Colonialism and Modernization

The last twenty-three years have witnessed a great deal of interest and discussion in academic as well as non-academic circles on the problem of how to take India out of the present state of economic underdevelopment. Along with other social scientists, historians have also felt the need to make a contribution to this discussion. While as historians we are seldom in a position to prescribe remedies for the present, we may help those who are making the present by explaining to them its origins and the possibilities that inhere in it.

The need for a historical approach to the problem of development is today widely, perhaps universally, recognized. The importance of the study of modern Indian history in this respect arises from the fact that the process and pattern of economic development (capitalist or socialist) of post-independence India depends to a considerable extent upon its inherited structure, or the inherited pattern of underdevelopment, as also on the strategies or policies of economic development, which in turn are influenced by the inherited structure. As historians we have to ask the question: what were the economic, political, social, cultural, and intellectual forces retarding economic

Presidential Address delivered at the thirty-second session of the Indian History Congress, December 1970.
development before 1947? How were they evolved or generated? What was their inter-relationship? In other words, what was their history?\(^1\) Thus a historical study of India's underdevelopment was and is needed before policies and programmes for its development could be fruitfully formulated.

Surprisingly enough, however, the intensive discussion, which followed among the economists and economic historians after the Second World War, on the problem of the economic development of the underdeveloped countries, as also of India, took a rather unhistorical turn from the beginning. In this discussion the dominant tendency has been to equate the condition of India at the time of independence with the pre-capitalist or pre-industrial stages of countries which are today economically developed, thus implying that India's underdevelopment was traditional in character or was a remnant of the traditional pre-British past. The underlying assumption is that today's developed capitalist countries were once underdeveloped or backward in the same manner as India is today. The task is then declared to be the modernization of India's economy, following in the footsteps of the successful example. In fact, some writers suggest that the colonial rulers made an attempt to modernize India but with little success, due to the hold of tradition. This failure, they hold, led to the rise of nationalism and the coming of independence. The Government of India is now engaged, they say, in the task of modernization left uncompleted by the British. Consequently, it is said, India is at present in a transitional stage towards modernity.

On occasions, the differences between the two situations are recognized, but no structural differences are seen; and their link with recent history is supposed to be minimal. The differences, such as those of per capita income or man-land ratio, are seen to be accidental, situational, or 'pre-modern'. They are merely quantitative differences, differences of degree or intensity of backwardness, not of type, or pattern, or structure, or 'quality'.\(^2\) Consequently, India is treated in most of the literature on the subject as a pre-capitalist, or pre-industrial, or traditional or at the most a dual society, part-traditional part-modern, whose links with the 'international economy' were weak.

This view is, however, basically and historically incorrect because India of 1947 was not pre-capitalist or traditional or
dualistic. It is a historical fallacy to assume that India under British rule did not undergo a fundamental transformation, or that it remained basically traditional. From the mid-18th century and, in particular, from the beginning of the 19th century, India had been gradually integrated into the world of modern capitalism though in a subordinate or colonial position.

Thus India under Britain was not basically similar to Mughal India, nor was its backwardness of the same kind as the latter’s, because in the intervening years India had undergone a long and full course of colonial modernization. Nor was it like the pre-capitalist stage of today’s developed countries because the latter had never undergone colonial modernization of the Indian pattern. It was also not pre-industrial for it had felt the full impact of industrial capitalism, though without industrialising in the process. Moreover, it possessed an industrial capitalist class of its own. Here what has to be kept in view is that colonialism in India was as modern a historical phenomenon as industrial capitalism in Britain—in fact the two developed together. Further, the colonial Indian economy was as much a part of world capitalism which needs to be viewed as a single, world-wide system of which colonial economies were an integral part. The historical process that led to this colonial integration, or this pattern of modernization, inevitably led to the underdevelopment of India or “the development of underdevelopment” to put it in the apt and vivid manner of the pithy phrase of Andre Gunder Frank.

The following question is sometimes posed: could India have developed to a greater extent if colonial rule had not intervened? This question, intrinsically of great historical interest, is misplaced in the present context. The significant question here is not why there was no autonomous development of capitalism in the Mughal period but why there was no induced development of capitalism once the country came to be ruled for nearly 200 years by the most advanced industrial nation of the time. After all the industrial revolution occurred in only one country; other countries did not have to ‘originate’ it, but simply ‘borrowed’ it. The question is even more pertinent for the historian because the British rulers did not at this stage suffer from another fit of absentmindedness: as I have shown elsewhere, the basic integration of India with
the world capitalist economy, its transformation into a classic colony and a classic underdeveloped country, occurred during the 19th century precisely under the banner of modernization, economic development and transplantation of capitalism.7

The error in the characterization of Indian economy under British rule arises in part from the belief that because British India was economically, socially, culturally and politically backward it was ipso facto non-modern, traditional, or pre-capitalist. But the characteristics of backwardness were not confined to the traditional Indian society alone, which was, in the heyday of the Mughal period, quite advanced by contemporary standards. These characteristics are also the hallmarks of a modern colony of a modern imperialist state. In other words, the backward aspects of British India’s economy and society were not just the left-overs from the rich feast of its vast history, but rather they were well structured parts of the modern colonial economy. The incapacity of indigenous Indian capitalism to industrialise the country also did not mean that it was traditional or that it was overwhelmed by tradition, but that this incapacity itself was the product of the same process of colonialism which gave birth to this capitalism in India.

The basic fact is that the same social, political and economic process that produced industrial development and social and cultural progress in Britain, the metropolis, also produced and then maintained economic underdevelopment and social and cultural backwardness in India, the colony. The two countries were organically linked with each other and participated for nearly two centuries in a common, integrated world economic system, though with dissimilar, indeed opposite, consequences. Nor were these consequences accidental or the result of some special villainy on the part of some British Viceroy or the other, or some special imbecility or historical proclivity of the Indian people or institutions. This uneven development of capitalism—the development of one part and underdevelopment of the other and unequal distribution of the benefits of the development of the system—has been a basic characteristic of modern capitalism. From the very beginning, capitalism has developed by becoming a fetter on the social, economic and political progress of its colonies—the other countries involved in the growth of capitalism. It was, therefore, not an accident nor was it his-
torically exceptional that India was integrated into world capitalism without enjoying any of the benefits of capitalism, without taking part in the industrial revolution. It was modernized and underdeveloped at the same time.

In fact, the degree or intensity of underdevelopment or backwardness and the potentialities of development, viewed not narrowly but broadly as the totality of political, economic, social and cultural structure (which latter includes patterns of intellectual development) are precisely determined by the level of this integration and colonial modernization. This also means that the capacity to develop depends on the extent to which the colonial pattern of integration with the world capitalist system is shattered. It is perhaps for these two reasons that India, the classical colony, the most developed of the colonial countries on the eve of independence, which because of ‘peaceful transition’ to independence continued to maintain ‘friendly’ relations with the previous as well as the new metropolis, has found it more difficult to carry out an industrial revolution—to ‘take off’—than the much less closely integrated and therefore seemingly less developed semi-colony of China, which completely broke loose from the capitalist world in 1949 and decided to follow the socialist road.

I would, therefore, venture to suggest that the manner of looking at modern Indian history outlined above—i.e., viewing it as the process of the evolution of the modern colonial structure through different stages and in its different facets and of its integration with the world capitalist economy as also of the emergence of the forces which arose in opposition to this structure—provides a more fruitful framework for historical research in general and for understanding the nature and historical roots of India’s underdevelopment in particular.

The implications of this approach for the current strategies of development are also far reaching. While for European capitalism the pre-conditions were provided by feudalism and precapitalism, for present day India the basic pre-condition was provided not by Mughal India but by the colonial economy and society which were integral parts of world capitalism. In other words, the political economy of growth in India had to start from this, the colonial ‘model’, and not the tradition—modernization ‘model’.
Our present historical resources are not adequate enough to supply a full and detailed analysis of the colonial phenomenon. But this approach will enable us to at least ask the right questions. A solid groundwork for such an approach was laid by the 19th century nationalist Indian writers such as Dadabhai Naoroji, M. G. Ranade, G. V. Joshi and R. C. Dutt, who were among the first in modern intellectual and political history to take such an overall view of colonial transformation. The broad analytical structure for the study of colonial India was developed further in the 1940's by R. Palme Dutt. However, instead of enriching this model and further amplifying or modifying it through empirical and analytical studies, Indian scholars have increasingly neglected it after 1947.

I do not, of course, suggest that the evolution of the internal structure and institutions of the Indian economy and society as well as of the social and political movements are not important from the historical as well as the contemporary developmental point of view. This evolution, however, occurred not only in constant interaction with imperialism and under its hydra-headed domination, but as an integral part of the development of colonialism, and it may not be properly studied without grasping the essential structure of colonialism. In fact, the colonial structure encompassed the internal structure of society. And, above all, we may keep in view that colonialism, though not the only obstacle to development, provided the chief contradiction of the history of the last two centuries. In other words, the overthrow of the colonial structure, i.e., the restructuring of the economy and society without the colonial element, was a necessary though not a sufficient condition for economic and social development.

It is also not suggested that an analysis of colonialism must occupy the centre of the stage in the treatment of each of the problems of modern Indian history, or even that it must intrude everywhere. What is suggested is that it should form the constant backdrop to all historical work on the period, for every major development occurs within the framework of colonialism. And in no case can we afford to abstract away the role of colonialism from the discussion of any major problem of recent history. Otherwise we are likely to continue to get the sort of research with which we have become familiar in recent years in
which ideas and ideologies—of conservatism, liberalism, radicalism, nationalism, and most of all 'modernization'—are seen as the mainsprings of administrative policy and political action.

A study of colonialism has, of course, to encompass almost every area of modern Indian history. Colonial modernization involved not only the Indian economy but also the patterns of social, political, administrative and cultural life. A whole world was lost, an entire social fabric was dissolved, and a new social framework came into being that was stagnant and decaying even as it was being born. To turn around a well-known phrase, India underwent a thoroughgoing colonial 'cultural revolution'. I have, however, confined myself to a few of the economic aspects of colonialism, partly because of the needs of time and space, partly because of intellectual convenience, and partly because, as Furnivall has put it, "colonial relations are primarily economic". But a similar analysis may be applied to other aspects of the colonial structuring of Indian society.

I may, for example, mention a few of the interesting problems in non-economic fields waiting investigation and analysis: the emergence of a new status system or hierarchical 'ladder of success'; the structuring into the administrative machinery of corruption and an attitude of neglect, hostility, and oppression towards the common people; breakdown of old loyalties and value systems leading to increasing social atomisation and anomie (or normlessness); the emergence of an intelligentsia which, on the one hand, was one of the rays of hope in colonial society and a prime mover for its reconstitution, and, on the other hand, accepted the role of an intellectual satellite of the metropolis even when struggling against it in the realm of economy and politics.

In fact, the need for such analysis is perhaps greater in the non-economic fields where the model of tradition—modernization has made even more of a headway.

II

The proposition, that whatever industrial development occurred in India in the past occurred as a result of the integration
of the Indian economy with the world capitalist system through trade and capital investment, is disproved by the very interesting historical phenomenon that the major spurts in Indian industrial development took place precisely during those periods when India’s colonial economic links with the world capitalist economy were temporarily weakened or disrupted. On the other hand, the strengthening of these links led to backwardness and stagnation. In India’s case foreign trade and the inflow of foreign capital were reduced or interrupted thrice during the 20th century, i.e., during the two world wars and the Great Depression, 1929-34. Yet on each occasion far from production being checked, there occurred its further development; in fact the roots of the industrial capitalist class reached deeper. On the other hand, as the ‘international economy’ pressed back to reforge the links, the gains of the Indian capitalist class were threatened and it hastened to support the nationalist movement which was, at the time, pledged to break these links.

Briefly, the impact of the First World War on India was as follows: foreign trade, the ‘great engine of development’, declined drastically; consequently, the domestic market, even though extremely limited, became available to Indian industries, and the Government was compelled to buy a large part of its normal as well as war-time stores in India. There was a sharper rise in the prices of manufactures than in those of raw materials due to a decline in the export of agricultural products. The process of British capital imports was temporarily slackened. The period from 1919 to 1922 saw in addition the Non-Cooperation Movement with its swadeshi and boycott programme, which may be seen in our contest as being instrumental in weakening the integration of the Indian economy with the world capitalist economy.

The result was that even the otherwise weak Indian capitalism took a spurt forward. Not only this, but it can be said that the firm foundations of Indian capitalism were laid during this period. It could not, however, take full advantage of the situation because of another of its basic weaknesses, structured into it by its colonial integration with British capitalism, namely, that the country had no machine-making industries and the same war that opened up the opportunities for growth also
Table 1

<table>
<thead>
<tr>
<th></th>
<th>1914</th>
<th>1915</th>
<th>1916</th>
<th>1917</th>
<th>1918</th>
<th>1919</th>
<th>1920</th>
<th>1921</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mills (no.)</td>
<td>495</td>
<td>484</td>
<td>482</td>
<td>478</td>
<td>475</td>
<td>619</td>
<td>717</td>
<td>740</td>
</tr>
<tr>
<td>Mills: share capital (crores of Rs.)</td>
<td>309</td>
<td>314</td>
<td>331</td>
<td>353</td>
<td>367</td>
<td>395</td>
<td>485</td>
<td>648</td>
</tr>
<tr>
<td>Mines (no.)</td>
<td>207</td>
<td>210</td>
<td>222</td>
<td>240</td>
<td>270</td>
<td>336</td>
<td>366</td>
<td>386</td>
</tr>
<tr>
<td>Mines: share capital (crores of Rs.)</td>
<td>123</td>
<td>118</td>
<td>118</td>
<td>124</td>
<td>135</td>
<td>151</td>
<td>167</td>
<td>317</td>
</tr>
<tr>
<td>Cotton yarn (million lbs.)</td>
<td>652</td>
<td>723</td>
<td>681</td>
<td>661</td>
<td>615</td>
<td>636</td>
<td>660</td>
<td>694</td>
</tr>
<tr>
<td>Cotton piece-goods* (—do—)</td>
<td>277</td>
<td>352</td>
<td>378</td>
<td>381</td>
<td>350</td>
<td>384</td>
<td>368</td>
<td>403</td>
</tr>
<tr>
<td>Iron (000 tons)**</td>
<td>235</td>
<td>242</td>
<td>245</td>
<td>248</td>
<td>247</td>
<td>317</td>
<td>311</td>
<td>368</td>
</tr>
<tr>
<td>Steel (—do—)**</td>
<td>67</td>
<td>76</td>
<td>93</td>
<td>114</td>
<td>130</td>
<td>134</td>
<td>113</td>
<td>125</td>
</tr>
<tr>
<td>Paper (000 tons)</td>
<td>28.7</td>
<td>30.4</td>
<td>31.9</td>
<td>31.9</td>
<td>31.4</td>
<td>30.9</td>
<td>29.4</td>
<td>28.7</td>
</tr>
<tr>
<td>Cement (—do—)</td>
<td>1</td>
<td>18</td>
<td>39</td>
<td>74</td>
<td>84</td>
<td>87</td>
<td>91</td>
<td>133</td>
</tr>
<tr>
<td>Coal (million tons)</td>
<td>16.5</td>
<td>17.1</td>
<td>17.3</td>
<td>18.2</td>
<td>20.7</td>
<td>22.6</td>
<td>18.0</td>
<td>19.3</td>
</tr>
<tr>
<td>Qty. of jute consumed in jute mills (million maunds)</td>
<td>24.0</td>
<td>28.1</td>
<td>27.6</td>
<td>26.5</td>
<td>25.0</td>
<td>25.4</td>
<td>27.3</td>
<td>21.20</td>
</tr>
<tr>
<td>Deposits with Indian Joint Stock Banks (crores of Rs.)</td>
<td>18.36</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>80.16</td>
</tr>
</tbody>
</table>


*This section of cotton industry had been virtually stagnant from 1910 to 1914, the production year-wise being 246 (1910), 267(1911), 267(1912), 274(1913). Sastry, p. 91.

**The industry operated at full capacity. It possibly could not expand much in the absence of machine-imports. It made huge profits, however. Immediately after the war, the industry built up productive capacity and then got into financial trouble.
choked off the imports of mill-machinery and other accessories. Consequently, the pent up pressure for industrial growth found expression in frenzied company promotion immediately after the war.

The major impact of the war on Indian capitalist activity has been indicated in Table 1.

During these years, Indian capitalists also earned fabulous profits. The cotton textile industry, for example, paid an average dividend of 5% per cent between 1915 and 1922.

Gradually Britain and the capitalist world recovered from the war damage and India's economic links with them were restored. Foreign trade recovered after 1921, and, what is more important, the high profits of Indian industry attracted British capital on a large scale. Furthermore, British capital pegged the rupee-pound sterling exchange ratio high in order to favour imports. The resultant strengthening of integration with the British economy and foreign domination weakened the Indian industrial push. The re-emergence of relative stagnation led to the Indian economy being once again described as 'transitional' instead of modern. The relative stagnation in industrial production is brought out in Table 2.

There was also a drastic fall in the index figure of the capital of new companies registered in India.

The depression was particularly severe in the cotton textile industry, which was still the main enterprise of Indian capitalism. Production continued to creep upward, though registering considerable excess capacity. Moreover there was a severe fall in profits. The iron and steel industry was faced with virtual liquidation in the beginning of the period. The industry recovered only after the grant of protective tariffs. Thus the reinforcement of integration with world capitalism not only led to the loss of the momentum gained during the war but threatened to wipe out the war-time gains. This led to the intensification of the contradiction between the Indian capitalist class and the metropolitan power. Faced with a vigorous mass nationalist movement, the latter decided to conciliate the Indian capitalists with a policy of hesitant protection and other concessions.

