

Nature and Disposition of Colonial Economy of India- An Analysis.

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Abstract : In colonial India, the Indian national movement was most deeply and firmly rooted in an understanding of the nature and character of colonial economic domination and exploitation. Its early leaders, known as Moderates, were the first in the 19th century to develop an economic critique of colonialism. This critique was, also, perhaps their most important contribution to the development of the national movement in India- and the themes built around it were later popularized on a massive scale and formed the very pith and marrow of the nationalist agitation through popular lectures, pamphlets, newspapers, dramas, songs, and prabhat pheires.

Indian intellectuals of the first half of the 19th century had adopted a positive attitude towards British rule in the hope that Britain, the most advanced nation of the time, would help modernize India. In the economic realm, Britain, the emerging industrial giant of the world, was expected to develop India's productive forces through the introduction of modern sciences and technology and capitalist economic organization. It is not that the early Indian nationalist were unaware of the many political, psychological and economic disabilities of foreign domination, but they still supported colonial rule as they expected it to rebuild India as a spit image of the western metropolis. The process of disillusionment set in gradually after 1860 as the reality of social development in India failed to conform to their hopes. They began to notice that while progress in new directions was slow and halting, overall country was regressing and under developing. Gradually, their image of British rule began to take on darker hues; and they began to probe deeper into the reality of British rule and its impact on India.

INTRODUCTION

Three names stand out among the large number of Indians who initiated and carried out the economic analysis of British rule during the years 1870-1905. The tallest of the three was Dadabhai Naoroji, known in the pre-Gandhian era as the Grand Old Man of India. Born in 1825, he became a successful businessman but devoted his entire life and wealth to the creation of a national movement

in India. His near contemporary, Justice Mahadeve Govind Ranade, taught an entire generation of Indians the value of modern industrial development. Romesh Chandra Dutt, a retired ICS officer, published the Economic History of India at the beginning of the 10th century in which he examined in minute details the entire economic record of colonial rule since 1757.

These three leaders along with G.V. Joshi, G. Subramaniya Iyer, G.K. Gokhale, Prithwis Chandra Ray and hundreds of other political workers and journalists analyzed every aspect of the economy and subjected the entire range of economic issues and colonial economic policies to minute scrutiny. They raised basic questions regarding the nature and purpose of British rule. Eventually, they were able to trace the process of the colonialization of the Indian economy and conclude that colonialism was the main obstacle to India's economic development.

2. THE ESSENCE OF BRITISH IMPERIALISM

They clearly understood the fact that the essence of British imperialism lay in the subordination of the Indian economy to the British economy. They delineated the colonial structure in all its three aspects of domination through trade, industry and finance. They were able to see that colonialism no longer functioned through the crude tools of plunder and tribute and mercantilism but operated through the more disguised and complex mechanism of free trade and foreign capital investment. The essence of 19th century colonialism, they said, lay in the transformation of India into a supplier of food stuffs and raw materials to the metropolis, a market for the metropolitan manufacturers, and a field for the investment of British capital.

The early Indian national leaders were simultaneously learners and teachers. They organized powerful intellectual agitations against nearly all the important official economic policies. They used these agitations to both understand and to explain to others the basis of these policies in the colonial structure. They advocated the severance of

India's economic subservience to Britain in every sphere of life and agitated for an alternative path of development which would lead to an independent economy. An important feature of this agitation was the use of bold, hard hitting and colourful language.

The nationalist economic agitation started with the assertion that Indian was poor and was growing poorer every day. Dadabhai Navroji made it clear to British public about the 'continuous impoverishment and exhaustion of the country' and 'the wretched, heart-rending, blood-boiling condition of India' Day after day he declared from public platforms and in the Press that the Indian 'is starving, he is dying off at the slightest touch, living on insufficient food'.

The early nationalists did not see this all-encompassing poverty as inherent and unavoidable. It was seen as man-made and, therefore, capable of being explained and removed. As R.C. Dutt puts it: 'If India is poor today, it is through the operation of economic destruction'. In the course of their search for the causes of India's poverty, the nationalists underlined factors and forces which had been brought into play by the colonial rulers and the colonial structure.

