics. The basic policy of the British was to extract land revenue whether peasantry could pay it or not. The distress sale of land to pay land revenue was not discouraged as it was a direct consequence of British land revenue policies. Professor Irfan Habib aptly describes the situation. He observes:

"The land revenue under the preceding Indian regimes was fixed as a share of the crop, and varied according to the crop cultivated. The land revenue under the British, whether directly imposed on the ryots or assessed on the zamindars, was a true tax on land."

Thus revenue collections went up, the prices of foodgrains declined, the rural indebtedness increased and the rural economy was depressed. The direct appropriation of the agricultural surplus was the sole goal of the British rule and its direct consequences was impoverishment of the peasantry and stagnation of the rural economy.

9.9 ROLE OF THE COLONIAL STATE

After 1857 when the British Government directly became responsible for the governance of India, the foundation of Colonial State was firmly established. The British Colonial state has been characterized as 'benevolent despotism' or a liberal *laissez faire* state which performed the role of night watchman with minimal interference in the Indian affairs. This is historical falsehood spread by the western historians. The powerful colonial state was pro-landlord, pro-moneylender, pro-prince and pro-British economic interests in India.

The Queen Victoria's Proclamation of 1858 stated:

"We shall respect the rights, dignity and honour of the Native Princess as our own."

Further, the Queen assured:

"We know, and respect the feelings of attachment with which the natives of India regard the land inherited from the ancestors, and we desire to protect them in all rights connected therewith, subject to the equitable demands of the State."

While the above promises of the Queen were only to seek social support and collaboration of the native princess and landlords, the essence of the abolition of the Company's rule in 1858 was to serve the interests of the British industrial classes in exploiting Indian market. The main goal of the colonial state established in 1858 was to protect and promote the interests of the British industrial capitalists who were occupying a leading position in the British Parliament.

The British colonial state completely integrated India with the world capitalist economy and as a colony, India was subjected to exploitation.

The role of colonial state in the economic development of India as a colony cannot be understood by emphasizing the establishment of railways by the British or other modernizing activities like the spread of English language and education. These are peripheral facts in evaluating the role of colonial state in India. The basic goal of colonial state was to promote British capital and its investment in India for profit and to achieve this goal, India under the colonial state was made a market for raw material for the British industry and investment of British capital in sectors of Indian economy which brought profits to the British investors.

The promotion of plantation and mines, jute mills, banking, insurance, shipping, export-import concerns, railways were all under British who were favoured and patronized by the colonial state if on the one hand, colonial bureaucracy extended facilities and concessions to the British in India, on the other, it discriminated against the locals through highly biased and discriminatory tariff and excise policies.

Professor Sumit Sarkar observes:

Behind a facade of *laissez faire*, government policies often actively promoted European enterprise (railways under the guarantee system, and the allotment of vast tracts of land to Assam tea planters at nominal prices, would be two obvious examples) while discriminating against Indians. The railway network and freight-rates encouraged traffic with ports as against that between inland centres. The organised money-market was largely under white control..... Most significant of all perhaps was the fact that nineteenth century Indian economic growth was largely geared to export needs, and the British controlled the bulk of the external trade of the country through Exchange Banks, export-import firms and shipping concerns.

The main features of colonial state and its economic policies were geared towards ruthless exploitation of India. The mechanisms of this exploitation were clear. India was structurally integrated with the world capitalist economy. India was made an export oriented economy. India was to supply raw material to the British industry, the British in India worked under the protective umbrella of the colonial state which protected and safeguarded the interests of British investors. Indian capitalists were obstructed by discriminatory policies of the British colonial bureaucracy. This colonial state was racial and exploitative and India as a colony was sucked for British interests.

The beginning of twentieth century and specially two World Wars saw a change in this trend and provided an opportunity for the development of the Indian capitalist class in the fields of textile, sugar, jute, some chemical factories and steel plant. The World Wars had an impact on the British economy and the pre-war situation, in which India was profitable for export of British manufactures and a secure market for profitable investment, was changing, and, the economy and requirements of second world war, compelled the British to induce development of indigenous industries under the indigenous capitalists in India.

Check Your Progress 3

- Note:** i) Use the space given below for your answer.
ii) Check your answer with that given at the end of the unit.

- 1) Write about the various land settlement introduced by the British, and their characteristics.

.....
.....
.....
.....

- 2) Read the following statements and mark right (✓) or wrong (x).

- i) The British colonial state has been rightly characterized as a laissez faire state.
- ii) The British colonial state integrated Indian economy with the world capitalist economy.
- iii) Indian capitalists were protected by the colonial policies.
- iv) The two world wars brought about constraints on colonialism.

9.10 LET US SUM UP

While summing up two facts need an emphasis. First, the colonial state was a powerful system of exploitation of India for the British industrial capital. Second, the pressures of the two world wars and the situations created by it helped the development of Indian capitalist class and industries in the fields of sugar, jute, textile, iron and steel and chemicals.

When the British left India, they left a stagnant economy. The development of industries as mentioned above does not mean that India was an industrial nation on the eve of independence in 1947. An industrial nation can develop if proper infrastructure is developed along with basic industries like heavy machine tools, steel and capital goods industries are established to support industrialization. The result of British economic policies was that India had industries without industrialization, because the colonial state was not interested in this aspect of economy. Further, Indian agriculture was stagnant. In terms of raw material for industry, the situation was pretty bad. The direct consequence of British rule over India was low per capita income, low agricultural output, low level of savings, underdeveloped infrastructure and low level of human skills. Thus the claim that the British motorized Indian economy is quite hollow in the light of the above description.

9.11 KEY WORDS

Capital Accumulation: The process by which resources of land, labour and entrepreneurship are put together for industrial development.

De-industrialization: The phenomenon under the Colonial rule under whose impact a large number of traditional industries declined.

Foreign Capital: Money or resources acquired from outside a nation either from another nation or a transnational firm.

Gross Profits: Total profits before deductions are made for taxes, depreciation etc.

Laissez Faire: The philosophy in 19th century British which said free trade or trade without restriction was solution to all economic problems.

Monopolistic: A tendency of capital, resources or industries to come under individual control.

Per Capita income: Money earned per head.

Productivity of Land: Producing capacity of land.

Underdeveloped Society: A society in which development is retarded because of factors like colonial rule or colonial pressures. This is different from a non-developed or developing societies, where the colonial factor does not play a strictly significant role, since a direct colonial rule is not there.

9.12 ANSWERS TO CHECK YOUR PROGRESS/ EXERCISES

Check Your Progress I

- 1) i) ✓ ii) ✓ iii) x iv) x
- 2) Read Section 9.2 and write your own answers.

Check Your Progress 2

- 1) i) X ii) X iii) X iv) ✓
Read section 9.6
Read section 9 7

Check Your Progress 3

- 1) Read section 9.8
- 2) i) x ii) ✓ iii) x iv) ✓