The stagnation of 1922-1929 contrasts strongly with the period 1929-34, the period of the Depression, when the 'inter-
<table>
<thead>
<tr>
<th></th>
<th>1921</th>
<th>1922</th>
<th>1923</th>
<th>1924</th>
<th>1925</th>
<th>1926</th>
<th>1927</th>
<th>1928</th>
<th>1929</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mills (no.)</td>
<td>740</td>
<td>755</td>
<td>748</td>
<td>739</td>
<td>738</td>
<td>738</td>
<td>741</td>
<td>754</td>
<td>761</td>
</tr>
<tr>
<td>Mills: share capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(in crores of Rs.)</td>
<td>648</td>
<td>726</td>
<td>747</td>
<td>742</td>
<td>726</td>
<td>722</td>
<td>714</td>
<td>720</td>
<td>716</td>
</tr>
<tr>
<td>Mines (no.)</td>
<td>386</td>
<td>374</td>
<td>364</td>
<td>358</td>
<td>344</td>
<td>338</td>
<td>330</td>
<td>327</td>
<td>335</td>
</tr>
<tr>
<td>Mines: share capital</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(in crores of Rs.)</td>
<td>317</td>
<td>402</td>
<td>418</td>
<td>416</td>
<td>418</td>
<td>420</td>
<td>400</td>
<td>402</td>
<td>396</td>
</tr>
<tr>
<td>Cotton yarn (million lbs.)</td>
<td>694</td>
<td>706</td>
<td>617</td>
<td>719</td>
<td>656</td>
<td>807</td>
<td>809</td>
<td>648</td>
<td>834</td>
</tr>
<tr>
<td>Cotton piece-goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(million lbs.)</td>
<td>403</td>
<td>405</td>
<td>402</td>
<td>459</td>
<td>465</td>
<td>539</td>
<td>568</td>
<td>446</td>
<td>562</td>
</tr>
<tr>
<td>Pig Iron* (000 tons)</td>
<td>368</td>
<td>320</td>
<td>490</td>
<td>673</td>
<td>880</td>
<td>920</td>
<td>1140</td>
<td>1052</td>
<td>1392</td>
</tr>
<tr>
<td>Steel* (000 tons)</td>
<td>125</td>
<td>112</td>
<td>151</td>
<td>248</td>
<td>320</td>
<td>360</td>
<td>429</td>
<td>276</td>
<td>412</td>
</tr>
<tr>
<td>Paper (000 tons)</td>
<td>28.7</td>
<td>23.9</td>
<td>26.0</td>
<td>25.7</td>
<td>28.6</td>
<td>32.1</td>
<td>33.9</td>
<td>38.1</td>
<td>40.8</td>
</tr>
<tr>
<td>Cement (000 tons)</td>
<td>133</td>
<td>151</td>
<td>244</td>
<td>264</td>
<td>361</td>
<td>388</td>
<td>478</td>
<td>558</td>
<td>561</td>
</tr>
<tr>
<td>Coal (million tons)</td>
<td>19.3</td>
<td>19.0</td>
<td>19.7</td>
<td>21.2</td>
<td>20.9</td>
<td>21.0</td>
<td>22.1</td>
<td>22.5</td>
<td>23.4</td>
</tr>
<tr>
<td>Sugar (000 tons)</td>
<td>75.4</td>
<td>74.1</td>
<td>94.7</td>
<td>67.4</td>
<td>91.4</td>
<td>120.0</td>
<td>119.8</td>
<td>99.1</td>
<td>111.0</td>
</tr>
<tr>
<td>Qty of jute consumed in jute mills (in million maunds)</td>
<td>21.2</td>
<td>23.1</td>
<td>25.0</td>
<td>27.6</td>
<td>26.7</td>
<td>26.8</td>
<td>28.2</td>
<td>29.4</td>
<td>31.2</td>
</tr>
<tr>
<td>Deposits with Indian joint Stock Banks (crores of Rs.)</td>
<td>80.2</td>
<td>65.0</td>
<td>47.7</td>
<td>55.2</td>
<td>57.9</td>
<td>63.2</td>
<td>64.3</td>
<td>66.4</td>
<td>66.3</td>
</tr>
</tbody>
</table>

Source: Sastry, except for the last line which is based on Subramanian and Homfray, *Recent Social and Economic Trends in India*, 1946.

*Iron and Steel Industry was granted tariff protection in 1924.
national economy' was temporarily disrupted with its god-head, the gold-standard, vanishing and never to return. Once again the British hold on the Indian economy was weakened. India's foreign trade was sharply reduced and the domestic market which was otherwise shrinking became available to Indian industries.\(^{27}\) The foreign capital investments fell off and after 1931 there was a net outflow of foreign capital.\(^{28}\) The loosening of the economic links with the metropolis had another important consequence. Commercial capital, the product of the imperial connection and engaged in foreign trade, had its sphere of employment suddenly contracted. Similarly, the capital invested in usury, which was no less a product of the colonial economic structure, had its avenue of employment also narrowed due to the crisis in agriculture. Land also was no longer an attractive field of investment. The loosening of the economic ties with the metropolis, therefore, compelled the mercantile and usury capital to shift to industry even though the rates of profit in industry were low. The clogging of foreign trade as a field of investment also compelled the industrialists to plough back the profits from the existing industries.

A change in the tariff policy occurred at this time. The Government extended protection to the sugar and cotton textile industries in order to prevent a drastic fall in agricultural earnings and thus to prevent the peasants, hard hit by the Depression, from joining the emerging left movement in India. Similarly, these and several other industries were given protection to keep the industrial as also the commercial bourgeoisie from giving more active support to the nationalist struggle.\(^{29}\) Moreover, during the crucial Depression years, the indigenous industries were once again able to derive social protection from the anti-imperialist programme of swadeshi and boycott. Some of the industries were also helped by the fact that the fall in the prices of agricultural raw materials was far greater than the fall in the prices of industrial products.\(^{30}\)

Industrial production during the years of the Depression and recession is given in Table 3.

Thus in the period of the Depression, in which industrial production throughout the capitalist world was tumbling down and in which the domestic market was shrinking so drastically as to compel the people to surrender their silver and gold trim-
<table>
<thead>
<tr>
<th></th>
<th>1929</th>
<th>1930</th>
<th>1931</th>
<th>1932</th>
<th>1933</th>
<th>1934</th>
<th>1935</th>
<th>1936</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mills (no.)</td>
<td>761</td>
<td>764</td>
<td>786</td>
<td>790</td>
<td>845</td>
<td>874</td>
<td>924</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mills: share capital (crores of Rs.)</td>
<td>716</td>
<td>677</td>
<td>684</td>
<td>700</td>
<td>701</td>
<td>689</td>
<td>671</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mines (no.)</td>
<td>335</td>
<td>333</td>
<td>331</td>
<td>325</td>
<td>384</td>
<td>391</td>
<td>399</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Mines: share capital (crores of Rs.)</td>
<td>386</td>
<td>388</td>
<td>390</td>
<td>390</td>
<td>406</td>
<td>399</td>
<td>404</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Cotton yarn (million lbs.)</td>
<td>834</td>
<td>867</td>
<td>966</td>
<td>1016</td>
<td>921</td>
<td>1001</td>
<td>1058</td>
<td>1054</td>
<td>1160</td>
</tr>
<tr>
<td>Cotton piece goods (million lbs)</td>
<td>562</td>
<td>590</td>
<td>672</td>
<td>695</td>
<td>546</td>
<td>737</td>
<td>761</td>
<td>782</td>
<td>864</td>
</tr>
<tr>
<td>Pig iron (000 tons)</td>
<td>1392</td>
<td>1175</td>
<td>1056</td>
<td>913</td>
<td>1058</td>
<td>1320</td>
<td>1152</td>
<td>1540</td>
<td>1621</td>
</tr>
<tr>
<td>Steel* (—do—)</td>
<td>412</td>
<td>434</td>
<td>450</td>
<td>427</td>
<td>531</td>
<td>604</td>
<td>646</td>
<td>667</td>
<td>660</td>
</tr>
<tr>
<td>Paper (—do—)</td>
<td>40.8</td>
<td>39.8</td>
<td>40.7</td>
<td>40.6</td>
<td>43.4</td>
<td>44.5</td>
<td>47.6</td>
<td>48.5</td>
<td>57.1</td>
</tr>
<tr>
<td>Cement (—do—)</td>
<td>561</td>
<td>570</td>
<td>581</td>
<td>586</td>
<td>642</td>
<td>748</td>
<td>886</td>
<td>997</td>
<td>1170</td>
</tr>
<tr>
<td>Sugar (—do—)</td>
<td>111</td>
<td>152</td>
<td>228</td>
<td>370</td>
<td>515</td>
<td>617</td>
<td>982</td>
<td>1131</td>
<td>947</td>
</tr>
<tr>
<td>Coal (million tons)</td>
<td>23.4</td>
<td>23.8</td>
<td>21.7</td>
<td>20.2</td>
<td>19.8</td>
<td>22.1</td>
<td>23.0</td>
<td>22.6</td>
<td>25.0</td>
</tr>
<tr>
<td>Qty of jute consumed in jute mills (million maunds)</td>
<td>31.2</td>
<td>22.2</td>
<td>20.8</td>
<td>21.2</td>
<td>21.0</td>
<td>22.2</td>
<td>24.4</td>
<td>29.5</td>
<td>32.6</td>
</tr>
<tr>
<td>Indian Jt. Stock Bank Deposits (crores of Rs.)</td>
<td>66.3</td>
<td>67.7</td>
<td>66.2</td>
<td>76.2</td>
<td>76.4</td>
<td>81.9</td>
<td>89.7</td>
<td>103.6</td>
<td>108.6</td>
</tr>
<tr>
<td>Indian Insurance Co's. New Business assured (crores of Rs.)</td>
<td>17.3</td>
<td>16.5</td>
<td>17.8</td>
<td>19.7</td>
<td>24.8</td>
<td>28.9</td>
<td>32.8</td>
<td>37.8</td>
<td>41.7</td>
</tr>
</tbody>
</table>

Source: Sastray, except for the last two lines which are taken from Subramanian and Homfray.

*The weak and ineffective protection given to steel industry was diluted by the grant of Imperial Preference to British steel in 1927 and by the lowering of import duties and withdrawal of subsidy to the Tatas in the same year. Increased tariffs came in 1934 but steel production had improved even before that.
kets, the Indian industries based on the home market were not only saved from the worst effects of the Depression—no mean achievement by any standards—but were even able to grow and branch out into new fields. Furthermore, capital for the major sectors of the new industry was provided by the Indians. Progress in banking and insurance was also made mostly by Indian capital. It may also be noted that the sugar, cement, matches, and even steel industries were firmly established only during the 1930's. In fact if the First World War marked the firm foundation of Indian capitalism, the Depression can be said to be the period of its coming of age, when it took full advantage of the economic and political difficulties of the metropolis to strengthen itself. These are the years when several major groups of modern Indian capitalists—the Birlas, the Dalmias—Jains, the Singhanias, the Thapars, among others—ventured into the industrial field. We may also note that the fate of industries that catered to the export market was very different. They felt the full impact of the Depression.

As Table No. 3 shows, Indian industries did not suffer from a post-Depression phase of stagnation. This was because world capitalism did not recover fully after 1934 and quickly went into a recession. Moreover the major capitalist economies were soon engaged in a competitive armament programme. In particular, the depression in India's foreign trade and agricultural prices did not lift. Consequently, its commercial, industrial, speculative and money-lending capital continued to find its outlet in industry. Imports of capital also remained insignificant.

The conditions of the First World War were fully revived during the Second World War except that the magnitude of the war effort through the purchase of materials, stationing of foreign soldiers, and employment of Indian personnel was far greater. In addition, Japan was no longer there to usurp part of the market. Not only did no fresh British capital enter but there was even some repatriation. The international connection was virtually snapped for the time being. The result is well known. The spurt in industrial production is brought out by Table 4.

The Indian capitalists made huge profits. Moreover the Indian capitalist class strengthened its financial base enormously
Table 4

<table>
<thead>
<tr>
<th>Product</th>
<th>1938</th>
<th>1944</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton piecegoods (million lbs.)</td>
<td>864 (1937 figures)</td>
<td>1,200</td>
</tr>
<tr>
<td>Cotton yarn (million lbs.)</td>
<td>1,160</td>
<td>1,651</td>
</tr>
<tr>
<td>Finished steel (million tons)</td>
<td>.726</td>
<td>.923</td>
</tr>
<tr>
<td>Cement (—do—)</td>
<td>1.512</td>
<td>2.044</td>
</tr>
<tr>
<td>Sugar (million cwts.)</td>
<td>13.360</td>
<td>22.439</td>
</tr>
<tr>
<td>Paper (—do—)</td>
<td>1.184</td>
<td>2.001</td>
</tr>
<tr>
<td>Power (million units)</td>
<td>2,533</td>
<td>3,823</td>
</tr>
<tr>
<td>Deposits in Indian Jt. Stock Banks (crores of Rs.)</td>
<td>106.81</td>
<td>359.89</td>
</tr>
<tr>
<td>Indian Insurance Co.’s New Business assured (crores of Rs.)</td>
<td>46.68</td>
<td>65.23</td>
</tr>
</tbody>
</table>

Source: Subramanian and Homfray, pp. 42-44, 56. The 1937 figures for cotton yarn and piecegoods are however taken from Sastry.

within India and left British capital far behind in this respect.\textsuperscript{38} It has been estimated that investment in Indian economy increased by seven or eight per cent of the national income.\textsuperscript{39}

Thus the Indian capitalist class entered the post-war period with greater strength as well as greater forebodings. On the one hand, it looked boldly for new investment opportunities, as is clear from a perusal of the Bombay Plan, formulated in 1943-44 by nearly all the major industrial capitalists of the country; on the other hand, it feared that British capital would make an attempt to recover its weakened position at India’s cost by increasing the integration of its economy with that of the metropolis.\textsuperscript{40} It therefore put forward demands for heavy industry, even if it had to be brought into existence under state ownership, and for state planning and active and direct support, even through the development of a powerful public sector.\textsuperscript{41} It also protested against any fresh entry of foreign capital and demanded the loosening of its existing stranglehold. Thus G.D. Birla demanded that “all British investments in India be repatriated,”\textsuperscript{42} and M. A. Master, President of the Indian Merchants’ Chamber warned: “India would prefer to go without industrial development rather than allow the creation of new
East India Companies in this country, which would... militate against her economic independence."^{43} The Bombay Plan did not provide for any direct foreign capital investment and for only 7 per cent of its total investment outlay through foreign loans.^{44}

This study of the development of the industrial capitalist class in India makes it clear that such a development did not occur as a result of the forces of economic modernization represented by foreign capital investment and international trade, which, when capitalism is seen as a world system, merely produced economic development in Britain and in the Crown colonies of Australia and Canada and underdevelopment in India. Rather, such development occurred only when the forces of colonial modernization were weakened.^{45} The development of Indian capitalism was, of course, stunted and limited.^{46} This was because it occurred within the parameters of overall colonial relations. The two wars and the Depression merely loosened the ties with the metropolis; the ties were clear and present all the time. The structural aspects of colonialism were at no stage shattered or transformed. Consequently, the result was merely industrial growth and not industrial revolution.^{47} The country continued to be the classical model of an underdeveloped economy.

At the same time, this limited industrial growth provided a glimpse of the potential for development inhering in the economy. When opportunity beckoned the entrepreneurs were not lacking, nor did the value system (‘spiritualism’, ‘asceticism’ etc.), the caste system, joint-family, the supposedly inherent proclivities of the Indians to prefer semi-feudal patterns of investment, the shortage of industrial labour, and such other shibboleths (that were often used to explain underdevelopment in the past and which continue to be so used even now occasionally) stand in the way.

III

An interesting method of understanding the nature of the underdevelopment of countries like India has been provided by
what may be called the ‘initial conditions’ approach. I will use a critical examination of this approach to come to the crux of the colonial condition. This approach, expounded in its more recent version by Simon Kuznets, underlines the differences in the basic economic indicators or characteristics or the initial conditions from which the underdeveloped countries (including India) had to start their developmental programmes after independence and the initial conditions preceding the industrial development of the presently developed countries.\textsuperscript{48} This approach holds great initial promise. It undertakes to clarify the basically dissimilar aspects of the two initial conditions with a view to demonstrate that the methods and policies of development followed in the past by the developed countries are not fully applicable to the underdeveloped countries which should evolve their own variants of developmental strategy.\textsuperscript{49} The proponents of this approach are very critical of W.W. Rostow and others who try to apply universalistic remedies assuming that the underdeveloped countries are currently at some stage or the other which the developed countries were at earlier.\textsuperscript{50} Surprisingly, however, their own assessment of the contrast between the two sets of initial conditions remains confined to the techno-economic (functional) or quantitative aspects.\textsuperscript{51} The structural differences, the basic dissimilarities, and the historical origins of these differences are seldom touched upon or are skirted round. Their promise remains tantalizingly unfulfilled. And then, with a twist of the wrist, the differences between the two conditions are put forward, explicitly or implicitly, as the cause of the present state of the underdeveloped countries. Some discuss the same initial conditions in the form of obstacles to development implying that these techno-economic obstacles have no recent history and are, therefore, their own causes or are the expression of their ‘traditional’ or primordial backwardness.\textsuperscript{52} Kuznets does emphasize the historical heritage but an understanding of the role of colonialism is drained out. Alexander Gerschenkron promises to study the initial conditions and ‘economic backwardness in historical perspective’ but his perspective does not extend beyond degrees of backwardness.\textsuperscript{53}

From the point of view of understanding the structure of India’s underdevelopment in terms of its historical evolution, its causation, and its economic roots, the question of differences
in initial conditions has been wrongly posed. For meaningful results and to be able to ask more meaningful questions from history, a comparison should be made between the initial conditions of the pre-British past and the beginning of the colonial era, on the one hand, and the initial conditions of the industrial revolution in the developed countries, on the other. I will therefore first set out the differences in initial conditions as given by Kuznets and others and then briefly indicate to what extent these differences apply to pre-British India.

The initial conditions of present day India and other underdeveloped countries are invariably seen to be more unfavourable in the following respects: (1) lower per capita income; (2) lower savings or surplus or investible capital in the economy (this results from the first factor which is itself the result of low savings and other factors enumerated below); (3) much lower availability of land per capita or underemployment in agriculture; (4) lower productivity in agriculture, also leading to lower marketable agricultural surplus for the urban areas; (5) greater dependence on agriculture; (6) high population density and high rate of population growth; (7) lower level of means of communication and therefore lower level of internal trade; (8) low level of market or ‘money’ economy or monetised sector; (9) poor availability of credit and financial institutions; (10) low level of economic performance; (11) low cultural level of the people expressed in lower level of skill, lower literacy rates, etc., leading to shortage of skilled labour and technical personnel; (12) weak political structure leading to instability and insecurity on the one hand and absence of “effective interplay between the government and the interests of the population”; (13) different civilizational heritage (on the one hand, the absence of Renaissance, Protestant and secular revolutions, a capitalist spirit, and the pre-1800 development of capitalist institutions; on the other hand, the prevalence of social and economic institutions of the feudal or semi-feudal pattern); (14) social and cultural values and attitudes inimical to economic growth; (15) low level of industry and technology; (16) the colonial heritage. Ishikawa and Myrdal add a few more, and I may say more meaningful, differences: (17) a lack of basic investment in agricultural land, such as flood control, irrigation and drainage; (18) the inability of agriculture to
finance a programme of industrialization, as was the case in Meiji Japan; (19) changed conditions of world trade which restrict overseas market for the exports of underdeveloped countries, leading to exchange crisis and inability to buy imports of machinery and raw materials; (20) the greater complexity of techniques and technologies requiring highly sophisticated engineers and scientists and plants of larger size and scale which in turn means very much higher initial capital investment which the capital starved countries find difficult to make and large sized markets for their efficient and economic functioning which are precisely lacking in poor countries; (21) absence of colonies whose markets, people and resources could be exploited.