The problem of poverty was, moreover, seen as the problem of increasing of the 'productive capacity and energy, of the people', in other words as the problem of national development. This approach made poverty a broad national issue and helped to unite, instead of divide, different regions and section of Indian society.

3. THE EARLY NATIONALISTS AND COLONIAL ECONOMY

The early nationalists accepted with remarkable unanimity that the complete economic transformation of the country on the basis of modern technology and capitalist enterprise was the primary goal of all their economic policies. Industrialism, it was further believed, represented, to quote G.V.Joshi, 'a superior type and a higher stage of civilization; or, in the words of Ranade, factories could 'far more effectively than Schools and Colleges give a new birth to the activities of the Nation'. Modern industry was also seen as a major force which could help unite the diverse peoples of India into a single national entity having common interests. Consequently, because of their whole-hearted devotion to the cause of industrialization, the early nationalists looked upon all other issues such as foreign trade, railways, tariffs, currency and exchange, finance, and labour legislation in relation to this paramount aspect.

Ever since the 1840s, British economists, statesman and officials have seen the investment of foreign capital, along with law and order, as the major instrument for the development of India. John Stuart Mill and Alfred Marshall had put forward this view in their economic treatises. In 1899, Lord Curzon, the Viceroy, said that foreign capital was 'a sine qua non to the national advancement' of India.

The early nationalists disagreed vehemently with this view. They saw foreign capital as an unmitigated evil which did not develop a country but exploited and impoverished it. Or, as Dadabhai Naoroji popularly puts it, foreign capital represented the 'despotism' and 'exploitation' of Indian resources. Similarly, the editor of the *Hindustan Review* and *Kayastha Samachar* described the use of foreign capital as 'a system of international degradation'.

In essence, the early nationalist asserted that genuine economic development was possible only if Indian itself initiated and developed the process of industrialization. Foreign capital would neither undertake nor could it fulfil this task.

According to the early nationalist, the political consequences of foreign capital investment were no less harmful, for the penetration of a country by foreign capital inevitably led to its political subjugation. Foreign capital investment created vested interests which demanded security for investors and, therefore, perpetuated foreign rule. A major problem the early nationalists highlighted was that of the progressive decline and ruin of India's traditional handicrafts. Nor was this industrial prostration accidental, they said. It was the result of the deliberate policy of stamping out Indian industries in the interests of British manufactures.

4. THE BRITISH VIEW

The British administrators, on the other hand, pointed with pride to the rapid growth of India's foreign trade and the rapid construction of railways as instruments of India's development as well as proof of its growing prosperity. However, the nationalists said that because of their negative impact on indigenous industries, foreign trade and railways represented not economic development but colonization and underdevelopment of the economy. What mattered in the case of foreign trade they maintained, was not its volume but its pattern or the nature of goods internationally exchanged and their impact on national industry and agriculture. And this pattern had undergone drastic changes during the 19th century, the bias

being overwhelmingly towards the export of raw materials and the import of manufactured goods.

Similarly, the early nationalists pointed out that the railways had not been coordinated with India's industrial needs. They had, therefore, ushered in a commercial and not an industrial revolution which enabled imported foreign goods to undersell domestic industrial products. Moreover, they said that the benefits of railway construction in terms of encouragement to the steel and machine industry and to capital investment -what today we would call backward and forward linkages- had been reaped by Britain and not India.

5. THE POLICY OF FREE TRADE

According to the early nationalists, a major obstacle to rapid industrial development was the policy of free trade which was, on the one hand, ruining India's handicraft industries and, on the other, forcing the infant and underdeveloped modern industries into a premature and unequal and, hence, unfair and disastrous competition with the highly organized and developed industries of the West. The tariff policy of the Government convinced the nationalist that British economic policies in India were basically guided by the interests of the British capitalist class.

The early nationalists strongly criticized the colonial pattern of finance. Taxes were so raised, they averred, as to overburden the poor while letting the rich, especially the foreign capitalists and bureaucrats, go scot-free. To vitiate this, they demanded the reduction of land revenue and abolition of the salt tax and supported the imposition of income tax and import duties on products which the rich and the middle classes consumed. On the expenditure side, they pointed out the emphasis was on serving Britain's imperial needs while the development and welfare departments were starved. In particular, they condemned the high expenditure on the army which was used by the British to conquer and maintain imperialist control over large parts of Asia and Africa.

6. THE DRAIN THEORY

The important point of the nationalist critique of colonialism was the drain theory. The nationalist leaders pointed out that a large part of India's capital and wealth was being transferred or 'drained' to Britain in the form of salaries and pensions of British civil and military officials working in India, interest on loans taken by the Indian Government, profits of British capitalists in

India, and the Home Charges or expenses of the Indian Government in Britain.

The drain took the form of an excess of exports over imports for which India got no economic or material return. According to the nationalist calculations, this drain amounted to one-half of Government revenues, more than the entire land revenue collection, and over one-third of India's total savings. The acknowledged high-priest of the drain theory was Dadabhai Naoroji. It was in May 1867 that Dadabhai Naoroji put forward the idea that Britain was draining and 'bleeding' India. From then on for nearly half a century he launched a raging campaign against the drain, hammering at the theme through every possible form of public communication. The drain, he declared, was the basic cause of India's poverty and the fundamental evil of British rule in India. Thus, he argued in 1880: 'It is not the pitiless operations of economic laws, but it is the thoughtless and pitiless action of the British policy; it is the pitiless eating of India's substance in India, and the further pitiless drain to England; in short, it is the pitiless perversion of economic laws by the sad bleeding to which India is subjected, that is destroying India.'

Other nationalist leaders, journalists and propagandists followed in the footsteps of Dadabhai Naoroji, R.C. Dutt, for example, made the drain the major theme of this Economic History of India. He protested that 'taxation raised by a king, says the Indian poet, is like the moisture sucked up by the sun, to be retired to the earth as fertilizing rain; but the moisture raised from the Indian soil now descends as fertilizing rain largely on other lands, not on India. So great and Economic Drain out of the resources of a land would impoverish the most prosperous countries on earth, it has reduced India to a land of famines more frequent, more widespread, and more fatal, than any known before in the history of India, or of the world'.

The drain theory incorporated all the threads of the nationalist critique of colonialism, for the drain denuded India of the productive capital its agriculture and industries so desperately needed. Indeed, the drain theory was the high watermark of the nationalist leaders' comprehensive; inter related and integrated economic analysis of the colonial situation. Through the drain theory, the exploitative character of British rule could be made visible. By attacking the drain, the nationalists were able to call into question, in an uncompromising manner, the economic essence of imperialism.

Moreover, the drain theory possessed the great political merit of being easily grasped by a nation

of peasants. Money being transferred from one country to another was the most easily understood of the theories of economic exploitation, for the peasant daily underwent this experience vis-à-vis the state, landlords, money lenders, lawyers and priests. No other idea- could arouse people more than the thought that they were being taxed so that other in far off lands might live in comfort. No drain was the type of slogan that all successful movements' need it did not have to be proved by sophisticated and complex arguments. It has a sort of immanent quality about it; it was practically self-evident. Nor could the foreign rulers do anything to appease the people on this question. Modern colonialism was inseparable from the drain. The contradiction between the Indian people and British imperialism was seen British imperialism was seen by people to be insoluble except by the overthrow of British rule. It was therefore, inevitable that the drain theory became the main staple of nationalist political agitation during the Gandhi an era.

This agitation on economic issues contributed to the undermining of the ideological hegemony of the alien rulers over Indian minds, that is, of the foundations of colonial rule in the minds of the people in India. Any regime is politically secure only so long as the people have a basic faith in its moral purpose, in its benevolent character- that is, they believe that the rulers are basically motivated by the desire to work for their welfare. It is this belief which leads them to support eh regime or to at least acquiesce in it continuation. It provides legitimacy to a regime- in this belief lie its moral foundations.