If we see these differences in initial conditions in the light of conditions prevailing in Mughal India or early 19th century India, we will discover that most of them do not apply or that there was not much of a gap between the initial conditions of India and those of the pre-industrial state of the developed countries in Europe and of Japan; some of them explain the failure of capitalism to arise autonomously in Mughal India and the success of Britain in conquering it; some of them were changed in a ‘favourable’ direction but were utilised to impose a colonial structure; and, lastly, others arose because of the failure of colonial India to take advantage of the emerging technological forces. Thus but for the social attitudes and values, whose roles in the economic underdevelopment of India in the recent period I shall discuss later, the unfavourable initial conditions of today came into existence during the colonial era, the era in which there occurred “the onslaught of modernization from outside” and the Indian economy was integrated into the world capitalist economy. I may make it clear that the intention here is not to rake up the past, to be able ‘to blame’ imperialism, to provide alibis to the internal factors and forces that have held back development, nor to give expression to psychological anti-westernism of which the leaders, scholars and citizens of underdeveloped countries are so often suspected. The aim is to understand our past and present, to use history to shed light on the present. Moreover, the entire question of the character of underdevelopment (the initial conditions) and its historical roots has crucial implications for the
strategy of development which is of contemporary importance.

The modified initial conditions approach does not, of course, tell us how these differences have come about, i.e., about the process of evolution of the traditional Indian economy into a colonial economy, nor what the structural dimensions of these differences are. But it does to some extent clear the field of the weeds and lead us to ask the question: why did development not occur during the last 150 years of British rule?

Except when the initial conditions are in themselves seen as the causes of underdevelopment or when the underdeveloped condition is seen as archaic, three factors apart from colonialism are often assigned a major responsibility.

Firstly, it is said that the internal social institutions, such as the caste system and joint family, and the prevailing mores, habits, beliefs, attitudes, values, and traditions inhibited growth, especially by affecting the behaviour of workers, peasants, entrepreneurs, and those in a position to save. This explanation is rather reluctantly accepted by most economists and economic historians as a sort of residual and perhaps regrettable product of their effort at historical explanation. This explanation has been found increasingly unsatisfactory in recent years. Sociologists and historians have shown that there is hardly any correlation between economic growth in India and social institutions, values and traditions. Very clearly the lack of industrial capitalist enterprise in modern times is explained by the lack of economic opportunities in the field and not by the deficiencies of the Indian capitalist class in qualities of enterprise, i.e., profit-making and risk-taking. These very qualities explain its addiction to trade and usury. But as I have shown in section II above, this class did not hesitate to shift to industry when it suited its interests. It has also gradually become clear that values and institutions have not remained static and have tended to adapt themselves to economic necessity. Sometimes, this question is also confused with that of social and political revolutions on which these institutions and values act as a definite drag.

Secondly, it is suggested that the weight of the past backwardness was so huge that modernization from outside could not make a big enough dent in it. This view seems to have
drawn new strength from Gerschenkron's theory that different countries possess different degrees of backwardness in their pre-industrial condition. Pre-British India is then said to have possessed such an extreme degree of backwardness in comparison with Japan or Russia that a very long period of preparation for the 'take-off' was needed.\textsuperscript{67} There is no historical proof of such weight of centuries.\textsuperscript{68} Even Gerschenkron has been misread here. He uses the concept of degrees of backwardness not to explain the failure of some countries to undergo industrial revolution but to explain the diversity of efforts and means or substitution of factors utilised to accomplish this end in different countries.

The third explanation relies on a theory of leakages: namely, that the positive impact of colonial modernization was there but because of its unfortunate foreign character, the exploitative mentality of the rulers, indigenous social outlook, etc., large scale leakages occurred.\textsuperscript{69} Though this explanation often prompts a critical look at colonialism, by its very nature it directs attention to techno-economic factors. However, even though its value as a theory of causation is severely limited, it does provide an intricate and fascinating method of tracing the inner workings of the colonial economy.

If these three explanations are rejected as inadequate we are left with only one other: the role of colonialism. The recognition of colonialism as a cause of underdevelopment certainly marked a major step forward in the political development of modern India as also of history as a discipline. Today, however, this recognition does not in itself contribute much to our historical grasp of the period or to the discussion of developmental policy.\textsuperscript{70} Today hardly any major writer discusses the problems of history or underdevelopment without mentioning the role of colonialism or the colonial heritage. But many of them treat it as just one of the many factors or causes and indeed seldom examine or analyse its economic impact.\textsuperscript{71} Their criticism often concentrates on the political and dominational aspects of colonialism.\textsuperscript{72}

Historians have also, therefore, to explain the role that colonialism played in India's social, political and economic evolution in general and in the evolution of underdevelopment in particular. Here again we see different approaches. A major
approach, which may be described as the liberal-radical critique—plain liberal or radical in the case of writers from the developed capitalist countries and liberal nationalist in the case of Indian writers—has existed from the beginning of the 19th century. Its proponents are quite willing to see the failure of colonialism and even to criticise it freely. But they see the failure of colonialism mainly in terms of the failure of colonial policies. Their critique basically pertains to the negative role of the colonial state as expressed in its policies. For example, the liberals criticise the role of the colonial state in preventing industrialization and in inhibiting growth. They even point to economic exploitation in very general terms. At its sharpest this critique assigns the primary responsibility for under-development to the failure and unwillingness of the colonial government to take positive steps to aid the process of internal capitalist development. More specifically, it concentrates on such matters as the British government’s imposition of free trade upon India, its failure to give tariff protection to Indian industries and to aid and encourage them through direct state support in the form of state subsidies, purchase of stores, encouragement to credit institutions, etc., and its negative policy towards irrigation. The origin of these colonial policies is seen in a lack of understanding, colour and racial prejudice, the basically foreign character of the bureaucracy and the regime itself, British devotion to laissez faire, the self-interest of the dominant classes in Britain who compelled the colonial government to follow deliberately discriminatory policies. Thus the liberals are basically critical of colonialism, they do point to colonialism as the major cause of the lack of economic development. Undoubtedly, the colonial government’s policies were anti-growth and the denial of state support, perhaps the most powerful instrument of development in almost all countries, including Britain, greatly hampered the growth of the Indian capitalist class. And this gives the liberal approach not only a degree of historical validity but also a certain worth as an analytical tool. This approach is, however, limited in its capacity to go to the heart of the matter for it does not fully explain the process of underdevelopment under British rule. It does not concentrate attention on, rather it diverts attention from, the structural changes that imperialism brought about, the new network of
institutions and factors that emerged, the obstacles to growth which were essentially the products of India's integration with world capitalism and not of government policy, which were brought about through policy but which could stand without it. It may even be suggested that the necessity to blame colonial state policy was forced upon the liberal critics because of their failure to make an analysis of colonial structure. This concentration on colonial policy is also to some extent responsible for the failure of the liberals to study the differential impact of colonialism on different classes in India and the diverse relations of different classes with each other and with imperialism. In the post-independence India it has led to another basic weakness both in research and in the prescription of policies for the present.

The liberal critique of colonialism led to the belief that once the political or state power was taken away from the foreign rulers and the full weight of the new power was thrown behind the indigenous economic effort, the colonial content of the economy would gradually disappear. The new, independent state would release, so to speak, the full forces of development and modernization that colonialism had 'arrested'. Once the new engine of growth, the state planning commission, was coupled to the old modernizing forces, i.e., contact with the 'world market forces' in general and international trade and foreign capital in particular, the road to development would be wide open even if the speed was less than that of the allegedly 'totalitarian' socialist states. This approach had also an ideological component. Popular attention need no longer be focussed on the colonial question in history or theory. The anti-imperialist ideology had, it was said, exhausted its positive creative role; it was to be replaced in toto by 'the ideology of state planning development'. The only role the former could play lay in political mobilization behind foreign policy and at times of elections; but it was no longer of any use to the intellectuals. In economics as in history all that was needed was to add the new ideology of state planning to the ideology of contemporary capitalism, the new economics and new sociology based essentially on the contemporary structure of 'world market forces', i.e., capitalism.

This liberal emphasis on the role of the state also partly
explains the abandonment by Indian scholars after 1947 of the approach towards an understanding of the structure of colonialism that was initiated so brilliantly by Dadabhai Naoroji, G.V. Joshi and R.C. Dutt, developed further by R. Palme Dutt, and was still of interest to some writers such as Jawaharlal Nehru, K.S. Shelvankar, H. Venkatasubbiah, and A.R. Desai. Since the essence of colonialism was seen as colonial state policy, colonialism was considered to be already dead on 15th August, 1947. The social scientists, some of whom had earlier, under the impact of the anti-imperialist struggle, paid some attention to the study of colonialism, could now start helping the evolution of a state policy of development by asking techno-economic questions. They were to concentrate on what Paul Baran has called ‘the study of observable facts’. They were to ignore the interconnections. The task of the modern historian was also increasingly seen as the study of the evolution of functional and dysfunctional social and economic indicators from the point of view of economic growth; for example, population growth, urbanization, stagnation or otherwise in agricultural or industrial technology, caste movements, elite evolution, etc. I am of course not suggesting that these are not legitimate or very useful subjects for study, but only that they may not, at present, because of our limited intellectual resources, constitute the basic direction of research in modern Indian history.

An interesting example of the new, post-independence outlook is provided by the first, theoretical chapter of the First Five Year Plan document. Entitled “The Problem of Development”, the chapter contains quite a few statements about changing “the socio-economic framework” or the “re-adaptations of social institutions and relationships”, but not a single word on colonialism or the inherited colonial structure of the economy and society. The only remarks regarding the recent past refer to India having suffered from “cramped”, “partial” and “limited” development. The task therefore was to develop in “many directions” through planning which political independence made possible. After this brief homage to a structural approach, the remaining part of the theoretical, guiding chapter is devoted to technical aspects of the planning process such as the question of savings and capital formation. The
active overthrow or smashing of the colonial structure, or the
delinking of the colonial economy from that of the metropolis
does not figure anywhere in the Plan document. On the contrary,
foreign capital is assigned an important role in the process of
capital formation and development.\textsuperscript{84} True there is a warning
against the danger posed by foreign assistance, but the danger
is only to "the country's ability to take an independent line in
international affairs,"\textsuperscript{85} i.e., it is a political danger. There is
thus a complete unawareness of the role that foreign capital has
played in the structuring of a colonial economy. A plea for
welcoming "a free flow of foreign (equity) capital" therefore
follows. Lastly, the document emphasises the decisive role of
the state in economic development.\textsuperscript{86}

Colonialism was, however, something much more than politi-
cal control or colonial policy. The colonial state was undoubted-
ly a part of the colonial system; it was the instrument through
which the system was best enforced; and colonial policies helped
evolve and maintain the colonial structure. But the colonial
state and colonial policies did not constitute the essence of colo-
nialism. Colonialism was the complete but complex integration
and enmeshing of India's economy and society with world capi-
talism carried out by stages over a period lasting nearly two
centuries. The essence of India's underdevelopment, therefore,
lay not in colonial policies but in the nature of its 'contacts'
with the world capitalist economy through trade and capital.
Colonial policy was responsible not for limiting India's contacts
with the 'world market forces,' but for making it a full though
unequal member of the 'international economy'.

Consequently, political independence did not automatically
lead to a new stage of the economy. It could merely create the
political conditions for the adoption of new state policies which
could now be designed to shatter or disintegrate the colonial
structure. But this shattering or restructuring of the colonial
economy and society had to be a conscious task, to be under-
taken actively, and to be struggled for on the basis of a full
grasp of the mechanism of colonialism as it had operated in
India and in other parts of the world.

This was, and still is, the challenge that faces the historians
of modern India. We have yet to trace the deep roots of the
underdevelopment of our economic, social, political, administra-
tive, cultural and intellectual structure in the colonial period, to trace the evolution of the multifarious channels and ties through which India was integrated into world capitalism.

Reverting to colonial policies, I may point out that it is only when they are seen as a prop of the colonial structure that they are studied adequately. The tendency to apportion individual blame or praise to the cogs in the machinery, except within the very narrow limits of their individual sphere, tends then to disappear. Nor does the researcher’s task get limited to evaluating from writings, speeches, official records, or private papers the motives and ideologies of the statesmen and administrators involved. Colonial policy, administration, and administrators are then seen as both bolstering the colonial structure and being limited by its parameters. Within these parameters prevails a variety of policies designed and operated by men who are all too human and as capable of rising to great heights as falling down to the lower depths.

IV

In the end, I would like to suggest that the study of colonialism would be helped if it was seen as a distinct historical stage or period in the modern historical development of India which intervenes between the traditional, pre-British society and economy and the modern capitalist or socialist society and economy. It is not a mere adaptation or distortion of the old, nor a partially modernised society, nor a transitional state of society. It is also not an unhappy and badly mixed amalgam of positive and negative features. It is a well-structured ‘whole’, a distinct social formation (system) or sub-formation (sub-system) in which the basic control of the economy and society is in the hands of a foreign capitalist class which functions in the colony (or semi-colony) through a dependent and subservient economic, social, political, and intellectual structure whose forms can vary with the changing conditions of the historical development of capitalism as a world-wide system.

I may reiterate here that the British rule did shatter the economic and political basis of the old society. It dissolved the old
pre-capitalist mode of production;\textsuperscript{91} but a new capitalist system did not follow; instead a new colonial mode of production came into being. For example, the land tenure systems introduced after 1793 completely overturned the old agrarian relations. The new agrarian structure that was evolved to suit the needs of colonialism and under the impact of economic forces released by it was undoubtedly semi-feudal but it was nevertheless new; it was not the perpetuation of the old.\textsuperscript{92} In fact, throughout the Indian social structure, new relations and new classes—a new internal class structure—were evolved which were the product of, and fully integrated with, colonialism. The confusion partly arises from the complexity of the historical situation. World capitalism is a single system and colonialism is a basic constituent of this system. Yet colonialism has distinct characteristics of its own. We have, therefore, to view the same system of imperialism-colonialism in the form of two separate entities, one in the colony and the other in the metropolis.

It is from this, the colonial, stage that India had to begin after 1947 its process of transition to a new social system. In other words, the task of the post-independence era was not to complete the transition begun in the colonial era but to make a transition from the colonial system or stage to a new system or stage of history. Any transitional stage is something different from the stage that precedes as well as the stage that succeeds. At the same time it is also the essence of a transitional stage that it is pulled in both directions, that it can either go forward to a new stage or go back in all essential characteristics to the old one. The recognition of colonialism as a distinct social formation would not only enable the historians of modern India to draw up a better ‘structural model’ for their researches, but also enable them, by analysing the evolution of the basic characteristics of colonialism, to contribute to the prevention of the slide back.

Thus, the choice between the approach outlined above and the approach that sees modern Indian history in terms of the bipolarities of tradition—modernity, pre-capitalist-capitalist, or pre-industrial-industrial—is significant from both points of view—the study of the past and the making of the present. The vague and undifferentiated concept of modernization hardly serves a useful purpose in the study of history. On the other
hand, just as during the 19th century modernization stood for development of industrial capitalism in Britain and development of colonialism and underdevelopment in India, so also modernization today could stand for socialism, or an underdeveloped capitalism which is constantly threatened by the back-sliding transition, or 'neo-colonialism'. In contrast, if our past economic relationship with world capitalism represented 'guided underdevelopment' then the way out does not lie in integration with the same world capitalism but in the effort to break 'the vicious circle' by opting out of its sphere of influence. But then I have already encroached far into the domain of the political scientists.

NOTES

1 An answer to this question is also vital for the particular path that we may choose for economic development. Today it is also often accepted that the structural basis of our society has to be changed, that some of the economic, political and social institutions have to be transformed. But the disputed crucial question here is: which ones?

2 See section III below.

3 And for that very reason Mughal India, the real traditional India, was very different from the underdeveloped India of today. What are regarded as present day's 'traditional' Indian economy, polity, society, culture, and intellectual life are really the modern colonial economy, etc. As a recent writer has put it: 'To speak of the traditional feudal structure of India is to confuse recent history with past history.' Joseph R. Gusfield, "Tradition and Modernity: Misplaced polarities in the study of social change." American Journal of Sociology, Jan. 1967, p. 353.


6 See 'British and Indian Ideas of Indian Economic Development, 1858-1905", in this volume.

7 In this respect, it is impermissible to postulate the continuation of the old order even for heuristic purposes. Capitalism was a world-wide
system because of its very nature. On the one hand, it must expand its markets to ever wider frontiers, on the other hand, it gave the pre-capitalist societies only one of the two choices: namely, to become capitalist or be absorbed in the capitalist system as colonies or semicolonies. Hence the historical question never was what would have happened if India had retained the old order. The rise of capitalism closed that option not only to India but also to all other countries. India had to become an independent capitalist country a la Russia or Japan or a colonial component of world capitalism. Witness the fate of the other contemporaneous mighty empires, China and Turkey. Witness also the fate of the independent ex-colonies of Spain and Portugal in Latin America.

8In 1949 China had about 14,000 miles in contrast to India's over 40,000 miles of railways, one of the chief instruments and indicators of the level of colonial integration as also of 'modernization' in the modern period.

9See, Bipan Chandra, The Rise and Growth of Economic Nationalism in India, 1966, in particular chap. XV.

10India Today, 1949.

11The national movement, for example, derives its raison d'être, its causation and driving force, as well as its objective historical legitimacy from the colonial process and its impact on society. This is one reason why those who deny the objective existence of colonialism as a basic economic structure—as distinguished from its political and racial dominalional aspects—tend to view the national movement primarily as originating in the needs of the indigenous elites. The tradition is of course as old as John Strachey, India, 1893, and V. Chiriol, Indian Unrest, 1910, and its ideological basis continues to be the same: the view that British rulers, with all their limitations as foreigners, introduced a process of modernization and development rather than that of economic domination and underdevelopment which gradually produced a basic contradiction between the development of Indian people and the colonial structure.

12Even the foundations of the Indian textile industry were laid during the depression of 1873-96 when the fall in the exchange value of the rupee weakened the competitive position of British goods in the Indian market, made capital imports more difficult, and strengthened links with the backward Far East.

13This connection between industrial development and the weakening of imperial economic ties during the two world wars was clearly seen by G. E. Hubbard in Eastern Industrialisation and its Effect on the West, 1938, R. Palme Dutt, Kate L. Mitchell, Industrialization of the Western Pacific, 1942, and N.S.R. Sastry, A Statistical Study of India's Development, 1947. Mitchell (p. 7), Sastry (p. 5), and Furnivall (p. 318) also saw the connection between development and the Depression. More recently, A. Gunder Frank has put it in the form of a clear-cut hypothesis. See, 'The Development of Underdevelopment',

The First World War period is taken to include the years from 1914-21 since the impact of the war on Indian industry was felt till then. Moreover the British economy and capital also took some time to recover from the war.

P. Ray, India's Foreign Trade since 1870, 1934, p. 116.

For cotton, see Sastry, p. 174.

Japan, which was not hampered by any such constraint, rapidly mopped up India's war time demand.


Though the recovery hardly exceeded the pre-war figures of India. P. Ray, pp 116 & 126.

A.K Banerji has calculated that the net inflow of foreign capital to India amounted to Rs. 37 crores in 1921, Rs. 55.3 crores in 1922, and Rs. 38.7 crores in 1923. After 1923, however, the amount tapered off to Rs. 6.7 crores in 1924 and Rs. 4.1 crores in 1925. By the indirect method of calculation, based on the study of balance of payments, these amounts appear to be even greater: Rs. 87.47 crores in 1921, Rs. 63.50 crores in 1922, Rs. 9.36 crores in 1923 and Rs. 40.37 crores in 1924. A.K. Banerji, India's Balance of Payments, 1963, pp. 195 & 200.