The economic development of India was offered as the chief justification for British rule by the imperialist rulers and spokesmen. The Indian nationalist controverter it forcefully and asserted that India was economically backward precisely because the British were ruling it in the interests of British trade, industry and capital, and that poverty and backwardness were they inevitable consequences of colonial rule.

It was above all Dadabahi Naoroji who in his almost daily articles and speeches hammered home this point. 'The face of the country was carried on by the British though 'unaccompanied with any open compulsion or violence to person or property which the world can see and be horrified with'. And, again: 'Under the present evil and unrighteous administration of Indian expenditure, the romance is the beneficence of the British Rule, the reality is the "bleeding" of the British Rule'.

In the course of their economic agitation, the nationalist leaders liked nearly every important

economic question with the politically subordinated status of the country. Step by step, issue by issue, they began to draw the conclusion that since the British Indian administration was 'only the handmaid to the task of exploitation', pro- Indian and developmental policies would be followed. Only by a regime in which Indians had control over political power.

7. THE EFFECT OF PROPAGATING DRAIN THEORY

The result was that even though most of the early nationalist leaders were moderate in politics and political methods, and many of them still professed loyalty to British rule, they cut at the political roots of the empire and sowed in the land the seeds of disaffection and disloyalty and even sedition. This was one of the major reasons why the period 1875 to 1905 became a period of intellectual unrest and of spreading national consciousness- the seed- time of the modern Indian national movement. While until the end of the 19th century, Indian nationalists confined their political demands to a share in political power and control over the purse, by 1905 most of the prominent nationalist were putting forward the demand for some form of self-government.

The nationalists of the 20th century were to rely heavily on the main themes of their economic critique of colonialism. These themes were then to reverberate in Indian cities, towns and villages, carried there by the youthful agitators of the Gandhi an era. Based on this foundation, the later nationalists went on to stage powerful mass agitations and mass movements. At the same time, because of this firm foundation, they would not, unlike in China, Egypt and many other colonial and semi-colonial countries, waver in their anti-imperialism.

8. FORMATION OF COLONIAL ECONOMY

The Battle of Plassey stands as an important landmark in the economic history of India. The foreign conquest of country started the process which culminated in the transformation of India's economy in to a colonial economy. In its first phase, the impact of foreign rule on India's trade and industry was both violent and destructive. The trade and industry of the country , more particularly that of Bengal, received a severe jolt as a result of the policies of the East India Company and corrupt practices of its officials . This was of course, short lived phase.

By the end of the 18th century, British rule had been established in large parts of the country and

had come to stay. Britain, therefore, came to look upon India as her colony which had to be developed in the imperial interest. The overriding constraint on the process of development was to be the interest of the British manufacturers. India was to be turned in to a market for British goods and exporter of raw materials and food stuffs to feed Britain's industries and her people. This policy thwarted economic growth and resulted in economic stagnation. The cottage and small scale industries which were the pride of the country in the 17th and the first half of the country languished as a result of foreign competition and want of support from the government. New large scale industries were late to come but even when they began to be established in the second half of the 19th century, far from encouragement, the government's attitude towards them was one of open hostility.

The First World War produced far-reaching changes in the world's economy and circumstances forced Britain to change her industrial and commercial policies in India. Fiscal autonomy to India was conceded by the secretary of state in 1919 and the principle of discriminating protection was accepted in 1923. This helped the industrial growth, and a number of new large scale consumer goods industries, such as sugar, matches, cement and paper came to be established in the country under the impetus of protection. But the great depression intervened mean while and prevented industrial growth from being as rapid as it otherwise might have been expected. The result of British rule in India was the aborted growth of her economy.

9. STRUCTURAL CHANGES

The British rule also produced important structural changes in the Indian economy. The new land laws gave a new concept of property and ownership in land which was alien to her. The principle of Joint stock in business units was for the first time introduced by the British. A unified currency system for the whole country, monetization of India's rural economy, substitution of commercial food crops in agriculture, a network of railways and telegraphs all over the country, an enormous increase in India's export trade and emergence of a new class structure were some of the more important contributions of the British rule in India's economy.