V. Anstey, Introduction.

If the base is taken as 100 in 1914, the index figures were as follows:

New capital issues in British India

<table>
<thead>
<tr>
<th>Year</th>
<th>1914</th>
<th>1921</th>
<th>1922</th>
<th>1923</th>
<th>1924</th>
<th>1925</th>
<th>1926</th>
<th>1927</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>221</td>
<td>121</td>
<td>51</td>
<td>40</td>
<td>31</td>
<td>45</td>
<td>29</td>
<td></td>
</tr>
</tbody>
</table>

Statist, 6 August 1927, quoted in R.P. Dutt, p. 148.

To quote Vera Anstey (writing in 1929): the boom of 1919-21 developed 'into a crisis, which was followed by a crash and violent depression... The period since about 1922-23 has been one of industrial retrenchment and reorganization..." (p. 220).


The net profits of Bombay mills "fell from Rs. 388 lakhs in 1922 to Rs. 33 lakhs in 1923 and became a loss of Rs. 92 lakhs in 1924 and 134 lakhs in 1925." V. Anstey, p. 267.

It paid no dividends during 1922-23 and 1923-24 and by 1925 its 100-rupee share had fallen to 10 rupees. Ibid., p. 245; R.P. Dutt, p. 149.

G. E. Hubbard, p. 254.

According to the two estimates of A.K. Banerji, from 1929 to 1931 the net inflow of foreign capital was Rs. 19.46 crores and 44.92 crores, respectively, and from 1931 to 1938 there was net outflow of Rs. 30.35 crores: and Rs. 23.37 crores, respectively. (p. 200).

The weakening of the world position of British imperialism also facilitated the grant of this concession. Many of the Indian industries
were no longer competing with British products but with the products from Japan, Germany, Dutch, Indonesia, etc. The British position was safeguarded through Imperial Preferences.

30 For cotton textiles and sugar, see Sastry, pp. 174-75.
31 For fall in the consumption of piece-goods, sugar and kerosene, see Subramanian and Homfray, p. 78.
32 Thus, Indian capital's share of the labour force employed in sugar was 89 per cent, and nearly 90 per cent in cement. In paper Indian share of the total product was 66 per cent. M. Kidron, *Foreign Investments in India*, 1965, p. 42.
33 Subramanian and Homfray, pp. 56, 60 & 61.
34 This was the case with jute, tea and coal. The contrasting fate of pig iron and steel is of interest. Steel production based on the home market went up, while the production of pig iron, nearly 40 per cent of which was exported before the Depression, went down and stagnated.
35 It may however be noted that the rate of growth was on the whole not higher either.
36 The Government purchase of indigenous goods increased from Rs. 5.6 crores in 1938 to Rs. 21.1 crores in 1939, Rs. 78.8 crores in 1940, Rs. 196 crores in 1941, Rs. 247.8 crores in 1942, Rs. 133.4 crores in 1943 and Rs. 145.8 crores in 1944. Ibid., p. 79.
37 Ibid., p. 67 and R. P. Dutt, p. 172.
38 While in 1914 foreign banks had held 70 per cent of all deposits and in 1937 nearly 57 per cent, by 1947 their share had dropped to 17 per cent. Kidron, p. 42.
40 Kidron, p. 66.
42 Kidron, p. 65.
44 Even the foreign loans were to be taken only if they did not lead to 'foreign influence' or, what is of greater interest here, 'interference of foreign vested interests.' pp. 46 & 48.
45 This was, moreover, no exceptional phenomenon. It occurred all over the colonial world—in China, Indonesia, Burma, Latin America—as the studies of Kate Mitchell, J.S. Furnivall, and A. Gunder Frank clearly bring out.
46 Thus the number of workers finding employment in modern factories was only 1,340,675 in 1931 and 2,522,753 in 1944. Subramanian and Homfray, p. 30.
47 In fact the de-industrialization of India and the deepening of its structural underdevelopment continued in spite of these three periods of industrial spurs. Thus the percentage of the total population of the present Indian Union engaged in agriculture increased from 67.58 in


50See for example, Myrdal, pp. 674-76, 679, 703-04. Also see Ishikawa, p. 4 (f.n.).

51Thus Myrdal writes that, "as scholars like Simon Kuznets have shown", in making comparative analysis of development the 'possible and valuable' generalizations that research can look for are "the changing importance of different sectors or the changing distribution of income by size, occupation, and region, or into sectoral savings, investment, capital/output ratios, population trends, urbanization, and so on." But precisely for this reason, he says, this approach yields "no all-embracing explanations; only limited insights." pp. 1856-57. He condemns both Rostow, the anti-Marxist, and the Marxists for looking for such all-embracing, i.e., structural explanations. See pp. 1847ff, and p. 674. Also see Kuznets I, p. 177.

52One expression of this view is Nurkse's often quoted phrase: "A country is poor because it is poor". p. 4.


as Habib points out, so long as productivity per worker was high due to abundance of fertile land, productivity per acre is not of much importance as an initial condition; also see Voelcker, *Report on the Improvement of Indian Agriculture*, 1891, quoted in R.P. Dutt, pp. 206-07; re-marketable surplus, it may be noted that during the 19th century India was an exporter of food and agricultural raw materials. For (5), see Habib, p. 41; S. Chandra, p. 2; as late as 1891, after a long period of deindustrialization, only 61.1 per cent of the population was dependent on agriculture (6) does not apply at all. For (7), re-internal trade, see R.K. Mukerjee, pp. 117-19, Habib, p.59; re-roads, T. Morison, *The Economic Transition in India*, 1911, pp. 22-23. For (8), see Habib; pp. 8, 11 & 12, 68. For (9), see Habib, pp. 61-63. For (10), see Habib; R.C. Dutt, *The Economic History of India*, Vol. I, 1956 reprint, chaps. XII XIII; Anstey, p 5; T. Raychaudhuri in *The Indian Economy in the Nineteenth Century. A Symposium*, by him and others, pp. 79ff.; Benjamin Higgins, “Western Enterprise and the Economic Development of Southeast Asia” *Pacific Affairs*, March 1958, Vol 31, No. 1, p. 76. For (11), re-skill, see V.V. Bhatt, *Aspects of Economic Change and Policy in India*, 1800-1960, pp. 14-18; Karl Marx, *On Colonialism*, 2nd impression, p. 87; *Industrial Commission Report 1918*, p. 6; re-general level of culture, see Malcolm and Munro, quoted in R.C. Dutt, Vol. I, pp. 259-60; also see Myrdal, p. 695. For (12), see Habib, p. 58, S. Chandra, p 1. Re-(15) India was certainly backward in science and technology but was not stagnant: Habib, *Technological Changes and Society*, 1969; it was not so very backward in industry and organization either: Myrdal, pp. 453-54; S. Chandra, pp. 3-4: Higgins, p. 76. Re-(16), it may be noted that agriculture yielded enough surplus for the British to finance all their wars of expansion in India from 1756; it also maintained the costliest military machine and civil bureaucracy in the world throughout the 19th century; it also bore the cost of railway construction and other measures of 'modernization'. Re-(19), India had a large foreign trade and a huge export (commodity) surplus in the pre-British period as also during the 19th century.

69 Applies to initial conditions numbers 13 and 15.

68 Applies to 12, 13, 18, 19.

67 In this special sense, this applies to 10, 15, 17 and 20 (this last aspect has been very well explained by Ishikawa (pp. 23, 359, 369-70 & 384-85) and Myrdal (pp. 692-95).

66 Myrdal, p. 704.

65 In fact some of the initial conditions continued to be favourable throughout the 19th century when the colonial modernization was occurring; it was only after 1918 by which date the structuring of India as a colony had been completed that the negative initial conditions emerged fully.

63 See, for example, J. Viner, p. 31; Kuznets I, p. 182; Leibenstein, p. 31. Also see M.N. Srinivas, *Social Change in Modern India*, 1966, p. 51.

62 Though it does direct us to study this process and not to take the differences for granted.

61 See Anstey, pp. 2 ff., 475-76; Buchanan, Chap. II; D.R. Gadgil, *Economic Policy and Development*, 1955, pp. 153-55; N.V. Sovani, "Non-


*Also see* Kidron, pp. 41-42. For pre-British entrepreneurial energy, see works cited in fn. 55(2) above. For a burst of this energy in late 18th and early 19th century, see N.C. Sinha, pp. 23 ff. For a general discussion of the subject, see Paul Baran, pp. 278-81.

*An example may be given. An attitude of passive acceptance of the social and personal condition and of fatalism on the part of the common people is a negative factor in the struggle on the colonial and social questions; but it is most conducive to the growth of capitalism or the march of colonial modernity. In the heyday of the age of science, reason, and enlightenment (and Utilitarianism), it was actively encouraged among the workers by the early British factory owners with the aid of the clergy and the Church of England.*


*My entire discussion of the initial conditions of pre-Mughal India seeks to show this. The one dead weight of the centuries was perhaps the 'feudal' structure of the social relations of production and the state power; both of them were shattered by Britian. The new ruling class of India was bourgeois, and very modern, in character. Also see, T. Raychaudhuri, “A Re-interpretation of Nineteenth Century Indian Economic History”, in the work cited above in fn. 67, pp. 79-88.*

*This is also a 'residual' explanation. Meier, in Agarwal and Singh, pp. 67-7; Berrill, pp. 24 ff.; E.A.G. Robinson in Berrill, p. 218. Because of the encyclopaedic character of his work and because of his eclecticism in permitting all sorts of historical theories and explanations to filter through to his work, it is hard to say where Myrdal occupies his main ground. But I have a feeling that in the end he would be found among the proponents of the leakage theory.*

*I am of course ignoring the school of celebrators of imperialism in
whose individual intellectual development such a recognition can still play a useful role.

77 See, for example, Kuznets, I, p. 182; Kuznets II, pp. 141 & 151-52; Ishikawa, p. 364.

78 See, for example, Leibenstein, p. 103; Kuznets, pp. 182-83.

79 Its early proponents were men like James Mill, John Bright, W.S. Caine, A.O. Hume, Henry Cotton, and A.K. Connell.


81 In India, the beginning can be said to have been made by Ranade and his followers. See Bipan Chandra, pp. 112 ff, and Chapter XIV. This was almost the entire brunt of nationalist academic writing before 1947. For two recent statements of this view, see V.V. Bhatt, pp. 2-6, 36 ff., 58-60 & 70, and T. Raychaudhuri, "The Indian Economy (1905-1947)", in R.C. Majumdar (ed.), Struggle for Freedom, 1969, p. 866.

82 Buchanan, Chap. XIX. See Myint, pp. 108-09 (he does not of course accept the view.)

83 For a precocious critique of the liberal approach—i.e., of viewing colonialism as colonial policy and role of the state—by Dadabhai Naoroji, see Bipan Chandra, pp. 699, 703-06. For a brilliant failure in basic analysis because of the liberal approach, see Furnivall, Colonial Policy and Practice, which still remains one of the most perceptive works in the field. In the case of Indian writers, the difficulty has also related to their attitude towards capitalism and to the interests of the capitalist class itself. The basically capitalist character of colonialism could be criticised only by socialists. The others therefore concentrated on colonial policy which could delink anti-imperialism in India from any criticism of capitalism as a system.

84 The task was made easier by the fact that the new Keynesian economics also assigned a pivotal role in the economic process to the state.

85 The early nationalists too started with quantitative analysis, went on to discuss first the motives of the rulers and then their policies, and only near the end began to ask questions regarding the structure on which these policies were based. They were led to ask 'structural' or basic questions because they had to determine and define their attitude towards the path of development that the Indian economy was following, i.e., the colonial structuring of the economy. See Bipan Chandra, Chap. XV.

86 The beginning of this abandonment had been made in the colonial era itself, starting with the doyen of Indian academic economists and economic historians, V.G. Kale. Its sources were two. Firstly, because of their deep involvement with the colonial academic structure, they, on the one hand, found it difficult to make a fundamental critique of colonialism, and, on the other, for their academic esteem or 'standing' had
to win the intellectual esteem of their peers in the metropolis and consequently to work within the four walls of the academic ideology and tradition prevailing in the metropolis. In other words they remained, in spite of their nationalism, intellectual satellites of the metropolitan intellectual world. The contradiction between nationalism and their academic ideology and considerations of ‘safety’ could be resolved by seeing and criticising colonialism as colonial policy. They could also thus join hands with the liberal—labour critics of colonialism in Britain. The second reason, i.e., their failure to see beyond capitalism, has already been discussed in fn. 77 above. I may also point out that all the four later writers mentioned above were at the time of writing outside the colonial academic establishment and were committed to socialism. To my knowledge, the only academic effort to try to understand colonialism as a structure was made by B.N. Ganguli in 1958. See his article, “India—A Colonial Economy (1757-1947)”, Enquiry, old series, No. 1.


82 Ibid., p. 7.

83 Ibid., pp. 9-12. According to the document, the following were the important developments to occur in the Indian economy in the colonial era, leading to the ‘limited’ development: “the impact of modern industrialism” on “the traditional patterns of economic life” leading to the ruin of handicrafts and the consequent pressure on land; decline in productivity per person in agriculture; “the growth of an attitude of pathetic contentment on the part of the people”; diversion of economic surplus to the purchase of imports and the construction of railways “designed primarily in the interests of foreign commerce”; very limited development of industry, increase in capital formation in the period of the depression due to a more positive policy on the part of the Government” and a change in the terms of trade in favour of manufacturers and against agriculturists; and deterioration of agriculture. Ibid., pp. 28-29.

84 Ibid., pp. 26, 473-78.


86 Ibid., pp. 31-32.

87 The concept of transitional economy (see D.R. Gadgil, Industrial Evolution of India, pp. 1-2; T. Morison, The Economic Transition of India; Anstey, Introduction and Chap. XVII) does not answer the question transition to what? The implication is, however, clear that colonial India would have developed into a ‘modern’ or industrial capitalist economy in its normal or ‘natural’ development, that is, without a sharp break with colonialism. Certain schools of modern economics, political science, and sociology fall into this error as the very result of their definition of the problem. In their models only two social systems exist—traditional and modern. Consequently the colonial era is seen either as a period of tradition or as a period of transition to modernity or in a few extreme cases of modernity itself.

88 Nor is it that the positive role belongs to one period and the
negative to another. It was producing underdevelopment from the beginning.

This quality of colonialism also makes it impossible to disintegrate it without active struggle. A shift in political power does help this struggle, this shift does not by itself lead to this disintegration.

This point deserves to be stressed. The virtual absence of industrial capitalism or a ‘zero rate of growth’ in industry are not basic to modern colonialism. The traditional syndrome of raw-material exports and manufactured-goods imports also does not exhaust the definition of colonialism. Even the investment of metropolitan capital need not be massive. The essence of colonialism lies in the subordination of the colonial economy to the economy of the imperialist part of the world and in the latter’s ability to determine the basic trends in the former. For this reason, in the modern times, colonialism can be imposed not only on the industrially backward or semi-feudal countries but also on the developed or the developing capitalist countries.

This was noted first by Karl Marx in 1853. He wrote: “England has broken down the entire framework of Indian society .... (This) separates Hindustan, ruled by Britain, from all its ancient traditions, and from the whole of its past history.” (p. 34). He declared that the British had produced the greatest “social revolution” in Indian history (pp. 38-39). Also see p. 84.

See S. J. Patel, “Agricultural Labourers in Modern India and Pakistan”, in Essays on Economic Transition; Ramakrishna Mukherjee, The Dynamics of a Rural Society, 1957, Chap. I. Marx noted this in 1853, p. 80.
Reinterpretation of Nineteenth Century Indian Economic History

It is axiomatic that a proper interpretation of the economic history of India during the nineteenth century is important both for historical and contemporary reasons. It is very important to understand the nature of India’s economic backwardness and of its lag vis-a-vis developed countries and the causes of this backwardness and this lag because the nature of the economic and political remedies to be applied depends on this understanding. Every set of economic policies competing for acceptance today is based on its own broad set of ideas regarding the nature of British impact on India and the nature of structural weaknesses which emerged as a result of interaction between the indigenous socio-economic structure and British imperialism. Academically, the history of nineteenth century India is just beginning to be investigated on a large scale. The types of hypotheses with which research is carried on and the types of questions asked will have an abiding impact on the fruitfulness of the harvest. I have taken up Dr. Morris’s interpretation¹ for detailed discussion because he has summed up in

Published in Indian Economic and Social History Review, March 1968.

*My thanks are due to Dr. Irfan Habib, Mrs. Saira Habib, Dr. Bernard C. Cohn, Dr. Martin D. Lewis, Dr. C.H. Hanumantha Rao, and Dr. S.A. Shah for their comments on an earlier draft of the article. Responsibility for any error in facts or interpretation is, of course, entirely mine.
one place and at a high level of generalization and cogency one of the two sets of ideas on the subject.

I

In a detailed critique of an author, it may not be far wrong to start with the title of his work. How far is Morris D. Morris moving towards a new interpretation or reinterpretation?

Throughout the second half of the nineteenth century and the first of the twentieth a debate has gone on between two opposing schools of economists and economic historians on the nature of the economic process India underwent under British rule. One school declared that India was growing more prosperous as well as undergoing economic development as a by-product of pax Britannica (ending 'a long anarchy'), law and order, an efficient administration run by the most honest and efficient bureaucracy in the world, development of railways, growing commerce, especially foreign commerce, increased irrigation and increase in the area of cultivation. The other school believed instead that British rule was not leading to nor had led to industrial growth, or an 'industrial revolution', or economic development, or even to the economic improvement of the lives of the mass of the people, that British rule had produced economic changes in the country without generating economic development, and that, on the other hand, the rule as a system had gradually become the main obstacle to the country's economic development and modernization whose removal was an essential, though not sufficient, condition if India was to develop.

As students of Indian economic history and of its various interpretations we would be well advised to keep the above fact in view. And when we are tempted to describe the second school as nationalist—I would prefer to call it anti-imperialist—\(^2\) we should acknowledge the existence of the first school, which may very properly be described as the imperialist school. Among the chief spokesman of the latter have been the Strachey brothers, General Chesney and Lord Curzon (and numerous other officials) and later T. Morison, G. F. Shirras,
L. C. A. Knowles, and to a lesser extent, Vera Anstey. We may not use these classifications as normative, except that in so far as we use one as a hallmark of bias so also can the other be recognized as such. Such a classification cannot prove the validity or otherwise of a basic approach. But, equally obviously, the opposite of the adjective ‘nationalist’ is not ‘objective’ but ‘imperialist’, especially as on the basic issue there can be no middle ground—one or the other is valid.

It may now be noted that Morris is not presenting a new interpretation of nineteenth century economic history, but only rearticulating with a bit more of modern economic terminology—but not much more of that either since his economic framework is that of laissez faire free enterprise—the nineteenth century imperialist approach which underlies most of British official and unofficial writing of the time. This is not, of course, to assert that what Morris says is incorrect. Certainly old theories are not to be declared false simply because they are old. But, then, they may not be accepted as new interpretations either.