During the first half of the 19th century or even up to 1880 India's economy witnessed a strange phenomenon. While western countries were experiencing industrialization, India suffered a

period of industrial decline. This process has been described as de industrialization.

The third phase of colonialism begun from the 1860s, when British India became part of the ever-expanding British Empire, to be placed directly under the control and sovereignty of the British crown. This period was one of 'finance-imperialism'; when some British capital was invested in the colony. This capital was organized through a closed network of British banks, export-import firms and managing agencies.

Industrial development also led to capital accumulation, which was concentrated in a small number of banks and corporations. This capital was invested in the colonies to sustain the rapid inflow of raw materials to fuel further expansion of industrial production. High tariff restrictions in other developing capitalist countries led to a contraction of markets for British manufactured goods. And the need for heavy imports of agricultural products into Britain was making her position vulnerable in her trade with other countries. India proved crucial in solving the problem of Britain's deficits. Britain's control over India ensured that there would always be a captive market for Lancashire textiles. Moreover, India's export surplus in raw material with countries other than Britain, counter-balanced her deficits elsewhere. While on the one hand indigenous handicrafts faced impoverishment, on the other hand, there were few attempts at developing modern industries in the colony. Although the colonial government spoke about 'free trade', indigenous enterprise faced many obstructions perpetuated by the state's discriminatory policies.

British capital was initially invested in railways, jute industry, tea plantations and mining. The Indian money market was dominated by European banking houses. While British entrepreneurs had easy access to capital made available by this banking network, Indian traders had to depend on family or caste organizations for their capital needs. British banking houses and British trading interests were well organized through Chambers of Commerce and Managing Agencies and could also influence the colonial state, to carefully deny Indian entrepreneurs access to capital. It was during the First World War that some Marwari businessmen from Calcutta, like G.D. Birla and Swarupchand Hukumchand invested in the jute industry. Gradually their control started expanding into other areas like coal mines, sugar mills and paper industry, and they could even buy up some European companies.

CONCLUSION.

The greatest success of Indian capital was seen in the cotton industry in western India, which took advantage of high demands during the war years (1914-18) to consolidate its successes, and eventually was in competition with Lancashire. Certain traditional trading communities like Gujarati Banias, Parsis, Bohras and Bhatias became important in this sector. The colonial government also provided some protection to the sugar and cotton industries, in the face of falling prices in the agricultural sector. Low prices forced capital from land into the manufacturing sector. Indians also ventured into the field of insurance and banking. Again, during the Second World War (1939-45), as foreign economic influence declined, Indian entrepreneurs managed to make huge profits. Strengthened by its limited success, the Indian capitalist class strengthened their links with the nationalist movement. They soon started demanding the establishment of heavy industries under state ownership and started organizing themselves to resist the entry of foreign capital. But, to place these markers of success in perspective, on an overall level, these developments remained confined to the domestic market and indigenous capital still had a long battle ahead, against the structural weaknesses of a colonial economy. The potential for growth remained depressed given the massive poverty of the Indian people.

Early Indian nationalists like Dadabhai Naoroji, M.G. Ranade and R.C.Dutt had expected Britain to undertake capitalist industrialization in India, but were deeply disillusioned with the results of colonial industrial policies. Consequently, they formulated a strong economic critique of colonialism in the late nineteenth century. Dadabhai Naoroji put forward the drain of wealth theory. Poverty in India, according to them, was the result of a steady drain of Indian wealth into Britain—a result of British colonial policy. This drain occurred through the interest that India paid for foreign debts of the East India Company, military expenditure, guaranteed returns on foreign investment in railways and other infrastructure, importing all stationery from England, 'home charges' paid for the Secretary of State in Britain and salaries, pensions and training costs of military and civilian staff employed by the British state to rule India. Even if this drain was a small fraction of the value of India's total exports, if invested within the country it could have helped generate a surplus to build a capitalist economy.

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