In fact, one is surprised at Morris shying away from acknowledging his intellectual debt to, or the existence of, his predecessors in the interpretation. In the very beginning he states that there have been two sets of economic writers: “Indian writers typically stress the exploitative features of British rule as the cause of nineteenth century decay. Western scholars, to the extent that they do not accept the ‘exploitative thesis,’ attribute the failure of the Indian economy to respond to the warming influences of the Industrial Revolution, to the society’s ‘other-worldliness,’ to its lack of enterprise, and to the caste-exclusiveness of groups within the society.” (p. 607). But as a student of British economic and administrative writing on India soon notices, this second has always been a minor, and a more defensive posture—a posture of retreat one might say. The major posture, especially in the nineteenth century, has been that of quiet confidence in the beneficent results of the British raj, with the existing low level of production and standard of living explained by the still lower level from which the British rule had to start.

Secondly, Morris has not so much refuted the anti-imperialist school as caricatured it and poured ridicule over it, often
dismissing it as virtually infantile. For example, he writes that "both interpretations suffer from internal contradictions which become quickly apparent when exposed to the touchstone of the simplest economic tools," and that "neither of these interpretations has any substantial support, because there has been no solid research on which to base the conclusions" (p. 608). Now, apart from the fact that Morris’s examples of application of such simple tools land him into making statements which make us suspicious of the applicability of such tools or even their existence, or that his refutation of the basic anti-imperialist thesis does not stand up to a critical examination, I would stress at the very beginning that the issues that the anti-imperialist writers raised were far too basic and deeply thought out to be so simply dismissed or characterized. This is not the place to go into their basic approach at length, but it may be pointed out that the main issue they raised was not that of per capita income or destruction of handicrafts but of economic development. The main questions they asked were whether British rule after 1858 was inimical or favourable to economic development, and whether the economic structure the British raj helped evolve was favourable to development or not. When they found that India was not successfully following the road to industrialism, they asked why not, what factors were holding back the progress, and what was the role of British imperialism in it all. Only after subjecting the structure of Indian economy and the British role in its formation and maintenance to a thorough examination did they brand the period of British rule as one of exploitation and decay and frustration. They never criticised it for not maintaining and continuing the old, but always because the new, i.e., modern economic development, was frustrated. In fact they raised precisely those issues which Western ‘growth’ economists began to raise after World War II. Furthermore, only some of the latter have just begun to reach the vantage position of the former—the capacity to link and integrate economic ideas to the socio-political environment and to look at all aspects of the economy simultaneously so as to form an integrated and interrelated picture of it. In the end these writers became anti-imperialist. They came to believe that British rule must go before the industrialization of the country could be accomplished. In the course of their analysis, they made full
use of contemporary economic theories from those of Mill, List and Carey to later those of Marx, Marshall, and Keynes. Also they tried to utilise the experience of contemporary developing societies, not only of Britain, France, Germany, and U. S. A., but also of Japan and later of the Soviet Union.

Interestingly Morris also accepts in the end this basic criterion of structural analysis for he writes: "In recent years, economists have been so preoccupied with output as a measure of the tempo of economic development that they have neglected the structural changes through which an economy must go—changes which may initially appear to be accompanied by stagnating output." (p. 618 fn.). But he has forgotten this injunction in his treatment of the reinterpretation of nineteenth century economic history for he does not discuss any aspect of economic structure as it developed during the nineteenth century or the relationship of the structural changes to the processes of actual economic development. He has not taken up basic questions like the structure of agrarian relations or even methods of production in agriculture, the structure of the capitalist class or of the saving and investing classes or their pattern of savings and investment, the machine or capital goods or technological basis of the industrial effort, the relation between foreign capital and indigenous capital, the structure of the indigenous market or demand, the structure of social overheads (means of transport, education, technical know-how, etc.) and their relation to Indian economic life, the pattern of India's involvement with the world economy, and so on. The only major economic question he tackles is that of per capita income growth or physical unilinear movement of national product (precisely the question he declared in the above quotation to be less meaningful if not entirely meaningless) and then, relying on 'simple economic tools', assumes that law and order, peace, the establishment of the liberal state, development of transport, at least to the extent of linking India with the world market, and growth of commerce, would take care of the question of economic development. I am afraid that the questions of structural change and economic development are far more complex than that.

That Morris does not perhaps fully understand what is involved in the traditional debate between the imperialist and the
non-imperialist schools is also brought out by his belief that the
anti-imperialists believed in a crude theory of the disintegration
and decay of the Indian economy in the nineteenth century.
He quotes Marx with approval on the question. One does not
know what he hopes to prove by this quotation. For Marx not
only said that “bourgeois industry and commerce create these
material conditions of a new world,” but also, and in the same
article, that

All the English bourgeoisie may be forced to do will
neither emancipate nor materially mend the social condition
of the people, depending not only on the development of
the productive powers, but on their appropriation by the
people.... The Indians will not reap the fruits of the new
elements of society scattered among them by the British
bourgeoisie, till in Great Britain itself the now ruling classes
shall have been supplanted by the industrial proletariat, or
till the Hindus themselves shall have grown strong enough
to throw off the English yoke altogether.

The important point here is that most of the major anti-
imperialist writers would agree with Marx. They all, without
exception, accept that the English introduced some structural
changes and nearly all of them welcome these changes as the
entry of the progressive wind from the West. In fact, they all
bend over backwards in stressing the ‘constructive’ role of
British rule. Their criticism was never merely or even mainly
that the traditional social order was disintegrated by British
rule but that the structuring and construction of the new was
delayed, frustrated, and obstructed. From R. C. Dutt, Dadabhai
Naoroji and Ranade down to Jawaharlal Nehru and R. P. Dutt,
the anti-imperialist writers have not used the words “economic
decay” to mean decay of handicrafts but to signify the arrested
nature of India’s industrialization and modernization. None of
them have really condemned the destruction of the pre-British
economic structure, except nostalgically and out of the sort of
sympathy that any decent man would have, that, for example,
Marx showed for the ‘poor Hindu’s’ loss of the old world. Even
the first generation nationalist writers rejected the classical
economic or laissez faire approach not because it was relentless
in its modernity in promoting the disintegration of the old order, but because its application in India tended to perpetuate "the old legacies and inherited weaknesses" and "the ancient bondage of feudalism and status." In fact, their main fire was always concentrated on the present—present poverty, present lack of industry, present remedies—not on the past. Even their criticism of the destruction of old industries was made to point out the neglect of Indian interests in the past so that the present interests might be looked after better. And what was their criticism of the ruin of Indian industries? That the old industries were not helped to make a smoother transition to new patterns of industrialization—an entirely sound proposition by any economic criterion.

One more general remark before we take up Morris's new interpretation issue by issue.

The basic question before the economic historians of modern India is: why was India in 1947 so backward, so far away from economic development or the "take-off"? Why was the economic distance between India and Britain widened between, say, 1818 and 1947 instead of being narrowed down? Why did the Indian economy not generate economic development when U. S. A., France, Germany, Canada, Italy, Russia, and even Japan did? This gives rise to questions in which nearly all the major anti-imperialist writers were basically interested: what is the relationship of British policies, British Indian administrative and political structure, and the British impact on the Indian socio-economic structure to the problem of economic development? Morris does not answer any of these three questions in an all-sided manner. And in fact in terms of Morris's new analysis, the absence of economic development becomes even more difficult to comprehend. According to him, (a) India had "a framework of the nineteenth century liberal nation state", (an advantage which Russia, Japan, Germany, and half the time France did not have); (b) a government whose "general object... was the welfare of the society" (I wonder whether that could be said of Russia or Japan or even any other government!); a social structure which did not hamper economic development (see his work on Bombay labour and f. n. 17, p. 610); plenty of surplus land (his own analysis); no over-population (according to him war, famine, and 'anarchy' had kept down India's
population till the British raj came. And during the nineteenth century it grew at a very slow rate); a rising per capita income including rising per capita agricultural and industrial output (his own view) out of which there should have been no difficulty in getting savings (at least he has not even hinted at any such difficulty); a huge export surplus at the level of commodities and bullion; law and order; an administration of “a high degree of stability, standardization, and efficiency” (p. 611); a “fairly substantial system of road and rail transport” (p. 611); rational taxation and commercial regulations (p. 611); and we may add ‘the guiding’ hand of the most advanced country of the world. In fact early nationalist writers started with similar assumptions but they soon came up against the facts of life. They gradually traced the economic and political physiognomy of the raj and then began to say that British policies were imperialistic (exploitative and anti-industry), British administration was inimical to growth tendencies (civil service, financial administration, lack of state support), there was foreign expropriation of national savings and capital, and economic structure in agriculture (high taxation, landlordism, money-lending, restriction of national market) and in industry (domination by foreign capital, absence of machine industry, virtual absence of social overheads) hampered economic development. This is the political economy of the anti-imperialist school and not “a crude theory of disintegration” (p. 607, f.n. 5) or “the theory of infinite and increasing misery” (p. 608, f.n. 7). On the other hand, contemporary defenders of the raj, the Stracheys and others, emphasized the benefits arising out of the end of anarchy, the benefits of law and order and justice, efficient administration, benevolence of the raj, pax Britannica, growth of trade, construction of the railways, and growth in area under cultivation. They then claimed that progress had occurred, that Indians were better off than Europeans or even Englishmen. They firmly rejected the ‘arrested growth’ thesis. But faced with the evidence of the extreme poverty of the land, they blamed it on India’s size, pre-British backwardness, Indian people’s proliferating proclivities, their social organization and customs and habits, the climate and weather (gamble on the monsoons), and the lack of natural resources. Some of them also put some blame on British democracy’s addiction to laissez faire doctrines.
Morris tends to ignore the basic question but when pressed for some explanation basically falls back upon the pre-twentieth century imperialist explanations and treatment.

II

What are the basic factors in the economic development of India in the nineteenth century? Firstly, says Morris, the rate of growth of population was not high and therefore "the economy was not burdened by a high rate of population expansion" (p. 611). On page 608 (f.n. 7) growth of population was regarded as a sign of economic progress, on p. 611 its low rate of growth is a factor in development and prosperity. By this reasoning the seventeenth century was a period of prosperity of even a higher order since along with law and order, the population burden was even smaller. But, of course, the whole issue is brought in uselessly for it plays no role in the analysis of the economics of growth of the nineteenth century. High or low rates of population growth can affect the economy either way. It is more likely to happen in the nineteenth century demographic situation that a high rate of population growth is accompanied by a high rate of economic development while a low rate of population growth is accompanied by a low rate of economic growth. High and low rates of population growth may be similarly linked with economic stagnation or economic decline up to a point.

One might also point out in this context that this makes Morris's 'simple economic tools' appear of rather doubtful validity. On page 608, f.n. 7, he has used such a demographic theory to knock out what he calls "the theory of infinite and increasing misery." It cannot embrace, he says, "two fundamental pieces of evidence, the growth of population and the apparent lengthening of life expectancy." Now, unfortunately, we have still the 'over-population' experts who say that it is the biggest cause of poverty today and it may be conceded that there are many countries where population has increased without economic development or even expansion. The type of crude Malthusian checks Morris expects prevail in extreme situations and usually through failure of crops and famines and diseases.
In fact, one is surprised to hear that in the modern era population cannot grow at the rate of 0.4% per annum or so in a situation of economic stagnation and ‘increasing misery.’ Secondly, where is the proof of ‘apparent strengthening of life expectancy’? K. Davis gives the following table of life expectancy and death rate.\(^\text{12}\)

<table>
<thead>
<tr>
<th>Period</th>
<th>Life expectancy</th>
<th>Death rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1871-1881</td>
<td>24.6</td>
<td></td>
</tr>
<tr>
<td>1881-1891</td>
<td>25.0</td>
<td>41.3</td>
</tr>
<tr>
<td>1891-1901</td>
<td>23.8</td>
<td>44.4</td>
</tr>
<tr>
<td>1901-1911</td>
<td>22.9</td>
<td>42.6</td>
</tr>
<tr>
<td>1911-1921</td>
<td>20.1</td>
<td>48.6</td>
</tr>
<tr>
<td>1921-1931</td>
<td>26.8</td>
<td>36.3</td>
</tr>
<tr>
<td>1931-1941</td>
<td>31.8</td>
<td>31.2</td>
</tr>
</tbody>
</table>

Thus life expectancy did not lengthen till 1921, if anything it fell! Similarly, death rate fell only after 1921; infant mortality rate also fell after 1921.\(^\text{13}\) So out goes the refutation. On the other hand population increased not by 0.4% but by 1 per cent when according to G. Blyn’s estimate published in 1955 the index of per capita food output was declining from 90 in 1916-17—1925-26 to 68 in 1936-37—1945-46 (with 100 as the base in 1893-84 to 1895-96).\(^\text{14}\) According to the recent estimate of Blyn, the per capita availability of food declined during 1911-1941 by 29\%.\(^\text{15}\) Similarly, according to Blyn’s 1955 figures per capita agricultural product declined from 98 in 1916-17—1925-26 to 80 in 1936-37—1945-46.\(^\text{16}\) Per capita agricultural output declined by 4% from 1921 to 1931 and 10% from 1931 to 1941, according to his recent study.\(^\text{17}\) Similarly, it may be noted that infant mortality and death rate decreased and average life expectancy went up precisely in this period when every index of individual prosperity was minus.\(^\text{18}\)

All this exercise in demography, etc., has been necessary to show that ‘simple economic tools’ are neither as efficient nor is their application as easy as Morris implies on page 608 and f.n. 7. Nor can he dismiss other writers with a flourish of the wand. Nor were they, therefore, so stupid as to have said things which could be disproved by being “exposed to the touchstone of the simplest economic tools.”\(^\text{19}\)
Next to the population factor comes an important political factor: "The British raj introduced the political framework of the nineteenth century liberal nation state". (p. 611) (italics mine).

This is an advance over even the Strachey brothers, etc., for they claimed the raj to be a benevolent despotism suited to Orientals. No comment is necessary.

Morris insists throughout his essay on regarding law and order and 'efficient' administration—without defining efficient in what—as a factor that must have led to economic growth (p. 611) and it therefore needs to be pointed out that there is no such correlation between the two or even between law and order and economic welfare. Obviously, there cannot be economic growth if administrative anarchy prevails, but the converse is not necessarily true. It all depends on what the law and order is used for. The historian has precisely to analyse the impact of an administration on welfare as well as growth. One cannot assume that it works one way or the other. In fact law and order is a basic necessity not only for economic growth and welfare but also for any systematised exploitation. After all the Mughals maintained law and order in India, without generating economic development, and the decline of the Mughal Empire came not because law and order failed but because the Empire was economically weakened.

Another positive aspect of British rule from the growth point of view, according to Morris, was that "taxation and commercial regulations were rationalised" (p. 611). But the fact of the matter, accepted by most if not all research workers, is that rationalisation of land revenue resulted in tremendous hardship as well as dis-saving among the agriculturists, definitely during the first half of the nineteenth century and more problematically up to its end. Similarly, commercial regulations were rationalised only by the 1840's. Till then, as R.C. Dutt shows, internal customs duties hampered India's internal trade and industry. Later rationalisation of customs revenues in the 1870's became, and rightly so, the main grouse of nationalist opinion.

In fact, it may be suggested as an alternative hypothesis, as was done by the anti-imperialist writers, that rationalised taxation, the pattern of commerce, law and order, and judicial system in time led to an extremely regressive (in every sense of
the term) agrarian structure.\textsuperscript{24}

Next, Morris cites the development of a substantial system of roads and railway transport. But development was not significant so far as roads are concerned.

Railways, on the other hand, were rapidly built. It has, however, been widely pointed out that their construction was not co-ordinated with the economic needs of India, that they were built at the cost of other social overheads and industries, that their ‘backward and forward linkages’ had their positive effects in Britain,\textsuperscript{25} that their ‘demonstration effect’ was severely limited, that their impact on economic development was far less than should have been, that they created an ‘enclave’ economy, and that they were, therefore, not so much a means of developing India as of exploiting it.\textsuperscript{26} In fact, this aspect has been gone into by historians as well as economists. A fresh analysis would, however, be most welcome.

III

Morris “suspects that average agricultural output per acre and per man rose during the nineteenth century” (p. 612). This suspicion rests on three grounds.

Firstly, he feels that the wide fluctuations in land under cultivation ceased and more land was brought under cultivation. This is a statistical question and should be so discussed. Undoubtedly, a large increase in area under cultivation occurred. But the process was uneven in time and space. Moreover, whether this increase occurred to match up population pressure on land or vice versa is itself an important question. Morris does not discuss the question whether there was any increase in rural savings and in investment in agriculture. In effect no direct evidence on the question is yet available. Throughout the first half of the century, land revenue was often in arrears in large parts of the country. Unchecked and continuous growth of indebtedness and the general and growing ubiquity of the money-lenders during the century would indicate that there was no continuous or general increase in rural savings or investment; that the government demand, population pressure on
land, landlords, and money-lenders rapidly skimmed off any surplus that arose, while famines and scarcities, to obviate which little was done in the nineteenth century, wiped out any net savings and perhaps created net loss of savings; and that, therefore, hardly any economic growth or welfare was generated in this process.

Secondly, Morris says that an increase in average output per acre occurred (p. 612). What are the grounds for this belief which is contrary to the prevailing opinion of the nineteenth century?

(i) Political stability. But this can at the most have a short-run, one-shot effect on productivity per acre. It cannot have a long term effect and Morris is after all discussing a tendency for an entire century.

(ii) Introduction of "superior technology" (p. 612). There is not a single piece of evidence that any changes in methods of production or techniques of production were brought about during the nineteenth century. In fact, this is one of the major criticisms of British rule. To my knowledge, no economic historian or writer or administrator has claimed this. It is, on the other hand, difficult to believe that Morris does not know the meaning of the term he is using. Therefore one can but await the evidence for his statement.

In the meanwhile, the existing evidence is as follows:

(a) **Instruments:** Not to mention machinery, in 1951 there were 931,000 iron ploughs and 31.78 million wooden ones. Blyn says of the period 1891-1941: "very little change occurred in the type of equipment used."

(b) **Fertilisers:** To quote Blyn: "The benefits from use of chemical fertilisers were generally not known and the amount used was insignificant. Imports, which may be taken as a sufficiently approximate measure of use, were less than 2,000 tons average per year during 1898-99 — 1923-24. . . . Ironically, exports of fertilizer material, mostly cattle bones and fish soil, were larger than imports."
Blyn also points out that there was no measurable increase in the use of 'night-soil'.

(c) *Seeds:* In 1922-23, only 1.9 per cent of all crop acreage was under improved seeds. By 1938-39, it had gone up to 11.1%.  

(d) *Agricultural Education:* This is another indicator of the extent of technical change. In 1916, the number of agricultural colleges in India was 5 and their students 445. There was also one lower level school with 14 students. As is known, there was hardly any spread of rural primary education.

There was, therefore, no change in technology in Indian agriculture in the nineteenth century. This is when India was ruled by agriculturally the most advanced country!

Perhaps Morris is talking only of irrigation. Now irrigation is hardly an element of new technology. It was known to Indians for centuries; in fact Morris says that Indian civilization was based on 'settled irrigation agriculture'. But there was undoubtedly some growth in area under irrigation. R.C. Dutt has catalogued these additions joyfully but also pointed out that in totality they did not amount to much in the nineteenth century. Statistics should be able to give us an idea, when collected. But in 1891-92, Bengal, Bihar and Orissa, the single largest chunk of India had less than 1.5% of its area under irrigation; C.P., 3.3%; Madras, 24.3%; U.P., 29.3%; Bombay and Sindh, 12.8%; Punjab, Delhi and N.W.F.P., 38.2%. It may also be noted that there was no improvement in the system of land utilisation. To the contrary, factors which would tend to reduce productivity per acre may be noticed. There was increasing subdivision and fragmentation of holdings. There was also growth in tenant-cultivation and share-cropping.

Thirdly, Morris believes that commercialization helped productivity per acre. The first question here again is how much increase in commercial cropping did occur. In 1891-92, out of total acreage of 168 millions, only 27.9 million acres were devoted to non-food crops, that is, 16.5 per cent. Obviously, the view that commercialization galloped forward and gave a big push to agriculture is overdone, especially if we keep in view that Indians previously also produced large quantities of
cash crops, including cotton, gur, oil seeds, jute, groundnut and spices. (Comparison with Mughal period would be very interesting.)

Moreover, commercialization as such need not and did not introduce higher technology. It may just lead to 'specialization' of land, i.e., shifting of good land from subsistence crops to commercial crops. In any case, we know that no superior technology was introduced. Commercialization did not even promote capitalist agriculture. Often it intensified tenancy and share-cropping. Commercialization in India merely meant producing crops for sale. Moreover, if the limited commercialization is in response to pressure of land revenue demand, rent and interest, and is merely an effort to sow a costlier crop, it is not a source of strength to the peasant but a mere recourse of the urban sector and foreign rule to increase the drain from the countryside by forcing the peasant to 'specialize' without supplying any inputs or making any institutional change. It becomes an instrument of exploitation and may even impoverish the peasant by making him a helpless victim of the forces, mechanism and fluctuations of the market. This is what seems to have happened, at least during the nineteenth century. And the benefits of increased commercialization—and also irrigation, since high irrigation rates forced the peasant to produce commercial crops—were reaped by the government, landlord, money-lender, merchant and foreign exporter. The peasant often found himself in deeper debt and even less able to improve agriculture.

Morris here entirely ignores the significance of the crucial question: who was appropriating the surplus generated by agriculture and then putting it to what use? Did any of it flow back into agriculture or industry, as apart from money-lending activity, purchase of land, or consumption by the 'extracting classes'? This was in fact the crux of the problem. And R.C. Dutt, Ranade, Joshi, Dadabhai and later Radhakamal Mukerjee and R.P. Dutt tried to discuss it and find an answer to it. Whatever their answers, they were at least heading the right way.\textsuperscript{86}

Thus there is nothing automatic in law and order or commercialization which increases productivity per acre or per man, apart from the deeper question of their impact on agrarian
structure and total economic structure. The point is that such increases must be shown to have occurred. There is nothing in economic history or "simple economic tools" which should lead us to assume it.

In fact the three factors which could have increased agricultural productivity were: (a) capital input, (b) intensification of labour input per acre, (c) social incentives. In view of the fact that the peasant was losing land and becoming a rack-rented tenant, even on grounds of economic theory one would look for an explanation both for increase in acreage and for increase in productivity, if any, to the second factor, which can be explained only by the increasing pressure on land,\(^{37}\) unless man-land ratio had reached a stage where additional input of labour would not increase productivity at all. But, then, increase of food supply becomes not a cause of population increase nor a sign of prosperity but rather the primeval response of the people to meet population increase and the pressure on land. It then becomes an aspect of a stagnant economy. Moreover, as the nationalists pointed out, this increase in agricultural production was a reflection of the British desire to make India an agrarian hinterland of Britain so that India could, by increasing its agricultural production, supply its raw material and food needs as well as act as a market for her industrial products and capital. After all, it was no part of imperialist economic interests to produce all round stagnation, though that might be the indirect consequence of their policies and therefore one of the contradictions in which imperialism got involved.

IV

Perhaps the most important re-writing that Morris suggests is on the question of the ruin of Indian handicrafts and relative ruralisation of the country. Here two points may be re-emphasized: (1) I have already pointed out that this question was not important for the anti-imperialist approach which was oriented towards British impact on economic structure and that the nationalists did not give this ruin undue importance. They were more interested in the quality of economic life and less in
the more short-run availability of goods. (2) In his re-writing of the question, Morris has offered pure 'suspicions', 'hunches', etc., or relied on 'economic tools' but has not offered an iota of qualitative or quantitative evidence or testimony.

R.C. Dutt and other writers gathered and published a mass of contemporary evidence in favour of their viewpoint, including the evidence of the lower-most British officials ('men-on-the-spot and in the know'), higher officials who had spent a life-time in the Indian countryside and towns and who had witnessed first-hand the actual process of early British impact and economic change, Governors and Governor-Generals, scholarly officials, contemporary travellers, British and Indian merchants, official enquiry commissions, and official records. I need not repeat all this evidence—R.C. Dutt, G.V. Joshi, B.D. Basu, D.R. Gadgil, R.P. Dutt and others have published masses of it. More recent scholars going through similar materials have come to similar conclusions, e.g., R.D. Choksey, Raman Rao, Sarda Raju, N.K. Sinha, and H.R. Ghoshal. Early village studies by Harold Mann and J.C. Jack bore testimony to a similar phenomenon. For example, J.C. Jack, a member of the ICS, and a very favourable witness for the raj—he declared that his work was inspired by the notion of proving the benefits of the raj and he concluded that Faridpur peasants were better off than Italian peasants—wrote: "Weaving, which used to be a vigorous industry, has been killed partly by the importation of foreign or factory made cotton goods and partly by the ravages of malaria."38 In any case, it is not necessary to stress the point or reproduce the evidence. The ruin of artisans is an established thesis and is backed by a great deal of evidence. Now what is to be stressed is that it is just not legitimate to refute it or ridicule it without presenting superior evidence, quantitative or qualitative. Once some direct evidence be produced, we can argue about the superiority of one set of evidence over the other. Certainly, the old truths must be constantly reinvestigated and also turned out when found false. We always search for new data and re-examine the old.39 And, of course, a priori analysis can be used to suggest new lines of inquiry. But no one may offer a priori, 'economic arguments', not to speak of hunches, and suspicions, as refutations or reinterpretations.
Let me stress again: It is not true that the view Morris is contesting is based on a “canonical tradition” or is based on nationalist prejudice. It is based on a great mass of evidence—in fact the only evidence so far available. Morris has not produced any evidence—statistical or qualitative—in his refutation of this view.  

A word may be added here regarding the use of qualitative evidence in economic history. Certainly whenever reliable quantitative evidence is available and can be statistically analysed, we are on surer ground; and it would be wonderful in this respect if village, district and town records could be used comparatively to trace the impact of British rule on artisans and handicraftsmen. But so long as such statistics are not available, qualitative evidence has to be used, though, of course, critically, and with the full awareness that it may yield only broad impressionistic results. Moreover, often qualitative evidence is superior to inaccurate and distorted statistics. This point is, however, of mere academic interest here since Morris has given no statistics—not even bad ones—to question the evidence of R.C. Dutt and others.

We can now proceed to the discussion of his economic theorising on the point, keeping in view all the while that ours is an exercise not in economic history but in economic logic. For that reason sometimes there may be no actual debate in process because he accepts the nineteenth century theory of international trade and the laissez faire view of competition and self-interest producing economic growth while I accept the early Indian nationalist and Marxian approach (and perhaps post-war growth approach) which sees economic growth as the result of the total interaction of economic motives of individuals and firms, and of the social and economic and political structure. This produces a classic difference: according to the nineteenth century view all increase in total product (or total income) in the short run is economic progress while the latter view searches for the ‘quality’ of the economic process and its long term implications. It then tends to see industrialisation and the capacity to continually generate it and increase it at a minimum rate of acceleration as the supreme test of economic progress.
On page 612, Morris writes: "While British cloth was competitive with Indian handloom production, machine-made yarn seems to have strengthened the competitive position of the indigenous handloom sector despite the fall in prices." First let us get some idea of the quantities involved, particularly the ratio of yarn imports to imports of woven goods which was in fact very low:

<table>
<thead>
<tr>
<th>Years</th>
<th>Imports of cotton products(^{43})</th>
<th>Cotton goods (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1849</td>
<td>909,016</td>
<td>2,222,089</td>
</tr>
<tr>
<td>1859</td>
<td>1,714,216</td>
<td>8,088,927</td>
</tr>
<tr>
<td>1869</td>
<td>2,779,934</td>
<td>16,072,551</td>
</tr>
<tr>
<td>1889</td>
<td>3,746,797</td>
<td>27,764,508</td>
</tr>
</tbody>
</table>

Secondly, what was it in relation to which the weaver strengthened his competitive position? Imported cloth, we would have to assume. But how can that be when the same yarn was available to British weavers whose productivity was increasing rapidly while the Indian weaver's productivity was stationary? For example, wages per pound of yarn paid to British weavers declined as follows:\(^{44}\)

<table>
<thead>
<tr>
<th>Period</th>
<th>Average export price per pound</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yarn (in pence)</td>
</tr>
<tr>
<td>1819-21</td>
<td>29.0</td>
</tr>
<tr>
<td>1829-31</td>
<td>15.3</td>
</tr>
<tr>
<td>1844-46</td>
<td>12.0</td>
</tr>
<tr>
<td>1859-61</td>
<td>11.7</td>
</tr>
<tr>
<td>1880-82</td>
<td>12.8</td>
</tr>
</tbody>
</table>

Moreover, the export price of woven goods (cotton) was falling much more rapidly than that of yarn:\(^{45}\)
This means that the competitive position of the Indian weaver vis-a-vis the British weaver was weakening throughout most of the nineteenth century. That is why the import of cloth goes up from 1849 to 1889 by 25.5 million sterling (12.5 times) while that of yarn goes up by only 1.8 million sterling (4 times). Morris's position also runs into logical difficulties. Why is foreign cloth still imported in increasing quantities? What sort of strengthening is this? Let us proceed further: in spite of or because of textile imports there was a price differential one way or the other. Then what could have led to a rise in the handicraft production? Only three situations would explain that situation:

(1) The price favoured Lancashire, but weavers could sell increasing quantities because Lancashire was incapable of supplying the required quantities at that price or could not reach the expanding market which the weaver could. In the latter case, the Indian weavers had a monopoly or protected market and did not need strengthening at all!

(2) As a result of import of yarn, the price favoured weavers, but Lancashire still increased its sales, because the weavers could not get enough yarn, or because they had full employment. There is another sub-case of this case: that Indians preferred costlier foreign products to the cheaper weavers' products.

(3) The weaver maintained his position by cutting into his necessary livelihood. But this was a daily losing position. This case resembles the second, but in this his competitive position does not improve but deteriorates. He maintains his craft by cutting into his subsistence and his capital.

In fact, the artisans who survived—and a large number of rural artisans did—did so either as the result of the third case and of sub-case two of the first case, namely, failure of Lancashire to reach the vast Indian market (in other words, he survived either by getting impoverished or because the British impact on India was always incomplete, he was saved by the backwardness of British rule! British rule was not efficient
enough to even produce the ideal of laissez faire economics—the perfect market); or, as Dr. Gadgil has pointed out, because the peasant remained so poor and the hand-produced cloth was so cheap due to low subsistence cost of the producer that the former could not purchase the relatively finer Lancashire product nor could this product compete with the hand-produced cloth. In other words, whether the peasant's income increased “substantially” (as Morris believes) or not, he was still incapable of buying British cloth. Secondly, to be able to continue in this 'improved' competitive position the artisan had to cut into his subsistence.

Then, again, Morris comes very near to giving us a scientific explanation. He writes: “The demand for cloth in India seems to have been fairly elastic. The fall in price led to a movement down the demand curve. In addition, there seems to have been a shift to the right of the demand curve for cotton cloth.” But from what evidence are such sophisticated tools of modern economics as demand elasticity and demand curve derived, especially the notion of the latter's shift to the right? Not from any available statistics nor from any other type of evidence. There is hardly any material in economic literature to enable one to draw such an advanced curve and point to its shifting. In fact, the curve is a fiction and words like ‘led’ and ‘a shift’ merely give it an illusion of firm existence. And the only basis for this shift in the curve seems to be once again theory: growth of population, and changes in custom (like use of a bodice below a sari). But the impact of growth of population on the income pattern and on the structure of effective demand is precisely the complex question that has to be researched into. It cannot be stated as simply as Morris does, unless one believes in the doctrine that increase of population leads to automatic industrial development. In the absence of any research on the subject, the change of fashion in bodices also belongs to the fairyland times of the nineteenth century, when Lancashire used to dream of putting an inch on the Chinese coat-tails and the U.S. Southern senators of making the Chinese take to tobacco. In those good old days the problems of effective demand used to get handled in such easy and simple terms by the market hungry merchants and manufacturers.

The only effective economic argument here would be that
growing income increased the effective demand for textiles. But then one would have to show that such a growth of income occurred, that increased income was falling into the hands of those who would spend it on hand-made products, and that imports of textiles and later domestic machine products did not absorb the increased demand. 49

In fact, the existing evidence points to the following picture:

(1) Increasing ruin of urban handicrafts which played an important role in the economy.

(2) A major blow was given to spinning as an economic activity. This had an important effect on the domestic economy of the peasant with many-sided consequences, which we do not have the space to go into—including further strengthening of the merchant-money-lender's hold over the peasant and the artisan.

(3) The rural artisans were gradually affected (even a slight fall in real income can have drastic effect on a subsistence worker). This forced an increasing number to leave their crafts, especially as more land was being brought under cultivation, and the breakdown of the traditional division of labour enabled them to bid for land as tenants-at-will and share-croppers. Many could become agricultural workers. 50 In a period of rising population (about 0.4 per cent per year), this need not result always in a fall in the absolute number engaged in particular handicraft industries (though all the evidence points to that in most cases) but only in their proportion in the total population. Of course, a large number still stuck to their traditional crafts, more out of lack of any other opportunity than out of economic choice, falling the first victims to a famine, as the regular reports of the Famine Commissions noted. Many combined their craft with dwarf holdings or agricultural labour or petty trade.

Moreover, many of the skilled artisans survived by producing goods requiring lower degrees of skill. Many economists have emphasized that an important factor in Japan's rapid industrialisation was the fact that the traditional handicraft worker possessed a high degree of skill which enabled him to
master modern industrial skills quickly and efficiently. In India
this skill—a tangible factor in economic growth—was largely
lost.

Morris concludes that the handloom weavers were “at least
no fewer in number and no worse off economically at the end
of the period than at the beginning” (p. 613). We have already
dealt with both points. But it may be noted that he is no longer
saying that there was no decrease in the proportion of handi-
craftsmen in the total population. Secondly, there is no proof
even for his amended statement. The disappearance of tradi-
tional textile centres of India is there for all to see (e.g.,
Murshidabad), while hardly anywhere do we get instances of
such new centres coming up. Nor has any study so far shown
that the number of artisans in villages or existing cities went
up. The only statistical study of occupations in a major existing
city made so far is by Krishan Lal who showed in a paper at
the Indian History Session of 1961 that in Delhi there was a
virtual decimation of handicrafts.

The second part of Morris’s statement will also not bear
examination. In face of the rising productivity of British
labour51 how could the Indian handicraftsman have competed
without reducing his own ‘wage cost’ unless his own productiv-
ity went up—of which there is not a ghost of evidence—or his
cost was less, i.e., prices in India were falling or the cheapness
of yarn enabled him to both increase his competitive capacity
vis-à-vis the factory product as well as to increase his net profit.
All these assumptions have only to be spelled out to show how
naive his suggestion is.

And if we have to build up such ‘logical’ economic history,
certain questions arise at the level of logic: If on balance em-
ployment in the industrial sector was going up, if more land
was being brought under cultivation, if monetisation and
therefore the number of traders was going up, and if popula-
tion growth was only at the rate of about 0.4 per cent per
year, i.e., about 40 to 50 per cent between 1820 and 1920,
then why does subdivision of holdings take place to such a
large extent? And why are tenants and share-croppers willing
to pay rackrent? And from where do agricultural labourers,
including share-croppers, dwarf holders, etc., come (since their
number does increase), and why do their wages fall as drastically as Dharma Kumar suggests? And as I have asked earlier, where do these artisans live? Does the number and proportion of artisans in rural population go up? What happens to the artisan villages? Does their number go up or down? From where and why did labour migrate so freely to foreign lands and to industrial cities like Bombay (as Morris has brilliantly shown in his book on Bombay textile labour)? (Obviously, the answer is not over-population in Mughal times since (a) no such evidence exists, (b) according to Morris, war and famine had kept Indian population within Malthusian limits.)

Lastly, and as the coup de grace, Morris uses Alice and Daniel Thorner's authority and says that "the Classical argument is based on census data which purported to show that between 1872 and 1931 a growing proportion of the population became dependent on agriculture. This evidence has recently been effectively demolished" by the Thorners (p. 613). This is not the place to deal with the Thorners' assumptions and conclusions. But what they have proved at the most is that census data are too unreliable to prove or disprove any such point. Moreover, they could not have demolished the 'Classical argument' because the Classical argument was given by Ranade, R.C. Dutt, G.V. Joshi, etc., before the census of even 1901 (of 1931 in the case of Gadgil) was published. What is much more important in employment of population statistics for showing the amount of economic development that had taken place in India is the fact that in India in 1892 after 100 years of 'gestation' only 254,000 persons were involved in modern industrial production under the Factory Acts. This number increased only by 1.1 million by 1931 and by another 1,180,000 by 1951, while population went up from 236 millions in 1891 to 275.5 millions in 1931 and 357 millions in 1951, and labour force from 94 millions to 142 millions between 1891 and 1951. In view of these figures, one would think the controversy regarding the 'expansionist forces' or census figures would be considered utterly sterile. And it is with this aspect that writers from Ranade and Dutt to Radhakamal Mukerjee and R. Palme Dutt have concerned themselves.

When Morris says later that while British rule had "the positive effects in the nineteenth century that I have already
described, its influence was limited” (p. 615), we should consider his statement in the context of the figures cited above and contrast them with similar statistics for Britain, U.S.A., France, Russia, or Japan. In view of what we know of Indian economic structure and performance at the end of the nineteenth century, we have to ask what was the quality of this limited development? The nationalists and the Marxists (and some of the post-war growth economists) would precisely ask whether British rule had or had not generated an ‘industrial revolution’ or the process of economic development. While some forces of change were introduced, while modern technological and organizational innovations were introduced in industry, trade and banking, was not the development of these innovations checked and frustrated? Then there is little meaning in the phrase ‘limited influence’. One may suggest that what occurred in India was at the most aborted modernization—which is typical of a modern colonial economic structure as Marx had predicted much earlier and which lay at the heart of the complaint by writers like Ranade, Naoroji and R.C. Dutt as also by R. Palme Dutt, and more recently B.N. Ganguli. And this is the interpretative framework which still seems to be valid for the interpretation of the nineteenth and twentieth century economic history of India.

V

In the last section of his article, Morris deals with some of the sources of official policy, for he is in the end conscious of the fact that he still must explain India’s economic backwardness. For the reality is “that the economy is even now very far from being industrialized” (p. 614). He is even aware that “this may seem rather bewildering, given my description of the nineteenth century performance” (p. 614) and, he says that he has no definite answer to the question why ‘no leading’ sector developed (p. 615). He writes: “The causes are certainly complex and this is not the place to examine the intricate interplay of relationships involved” (p. 615). I for one felt cheated here. Can there be a discussion of nineteenth century economic
history—not to speak of reinterpretation—which has ‘no place’ for this discussion? Are not ‘the relationships involved’ the very stuff of which British impact is made?

But Morris is conscious of the fact that in the interests of the entire validity of his new interpretation he cannot afford to leave it at this stage. And he does attempt some answers though again in the context of laissez faire economics and the Stracheyan way of thinking. But it should be seen that he is now discussing causes of economic stagnation, not the fact of progress. What he seems to be saying is that all his previous positive tendencies would have borne fruit but for these contrary factors. Even now he is not analysing economic structure, but finding scapegoats. In the event, it turns out that the scapegoats are not independent entities but a part of the structure of imperialism and its impact.

First of all he says that the British raj’s impact was limited because “the Indian government obviously had no self-conscious programme of active economic development,” because the raj “saw itself in the passive role of night watchman” (p. 615). On the surface this answer seems to be correct but it hides the ugly reality of the link between laissez faire and imperialism. It all seems to be an ideological error! But was the Indian Government a ‘night watchman’? Sabyasachi Bhattacharya has effectively refuted this view.⁵⁶ Without repeating his argument I might point out that Justice Ranade and others had clearly pointed out that the Indian government had taken a direct and active part in pioneering and promoting industrial and commercial enterprises, and granting special privileges to British capitalists in India. It had, at the height of laissez faire era, pioneered at state expense—and at great cost—the introduction of cinchona, tea and coffee plantations in India and actively promoted the cultivation and transport of cotton. The fact that the Indian government was the pioneer in state construction of railways and even the ‘liberal’ Dalhousie promoted state guaranteed railways is a well-known fact of Indian economic history.⁵⁷ Similarly, India was the only laissez faire ‘liberal nation state’ whose government passed penal legislation to force Indian labour to work on the tea and coffee plantations (that the Radical Lord Ripon passed such a law is even more significant). Where was lack of state interference, or devotion
to a 'passive role' here? In fact the very functions of law and order were handed over to the planters. Indians also pointed out that the British would not let the American Standard Oil Company operate in Burma. Moreover, a government that claimed to be the landlord over the entire land and interfered so openly in the relations between landlord and tenant and debtor and creditor as did the British Indian Government in the second half of the nineteenth century, or that introduced a government-managed inconvertible currency, can hardly be said to be a champion of laissez faire political economy in practice or a 'night watchman'. While the economic historians and economists point out that Britain followed in the nineteenth century a policy of laissez faire because it suited its interests, Indians long ago pointed out that the British Indian Government had never followed a laissez faire policy in practice. The Indian government's inaction in promoting Indian industries and social overhead facilities is no longer explained by its character as a 'night watchman'. The question now is: why did the Indian government follow state action in some fields of economic activity and laissez faire in others? How is it that 'the raw-material based export economy' was established with the active help and participation of the government but the laissez faire doctrine was brought in when the question of government support to industrialization came up?

Another reason for the Indian government's inaction, according to Morris, was "the preoccupation with a balanced annual budget. This philosophy directly limited the size and effectiveness of government expenditure allocated to the construction of social overhead facilities." But the real question is again different. Why was the budget balanced by cutting or avoiding one type of expenditure and not another, or by raising one type of taxes and not others? Some facts, usually referred to by R.C. Dutt and others, may be noted. In 1801, 45.5 per cent of India's budgeted expenditures was spent on the armed forces, 37.5 per cent on civil administration (of which 18.7 per cent was spent on education and medical and scientific departments and 81.3 per cent on non-developmental aspects of administration). Indians pointed out very early that in the 1880's India spent in absolute terms more on its army than Britain, or Germany, or Russia, or Japan, or U.S.A., that India
spent a larger part of its revenue on the army than Britain or Russia did, that the cost per soldier in India was the highest in the world—it was higher than that of the most efficient army in the world. In 1891, 30 per cent of India's revenues were spent on Europeans; in 1898, Rs. 4.2 crores were spent on railways while only Rs. 0.6 crores were spent on irrigation. One could go on citing facts and figures. What was surely involved was not balanced budgets but a particular pattern of allocation of the budget to suit imperial interests.

This was also true of taxation. Government officials, professional groups, traders, money-lenders, landlords and zamindars, planters, foreign trading companies, etc., paid very little in taxation. When Income Tax was finally imposed in 1886, its rate was less than 2.7 per cent, and it excluded incomes derived from land (zamindars and landlords) and plantations. It also excluded salaries, pensions, and leave allowances paid in England, profits of shipping companies, incorporated in England, interest on securities paid in England, and profits of railways up to the amount of the guaranteed interest. Moreover the exemption limit for military officers was placed at Rs. 6000 per year. Consequently, when the century ended the gross revenue from income tax was only Rs. 1.9 crores, while from land revenue it was Rs. 26.2 crores and salt tax Rs. 8.8 crores. And the well-off hardly paid any other taxes: there were hardly any excise taxes or customs duties which could have affected them. That is why G.V. Joshi complained in 1888 that under the official taxation policy "the richer few, who profited most by British administration, British justice and British peace, paid least, while the poorer millions, who profited least, paid most." Once again the real question is: why was the budget balanced in one way and not the other?

Another aspect of the budget to be noted, says Morris, is that it was a 'gamble on the monsoon'. This is again not in accordance with facts, unless even a marginal change in revenue is considered enough to upset a budget. Let me give some figures of the famine years. (See table on p. 66.)

The statement that expenditure on education, irrigation and the railways "proceeded by fits and starts" is also not correct. It was uniformly low, except for railways when it was uniformly high. Let me cite actual figures again. (See table on p. 67.)
It can further be seen that the variation in railway expenditure is in no way related to land revenue or the monsoons.

This point has perhaps been dealt with long enough. The real question in considering Indian government expenditure is: why expenditure on the army and law and order but not irrigation or education or spread of modern technology in agriculture or industry? I may also add that Morris's statement that the government did not develop irrigation because "Government investment in social overheads was largely influenced by the doctrine that such investments should typically pay their own way —and very quickly—at going rates of interest" (p. 616) seems to be an oversight. After all railways development was not limited by any such consideration, the government paid guaranteed interest, started state railways, and not only did not collect 'going rates of interest' 'very quickly' but suffered a net loss until 1901.

Thus instead of explaining government inaction in promoting industrial development by the 'night watchman' policies of the government, its tendency to balance budgets, or the monsoons, the questions to be asked are: why did the Government of India follow the policy of state action only when it benefited British capital? Why did it waste its resources on the army and law and

<table>
<thead>
<tr>
<th>Years</th>
<th>Land Revenue (in Rs. crores)</th>
<th>Surplus or deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1876</td>
<td>19.8</td>
<td>-2.0</td>
</tr>
<tr>
<td>1877</td>
<td>19.8</td>
<td>-4.3</td>
</tr>
<tr>
<td>1878</td>
<td>22.3</td>
<td>+2.1</td>
</tr>
<tr>
<td>1879</td>
<td>21.8</td>
<td>-1.2</td>
</tr>
<tr>
<td>1880</td>
<td>21.1</td>
<td>-3.6</td>
</tr>
<tr>
<td>1890</td>
<td>24.0</td>
<td>+3.7</td>
</tr>
<tr>
<td>1891</td>
<td>23.9</td>
<td>+0.5</td>
</tr>
<tr>
<td>1892</td>
<td>24.9</td>
<td>-0.8</td>
</tr>
<tr>
<td>1893</td>
<td>25.5</td>
<td>-1.5</td>
</tr>
<tr>
<td>1895</td>
<td>26.2</td>
<td>-0.5</td>
</tr>
<tr>
<td>1896</td>
<td>23.9</td>
<td>-1.7</td>
</tr>
<tr>
<td>1897</td>
<td>25.6</td>
<td>-5.3</td>
</tr>
<tr>
<td>1898</td>
<td>27.4</td>
<td>+3.9</td>
</tr>
<tr>
<td>1899</td>
<td>25.8</td>
<td>+4.1</td>
</tr>
<tr>
<td>1900</td>
<td>26.2</td>
<td>+2.4</td>
</tr>
<tr>
<td>1901</td>
<td>27.4</td>
<td>+7.3</td>
</tr>
</tbody>
</table>
order and 'efficient' administration and not use them for education, technical education, sanitation, etc.? Why did it push on railways but not irrigation? The answer would then go to the heart of the character of British rule, its policies, and its impact. The nationalist answer was that British rule was imperialistic. Its basic character—its raison d'être—was to subserve Indian interests to British interests. That determined its inconsistent application of the principles of laissez faire and state action

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure Railways</th>
<th>(Capital) Irrigation</th>
<th>Education (net)</th>
<th>Medical and Scientific Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1875</td>
<td>3.2</td>
<td>1.1</td>
<td>.8</td>
<td>.98</td>
</tr>
<tr>
<td>1876</td>
<td>2.9</td>
<td>.9</td>
<td>.8</td>
<td></td>
</tr>
<tr>
<td>1877</td>
<td>4.1</td>
<td>.8</td>
<td>.8</td>
<td></td>
</tr>
<tr>
<td>1878</td>
<td>3.4</td>
<td>.7</td>
<td>.8</td>
<td></td>
</tr>
<tr>
<td>1879</td>
<td>2.9</td>
<td>.5</td>
<td>.8</td>
<td></td>
</tr>
<tr>
<td>1880</td>
<td>3.0</td>
<td>.6</td>
<td>.8</td>
<td></td>
</tr>
<tr>
<td>1881</td>
<td>2.1</td>
<td>.5</td>
<td>.8</td>
<td></td>
</tr>
<tr>
<td>1882</td>
<td>1.8</td>
<td>2.7</td>
<td>.9</td>
<td></td>
</tr>
<tr>
<td>1883</td>
<td>3.3</td>
<td>.7</td>
<td>.9</td>
<td></td>
</tr>
<tr>
<td>1884</td>
<td>3.5</td>
<td>.7</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>1885</td>
<td>4.7</td>
<td>.5</td>
<td>1.0</td>
<td>1.09</td>
</tr>
<tr>
<td>1886</td>
<td>5.1</td>
<td>.5</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>1887</td>
<td>2.2</td>
<td>.5</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>1888</td>
<td>1.1</td>
<td>.4</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>1889</td>
<td>2.7</td>
<td>.3</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>1890</td>
<td>2.8</td>
<td>.4</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>1891</td>
<td>2.7</td>
<td>.7</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>1892</td>
<td>3.4</td>
<td>.5</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>1893</td>
<td>2.9</td>
<td>.6</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>1894</td>
<td>3.8</td>
<td>.5</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td>1895</td>
<td>3.3</td>
<td>.7</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>1896</td>
<td>4.2</td>
<td>.7</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>1897</td>
<td>3.6</td>
<td>.6</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>1898</td>
<td>4.2</td>
<td>.6</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>1899</td>
<td>3.6</td>
<td>.9</td>
<td>1.3</td>
<td>1.98</td>
</tr>
<tr>
<td>1900</td>
<td>5.1</td>
<td>.9</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>1901</td>
<td>5.2</td>
<td>.7</td>
<td>1.3</td>
<td></td>
</tr>
</tbody>
</table>

and its budgeting priorities. One wonders what the other answer is.
A few other stray formulations of Morris also deserve attention. He says, for example, that "we may see the nineteenth century as a period too brief to achieve all the structural changes needed to provide the pre-conditions for an industrial revolution," and that "moved by the example of North Atlantic experience in the nineteenth century, even economic historians tend to lose sight of the long gestation needed before the pre-conditions of an industrial revolution have matured sufficiently to permit a society to move into a phase of high and sustained economic growth" (p. 617). But the contention of the other school is that such a long ‘gestation’ period was not needed.68 After all, neither Japan nor Russia are North Atlantic.69

Secondly, structural analysis would show that as a result of the ‘gestation’ period, the forces opposing growth were strengthened and even freshly generated.70 One question can be asked. Does Morris believe that another 50 years of British rule would have generated economic development? This is the question to which ‘no’ as an answer would utterly destroy his reinterpretation and on the other hand he hesitates to give ‘yes’ as an answer. For in the end he writes that he has “some sympathy” with the view that during the interwar years “rather substantial structural modifications occurred and the base was laid for a renewed upward surge after independence” (pp. 617-18). But was independence a year, a mere change of personnel, or was it a revolution which had to destroy a substantial part of the ‘substantial structural modifications’? Are not the successes of the Government of India after 1947 measurable by the extent to which this structure has been destroyed and its failures by the extent to which it has failed to do so—whether one takes agrarian relations, foreign trade, policy towards indigenous capital and foreign capital, agricultural credit, building up of machine and capital goods sector, technological changes in agriculture, social overhead facilities (roads, railways, power, water-supply, sanitation, education, etc.)71? Interestingly, nowhere does Morris define what these ‘pre-conditions’ are for which a ‘gestation’ period was needed? Is the period of pre-conditions any
period before the ‘take-off’ or has it any well-defined characteristics? Perhaps the trouble lies with the concept itself.

This issue of long gestation periods is also linked with the type of economic history Morris is criticising. The writers of that economic history would not be satisfied with ‘long gestation’ for they were its victims. They compared their development with the ‘possible’—the ‘possible’ which was the reality in Germany, in Japan, even in Tsarist Russia, and most of all in the Soviet Union. This also explains why R.C. Dutt possessed ‘the venom of Burke’ and not the cold detachment of the smug and satisfied Lord Curzon or the Stracheys. Often Morris holds this ‘venom’, this passion, this concern for the role of growth to be hallmark of immaturity and prejudice. He forgets that this ‘venom’ also characterized the writings of Adam Smith, Ricardo, Marx, John Stuart Mill and J.M. Keynes. There is no reason to think that intellectual frigidity (even the academic brand) contributes much to scientific objectivity or penetration or depth of analysis. That ‘cool’ language does not prevent Morris from being heavily biased is obvious from the assertion that “certainly, the general object of the raj was the welfare of the society” (p.615).

Thirdly, to prove the positive achievements of the nineteenth century he uses an astounding argument. If it is shown, he says, that per capita income decreased after 1920, it would prove that per capita income had increased up till then, otherwise how would the fall have been absorbed? True, but then if a ‘substantial increase in per capita income occurred before the end of the nineteenth century and the living standards were still as low as shown in the Dufferin Enquiry of 1888 and by the famines of 1896-1900’ how could they have been, by this same logic, so low in the beginning of the nineteenth century as later ‘substantial growth’ would imply?72

But the error is really much deeper, for Morris further writes: “However, the rise in per capita output during the nineteenth century provided a surplus above subsistence, which made it possible for the society to tolerate a decline in real income without causing utter social disaster”. All this is really too naive. For the question never was whether ‘society’ produced a surplus above subsistence. Society everywhere since the most primitive times has done so. This was the pre-condition for its growth
into civilization. India has produced ‘a surplus above subsistence’ for centuries. The real question is how much of this surplus is generated and what happens to it? What are the patterns of control over and utilisation of this surplus? This question arises both from the economic growth (saving-investment) and the economic welfare points of view. If the surplus goes into the pockets of foreigners who do not re-invest it but export it (or invest it in an economically ‘backward’ manner), or into the pockets of merchants, moneylenders, landlords, zamindars, professional men and princes, who use it for conspicuous consumption or for further extending moneylending or for intensifying the evils of intermediary tenures by ‘investing’ it in land, it neither generates welfare nor economic growth. It often hampers it. That is why we have been emphasizing that the question is far deeper than that of per capita income growth, or of law and order, and is not one that the ‘simplest economic tools’ particularly of the laissez faire variety can handle.

Morris also refers to two other old stand-bys. Population increase after 1921 is brought in, though rather indirectly. It was “an adverse element”. Just when “liberal economic policy had ceased being capable of generating rising rates of growth”, population expansion occurred and expansionist forces “had to proceed with a greater burden than ever before.” This is putting the cart before the horse. Firstly, it may be kept in view that the rate of population growth even during this period was 1 per cent—by no means high, and even higher rates have been readily absorbed by developing countries. Secondly, in the demographic situation of the time the ‘overpopulation’ was a symptom of economic backwardness not its cause. Thirdly, even this rate of population growth was the result of underdevelopment, particularly in the comparative sense—in the sense of the widening of the gap between India and the North Atlantic countries and Japan and the Soviet Union. The development of the latter countries led to improved health and medical measures. But fall in their death rates was accompanied by a fall in the birth rate which was the consequence of higher standards of living, education, availability of birth-control knowledge and materials, etc. If India had not ‘gestated’ from 1820 to 1920 but undergone economic development, its birth rate would also have fallen
along with the fall in death rate. Thus the increase in ‘population burden’ after 1921 has to be linked with the ‘long gestation period’. Then, the former does not become a cause of the lower rate of growth after 1921, rather the ‘long gestation period’ becomes the cause of the rising rate of population growth after 1951.

When talking of the ‘long gestation’ needed by a non-North Atlantic country, Morris also suggests that we should not “ignore the geography of the problem, the size and resources of the region within which the process has to occur” (p. 617). The geography of the problem is not clear to me. So far as the size and resources are concerned, it would be more correct to think that in case of India they did match. It is true that years back it used to be said that India lacked iron ore, coal, electric power potential, oil, etc., but nobody talks of it now. So far as land is concerned, the land-man ratio till recent times was not adverse. Moreover, population growth may under certain conditions account for the slow rate of growth of per capita income, it cannot explain the slow rate of growth in total national product.

VII

A detailed examination of Morris’s new interpretation would thus lead us to the conclusion that the traditional anti-imperialist argument that British rule failed to generate economic growth; that having helped initiate economic change, the rule rapidly became a fetter on industrial and agricultural growth because it created a colonial economy and “semi-feudal” agriculture; that economic policies of the British raj in all fields—finance, tariffs, transport, trade, foreign capital, export of capital or the ‘drain’, currency, education, technology, heavy industries, banking, agriculture—were geared to the preservation of the colonial economy; and that, therefore, the interests of national economic growth as also those of the majority of Indian people—the capitalist class, the urban ‘middle class’, the peasantry, and the workers—demanded that British rule be overthrown and the political, social and economic structure that the raj had
built up directly or indirectly be dismantled, is based on a better view of economic history than that on which Morris builds up his case, or on which anyone else has said anything else so far, in respect of the same subject.74

This is not to deny that the different stands of the anti-imperialist approach as also the approach as a whole had many weaknesses. The anti-imperialist writers failed to locate all the factors hampering growth. For one, most of them concentrated on analysing the contradictions between British imperialism and the Indian people, but failed to study the inner contradictions of British imperialism itself. Even more important, they did not study the contradictions within the internal social and economic structure of Indian society—the extent to which the old contradictions survived under British rule, the extent to which they were affected by British rule, the extent to which new ones were generated by British rule. The emerging agrarian structure was not studied sufficiently carefully. The internal differentiation of the peasantry was virtually ignored, except for the emergence of agricultural labour. The complex phenomenon of share-cropping was also not adequately studied. Similarly, while the nationalist writers brought to light the phenomenon of the external drain, they paid insufficient attention to factors which might prevent potential capital within the country from becoming actual capital. The British impact on the structure of the rising capitalist class was not seen sufficiently clearly. The complicated love-hate relationship between Indian capital and foreign capital deserves more detailed study. Similarly the impact of British rule on regional economic patterns and disparities as well as communal and caste disparities has yet to be fully studied. The study of the British impact on social organization and its correlation to economic development has just begun. For example, by a more thorough study of the jajmani system and the British impact on it, the sociologists are adding a new dimension to the question of occupational distribution in the nineteenth and twentieth centuries. The agrarian structure has been, for example, brilliantly illuminated by many studies of the old school. In fact, the main weakness of the nationalist writers was that they did not make a sharper break with contemporary economics. Many still believed that mere protection and state aid would succeed in generating economic development. (Involved here was also
misreading of the nature of the state as such.) While they successfully criticised British rule as a barrier to economic development, they failed to find, in many cases, correct answers to the problem of how to generate such growth.\textsuperscript{75}

One thing is, however, clear. The traditional anti-imperialist interpretation will be modified—as it deserves to be—by further study. But it cannot be modified by going back to the 19th century imperialist view or the economic theories which buttressed it. And its basic view that British rule, by making India’s a colonial economy, was responsible for India’s economic backwardness is not likely to be modified at all. At least no evidence has been offered so far to justify even a hint of such modification.

NOTES


\textsuperscript{2}For almost from the very beginning of the discussion, a large number of foreigners starting with Marx and Hyndman and Digby and ending with R. Palme Dutt and a host of other British, American, Russian, and other foreign writers have adopted the broad approach of this school.

\textsuperscript{3}This distinction is of wider import It has become a fashion today among some people to talk of ‘nationalist’ or ‘ideological’ distortions of historians without discussing the far more prevalent imperialist distortion, which is almost universally present in the writings of the academic historians belonging to the imperial countries and which was inevitably reflected in the works of some of the academic historians of the colonies who were both economically and intellectually dependent on the colonial power and its academic establishment. For example, in a seminar on Indian historiography organized a few years ago at London, there was a paper on and discussion of the nationalist school of Indian history but no discussion of the imperialist school. Or, to take another example, Kingsley Davis in his scholarly work on the population of India clearly describes R.P. Dutt, Kumar Ghoshal, and Kate Mitchell as pro-nationalist but he nowhere describes a single one of the large number of British authors he relies upon as pro-imperialist. Many scholars even now adopt, though perhaps unconsciously, the imperialist approach in order to avoid the so-called ‘nationalist distortions.’

\textsuperscript{4}There is hardly a proposition in Morris’s article which John Strachey, Lord Curzon, etc., have not earlier put forward, though Morris
has discarded a lot of their excess baggage and adopted some modern economic terminology.

*One is surprised at the off-hand, cavalier treatment of scholars and economists of the calibre of Dadabhai Naoroji, G.V. Joshi, Justice Ranade, R.C. Dutt, K.T. Shah, Radhakamal Mukerjee, Brij Narain, D.R. Gadgil, R.P. Dutt, among others.

*Quoted by Morris, p. 607 f.n.


8It is to be noted that once Marx's writing or formulation on the dual character of the impact of British rule became available to Indians, nearly every writer of the anti-imperialist school, for example, J.L. Nehru, K.S. Shelvankar, Wadia and Merchant, R.P. Dutt, unhesitatingly accepted it and freely quoted it. In fact, if the debate was up to this point, there would be little controversy left between the 'old' and the 'new' interpretations.


11See my *The Rise and Growth of Economic Nationalism in India*, New Delhi, 1966, Chapter I.


13Ibid., p. 34.


16Quoted by Daniel Thorner, op. cit., p. 123.

17Op. cit., p. 122. Similarly *per capita* income was also declining during the period 1921-1951. See M. Mukherjee, "A Preliminary Study of the Growth of National Income," *Asian Studies in Income and Wealth*, Bombay, 1965, p. 101. Even more interesting exercises could be conducted. In Bengal, Bihar and Orissa, total agricultural output fell by .45% per year from 1891 to 1941 while population increased by .65% per year (Blyn, op. cit., p. 119). Food availability in the three provinces declined during these years at the rate of .46% per year (ibid., p. 104).

18Economic history of other countries also shows that high or low death rates are not necessarily linked to standards of living. See Habakkuk and Deane, "The Take-off in Britain," in *Economics of Take-off*, ed. by W.W. Rostow, 1965, p. 68.

19In fact there are economic tools and economic tools!

20But 'anarchy' itself is hard to define. The theme of political anarchy in eighteenth century India has been, as has been shown by Satish Chandra, Percival Spear, and others, exaggerated beyond any resemblance
to reality by nineteenth century writers and administrators. It may also be noted that, according to E. Phelps Brown, high income per head prevailed in fifteenth century Britain despite the Wars of Roses. *The Growth of British Industrial Relations*, 1959, p. 2.

After all it is by now well-known that British administration, with its pro-money-lender and pro-landlord judicial system, its pro-landlord bureaucracy, its highly oppressive and corrupt village-level administration and police system, was a major barrier to economic growth as well as general welfare in the village. Law and order are, after all, not neutral terms either in economic organization of society or in its general organization. In any case, the historian of India has to be very chary of accepting claims of British justice and law and order so far as the peasant and the poor were concerned.

Though, Mughal rule—as stable administration in other stagnant societies—also may have led to growth of population and national income and even of *per capita* income, it did not initiate the process of economic development.

We may put the issue in another way: the question is not whether there could be economic development without law and order; nor whether law and order could have prevailed without British rule; but rather why there was no economic development in *spite of law and order*?

One can speculate whether 'a liberal nation state' would dare, anywhere else in the world, to collect 55% of 'economic rental' as the British said they were doing even in the hey-day of land revenue reform in nineteenth century.

It would be wrong to call them leakages as they were planned as such.

The point to consider here is not the potential benefit of railways but the nature of their impact on the economy and the reasons for their failure in having a full and a truly many-sided impact. Secondly, the admirers of railway construction in India forget that at any point of time the real economic question is that of the maximum use or at least of the better use of the available resources. In fact, as the anti-imperialist writers pointed out, the manner in which the railways were constructed and operated in India *increased* India's dependence on agriculture. They also pointed out that the basic question involved was whether an alternative use of the same amount of capital on industrialization or irrigation would not yield higher rates of economic growth (see my book cited above, Chapter 5). Very relevant and apt are in this respect the remarks of Prof. Cootner in the *Economics of Take-off* cited above. He points out that "If there were no reasons for expecting railway building to set off other industries or to reduce the dependence of a region on agriculture, there is no reason why railroad building should lead to growth" (p. 455). Also: "If the period before the asset in question could be fully used was a very long one it might well be better to use the capital elsewhere, depending on the interest rate" (p. 456). He also denies "any special role for social overhead capital in economic development, particularly if one
thinks of development in terms of the growth of the manufacturing sector” (p. 261). He points out that “the real advantage of building social overhead capital in the underdeveloped country may accrue not to that country but the users of its products” (p. 275).


39 Ibid., p. 195.

40 Ibid., p. 194. Also see *Report of the Royal Commission on Agriculture in India*, 1928, paras 80 and 91.

41 Blyn, op. cit., p. 200.


43 Ibid., p. 340. The total acreage under irrigation at the time was 27.6 millions. Of this 10.1 millions were under canal irrigation. *Statistical Abstract of British India 1882-83 to 1891-92*, No. 27, p. 142.

44 We may here take note of the view that sub-division of holdings may increase productivity per acre though not productivity per head due to greater labour input.

45 Blyn. op. cit., p. 316.

46 I may quote here the words of a ‘growth’ economist: “...it does not necessarily follow that any efficient development of natural resources resulting in an increase in total output will always and pari passu reduce the backwardness of people. On the contrary, the problem of economic backwardness in many countries has been made more acute not because the natural resources have remained ‘underdeveloped’, but because they have been as fully and rapidly developed as market conditions permitted while the inhabitants have been left out, being either unable or unwilling or both to participate fully in the process... Thus again, we are led back from the consideration of the total quantity of investment and the total volume of output and economic activity to a consideration of the type of investment and the distribution of economic activities and economic roles between the backward peoples and the others.” And regarding the framework of ‘the liberal 19th century state’ he writes: “The formal framework which offers perfect equality of economic rights offers no protection, and the result of the ‘free play of economic forces’ under conditions of fluctuating export prices is the well-known story of rural indebtedness, land alienation, and agrarian unrest.” H. Myint, “An Interpretation of Economic Backwardness,” in *The Economics of Underdevelopment*, ed. by A.N. Agarwal and S.P. Singh, New York, 1963, pp. 96, 106 and 125.

47 Apart from some increase in productivity due to irrigation.


49 For example, a mass of data on this point could be dredged out of the recent village studies, economic as well as sociological.

50 It is fascinating to watch a technique of research and economic history which lets an author accept the evidence of a traveller, Palsaert, for proving that in the seventeenth century Indians were extremely
poor and for characterising an entire mode of production but makes him dismiss the evidence of hundreds of travellers, administrators, and other observers regarding decline of handicrafts or makes him ignore the Dufferin Enquiry of 1888 or the comments of men like W.W. Hunter and Charles Eliaot regarding the poverty and starvation of Indians at the end of the nineteenth century; or which enables him to give as proof of his "own general impression" that "the traditional Indian society (which century? B.C.) was supported at a lower level of real income per capita than was the case in early modern Europe or even in Tokugawa Japan," the statement of Thomas Kerridge in 1619: "though this country be esteemed rich, we find the common inhabitants to be very needie. . ." (p. 610, f.n. 16). How do we compare the per capita income of the 'verie needie' in India, Japan, and Europe? One stands aghast before the marvels which the 'simplest economic tools' can perform if they can help one compare, on existing evidence, the levels of real income per capita in Tokugawa Japan, early modern Europe, and India in 1619!

Morris had pointed this out very well in another context: "The cotton textile industry in India, and especially the Bombay sector of it, is perhaps better served by an abundance of statistics than almost any other major part of the economy. Nevertheless, appearances are deceptive. At every point the statistics are subject to serious question, and this study must depend, as historical studies unfortunately so often must, on the qualitative rather than on the quantitative evidence." (Emphasis mine). The Emergence of an Industrial Labour Force in India, 1965, p. 9.

Once again no evidence is offered for this "seems to have strengthened." In a theoretical derivation, the apt phrase would be: "should have strengthened." The words "seems to" indicate reality—but without evidence. Of course, the opposite school does adduce evidence of the weakening of the competitive position of the Indian handicraftsmen.

Based on tables in R.C. Dutt, p. 161 and Statistical Abstract Relating to British India, relevant years.


Ibid., p. 60.

Declining production could, of course, be maintained for a long time by imperfect market, force of tradition, etc.

But for that very reason the urban handicrafts were ruined.

The limitation of the internal market and demand was a major factor in first limiting foreign imports, and then indigenous factory production. It was a major factor in India's economic backwardness in 1947. One of the major tasks before the economic historians is to study how British rule as a whole affected the internal demand. Dadabhai Naoroji and others rejected the notion that law and order, railways, foreign trade, commercialization, or monetization necessarily or invariably led to its growth. It is of interest to note that the main spurs in Indian industrial production before 1947 occurred only when existing limited effective demand was diverted from imports to indigenous products by the two world wars.
No tables, no statistics, no actual curve, no authority are offered as evidence.

It is obvious that any real growth in effective demand for textiles would be absorbed by products of Lancashire and/or Indian textile industries. The Indian weaver could hold his own to a limited extent only after 1918 as a result of technological change, i.e., mechanisation.

In the twentieth century, when land could no longer absorb many of them, they tended to become general labourers, partially employed agricultural labourers, beggars, and 'men of commerce,' i.e., peddlers, etc., thus 'improving' the ratio of population engaged in non-agricultural pursuits. Cf. S. Kuznets, Economic Growth, 1959, p. 61.

Wages per pound in the British cotton textile industry:

<table>
<thead>
<tr>
<th>Periods</th>
<th>Yarn</th>
<th>Woven goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>1819—21</td>
<td>6.4 pence</td>
<td>15.5 pence</td>
</tr>
<tr>
<td>1829—31</td>
<td>4.2 &quot;</td>
<td>9.0 &quot;</td>
</tr>
<tr>
<td>1844—46</td>
<td>2.3 &quot;</td>
<td>3.5 &quot;</td>
</tr>
<tr>
<td>1859—61</td>
<td>2.1 &quot;</td>
<td>2.9 &quot;</td>
</tr>
<tr>
<td>1880—82</td>
<td>1.9 &quot;</td>
<td>2.3 &quot;</td>
</tr>
</tbody>
</table>


See Coale and Hoover, Population Growth and Economic Development, pp. 30, 231; D.H. Buchanan, The Development of Capitalist Enterprise in India, N.Y., 1934, p. 139; Census of India, 1951, Part I—A, Report, p. 122; A. Myers, Labour Problems in the Industrialization of India, Cambridge, Mass., 1958, p. 17. This is apart from the calculations of the Indian Planning Commission that the number of persons engaged in processing and manufacturing fell from 10.3 millions in 1901 to 8.8 millions in 1951. Indian Planning Commission, Occupational Pattern of Indian Union from 1901-1951, Table II, p. 6, cited in Joseph E. Schwartzberg, Occupational Structure and Levels of Economic Development—A Regional Analysis, unpublished, microfilm in Chicago University Library, p. 127. Having made a detailed regional study, Schwartzberg says that the Planning Commission "evidently feels that it has arrived at a meaningful picture of the occupational trends of the period 1901 to 1951. The author is in agreement with this view" (p. 133). The Planning Commission's note has attempted a detailed breakdown to take account of old as well as new occupational groups. Schwartzberg also adds that "evidence points to a much greater decline in the secondary sector (i.e. manufacturing and processing) in the 19th century" (p. 123).

Cf. S. Kuznets: "Since old knowledge, in a form ready for extensive application, is limited, a continuous and large rise in product per unit of labour is possible only with major additions of new technological and related knowledge." Economic Growth, p. 29.

See his "India—a Colonial Economy (1757 to 1947)" in Enquiry,
No. 1, (old series), 1958.

"That the nature and progress of economic backwardness or advancement cannot be understood unless we study 'the distribution of economic activities' is widely accepted today. Even Marshall who came at the tail end of laissez faire economics understood this, for he wrote: "It is to changes in the forms of efforts and activities that we must turn when in search for the keystones of the history of mankind." Principles, p. 85, quoted in H. Myint, op. cit., p. 123.

"Indian Economic and Social History Review, Vol. II, No. 1, 1965. Also see, for example, Daniel Thorner's Investment in Empire, 1950, and Arthur Silver's Manchester Men and Indian Cotton, 1966.


"It may be pointed out that even at present all government attempts to balance their budgets and all theoretical and political debate on budgeting is devoted to the questions of patterns of expenditure and revenue. The economics of deficit financing does not obviate the need for 'preoccupation with a balanced budget'.

These figures are rather roughly worked out from Imperial Gazetteer, Vol. IV, 1908, and C.N. Vakil, Financial Development in Modern India, 1860-1924, Bombay, 1924.

"See my The Rise and Growth of Economic Nationalism in India, Chapter XII, for details.

"India might have been under-administered but the amount spent on administration was not any the less for that reason!

"For example, the growth of military expenditure in Britain and India in the second half of the 19th century was as follows:

<table>
<thead>
<tr>
<th>Britain (million sterling)</th>
<th>India (crores of rupees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>Navy</td>
</tr>
<tr>
<td>1861</td>
<td>15.0</td>
</tr>
<tr>
<td>1881</td>
<td>14.7</td>
</tr>
<tr>
<td>1891</td>
<td>17.9</td>
</tr>
</tbody>
</table>


Vakil, op. cit., Appendices.


Based on Vakil, op. cit., Appendices.

Ibid. It may also be noted that while expenditure on education went up from Rs. .8 crores in 1875 to Rs. 1.4 crores in 1901 (i.e., by Rs. .6 crores), military expenditure went up from Rs. 17.6 crores in 1875 to Rs. 25.8 crores in 1901 (i.e. by Rs. 8.2 crores).

Nor is the answer here lack of contemporary tradition. Official
expenditure on education in Britain took a big jump forward between 1877 and 1882, precisely the period during which virtually all customs duties were remitted in India on the ground of budgetary surpluses. British expenditure on education at home increased from £1.859 millions in 1871 to 4.281 millions in 1881 and to 12.662 millions in 1901. Robert Giffen, Economic Inquiries and Studies, Vol. II, p. 330.

To the contrary, the long ‘gestation’ period led to India missing a favourable opportunity for economic development and it is now forced to do so at an unfavourable time and with a much larger gap to make up. What is even more important, the long ‘gestation’ period led to increasing backwardness, i.e., India was more backward compared to Britain in 1947 than in 1813.

This ‘North Atlantic Experience’ smacks of the old imperialist view that only countries with temperate climates could industrialize, except that the theory had an additional plus point—it would have covered Russia and Japan.

While ‘the gestation’ period was too short to generate economic growth, it was not too short to produce an agrarian debt of Rs. 3,200 crores and a situation where 2% of population owned 70% of agricultural land.

Some historians make the mistake of assuming that British rule at least provided an infrastructure for economic growth. Without going into detail, one may point out that they are misled by the hullabaloo about railways and law and order. In fact, from administration down to education, such an infrastructure was not built. One must distinguish between an infrastructure sufficient to underpin a modern colonial economy and an infrastructure needed to serve a developing economy. For example, a major weakness lay in the neglect of technical education and scientific research. Another was the neglect of electric power resources. Like the U.S.A., India was rich in these resources and their early development in the manner of railways would have given a head start in many fields of industry. But, then, it is well known that even railways in India were not built with the purpose of triggering off industrial development. Moreover, the advantage of electrification could not be exported to Britain as the advantages of rail-roadisation had been.

Morris has here perhaps tried to use S. Kuznets’s argument in Economic Growth (pp. 19-29). But Kuznets uses the argument precisely to deny that countries with per capita annual incomes of $100 or slightly above could have had substantial growth in per capita income over past decades. And it may be remembered that during 1952-54 (the years of Kuznets’s calculations) per capita income in India was far less than $100.

Size alone is hardly of any importance. Cf. S. Kuznets, Economic Growth, Chapter V.

Another school of historians is beginning to arise which tends to suggest that the British rule did not basically change Indian economy during the nineteenth century. But this hypothesis has not yet been clearly formulated or backed by any economic analysis. It seems to base