The Indian Economy and the British Empire

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Abstract and Keywords

The fate of the Indian economy under British rule has long been a battleground of historiography, with little agreed between historians either of interpretation or of fact. This partly reflects the difficulties of the sources, but also widely differing expectations, assumptions, and ‘counter-factual’ models. The chapter explores these expectations and assumptions and tries to set limits to the appropriate counterfactuals. It insists that concepts of ‘development’ be situated in their time-bound historical contexts and construed in relation to political and social, as well as narrowly economic, criteria. It then seeks to understand the colonial intervention not just as promoting or obstructing economic growth, but as affecting broader ways of life and of the material reproduction of society.

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Very few historical debates have been as long term, as bitter, and quite as inconclusive as that concerning the fate of the Indian economy under British rule. Issues were first joined in the last third of the eighteenth century, at the very moment when the English East India Company was raising its flag over India. In virtually the first English-language history of the country, his *History of Hindostan* published in 1768, Alexander Dow launched a savage attack on the Company for ruining the economy of Bengal.1 And, just eight years later, Adam Smith in his *Wealth and Poverty of Nations* portrayed the Company as a leading threat not only to the prosperity of India, but to that of Britain and the future of ‘commercial society’ in general.2 Nor have the controversies died down very much since. The idea that Britain ‘drained’ India’s wealth and despoiled its economy was basic to the Indian nationalist movement, which arose from the later nineteenth century, and subsequently informed both the economic policies which India’s post-independence governments followed and the tenor of its national historiography.3 In the present age of ‘global history’, colonial policies in relation to the devastating famines, which swept India in the later nineteenth century, have been subsumed into the comparative history of ‘genocide’.4

Yet, while it has rarely been easy to generate enthusiasm about its successes, British rule has also never wanted for those prepared to defend its economic record and to look elsewhere for the sources of India’s poverty. Early Company officials, from Philip Francis to Thomas Munro, claimed to be struggling to restore a Golden Age of prosperity and plenty, which had been brought to ruin previously by civil war and ‘Islamic tyranny’. Later, social theorists as diverse as John Stuart Mill and Karl Marx could at least credit Britain with having laid the institutional foundations for modern economic growth—even if very little seemed to come of them. And their views would find echo, down the years, in the interpretations of liberal economic historians, such as Morris David Morris and Tirthankar Roy.5 In these days of ‘neo-conservative’ global agendas and a new imperialism, some historians, such as Niall Ferguson, have even begun to offer the British empire’s guardianship of the Indian economy as a model for the present.6
The battle has been relentless and shows no signs of calming down. But, as perhaps in all historiographical battles so clearly involving strong political sensitivities, it may also have generated more heat than light. Even the most basic issues of empirical fact—population levels, GDP growth, per capita incomes—remain subject to frenzied dispute, especially for the first century of British rule when, it might be thought, the available data are too fragile to withstand the grandiose theoretical constructions often put upon them.\(^7\) From the second half of the nineteenth century, at least, the sources of evidence become firmer—although still very inadequate by modern standards. But the potential gulfs in interpretation between proponents of competing economic theories become all the wider. Indeed, this last feature is particularly striking and a crucial reason, perhaps, why the debate has proved so intractable. The ‘perverse’ economic history of India over the last two hundred years—which, from some angles, moved from prosperity to poverty—stands as a direct challenge to most of the classical theories of the development of capitalism and the progress of modernity. This marks out the debate as exceptionally important. But it also indicates that there has always been much more than ‘history’ at stake in it. After two hundred years, it is still very difficult to offer even a basic narrative of what might have happened to the Indian economy across this period, which is not immediately at risk of being shot down by one or other side—and, sometimes, by both at the same time although for different reasons.

To begin at the beginning: plainly, the nature of the Indian economy (or, perhaps, of the several regional economies comprising South Asia) at the point of the colonial conquest is crucial to understanding subsequent change. It is indisputable that parts of it had been heavily involved in international trade for centuries, were highly monetized and constituted centres of textile manufacture of world significance. But, as generations of historians as diverse as Marx, W. H. Moreland, and Irfan Habib have queried, was it nonetheless groaning under the political weight of a rapacious ‘Oriental Despotism’ and with few ‘potentialities’ for future development?\(^8\) Or was India, as Adam Smith had it, almost at the same stage in the development of ‘universal civilization’ (capitalism) as Britain
itself? And, as many ‘revisionist’ historians of early modern Eurasia writing in the last twenty years would argue, still expansive, showing signs of innovation and accumulation and proving remarkably resistant to whatever forces of oppression were thrown against it?

What happened to this economy over the first half of the nineteenth century, before the impact of the new technologies of railways and steam-shipping became visible, also is represented between the widest parameters of interpretation. Plainly, India’s manufacturing industry was squeezed by the loss of overseas, and some elite domestic, markets to the products of Britain’s Industrial Revolution. Manufactured exports dwindled: leaving, by the 1830s and 1840s, opium as one of the country’s few internationally saleable products, responsible for upwards of 40 per cent of foreign earnings. But, given the inevitable preponderance of agriculture, did this reflect a minor contraction and redeployment of manufacturing skills to service non-elite domestic markets unreachable (by the available means of transport) to Britain’s new industrial products? Or did it represent huge forces of ‘de-urbanization’ and ‘de-industrialization’, driving a far larger proportion of India’s workforce onto the land and into petty commodity production than ever before? Certainly, the fragments of evidence that we have suggest that the frontier of land cultivation moved ahead very rapidly in these years. However, other evidence (albeit no less fragmentary) also suggests that it was accompanied by a substantial increase in population. But how could such a population increase be sustained in the context of what looks, in every other respect, to have been a period of acute economic crisis? And should the contraction of India’s ‘traditional’ artisanal industries, rendered obsolete by the rise of superior technologies elsewhere, be greeted as an unequivocal ‘loss’? Or should it be seen as the occasion for the Indian economy to ‘restructure’ itself in order better to fit into an expanding world economy: where investment in agriculture, in which India had competitive advantages, would bring greater means to consume manufactures brought from abroad, which were cheaper and of higher quality than any its ‘old’ industry could have produced?
The questions—and paradoxes—remain as complex for the economic history of the next one hundred years. From the middle of the nineteenth century, the new transport technologies made their impact and a period of steady ‘expansion’ set in, encouraged by the free trade policies of the British empire, which lasted up to the First World War. Cash cropping for overseas markets—in wheat, cotton, and oil-seeds—now took off. But so too did the reciprocal opening-up of India as a major market for ‘foreign’ industrial manufactures. A frontier for the expansion of Indian capital and labour abroad, especially around the Indian Ocean littoral, also developed, helping to offset signs of environmental constraint which were beginning to appear within the country itself. Towards the end of the nineteenth century, ‘modern’ forms of industry arrived albeit slowly and in a few limited areas. Better sources of data have allowed economic historians at least to hazard guesses at rates of increase in per capita income at this time: where growth of between 0.75 per cent and 1.25 per cent a year would seem the most accepted (or least disputed) figure.

But even this may have been achieved only at a considerable cost to some Indians. Per capita income growth was sustained by a downturn in India’s rate of population increase in the later nineteenth century, caused by rampant epidemic disease and a series of devastating famines. The ‘positive’ number, which it purports to represent, was achieved in part at the ‘negative’ price of human catastrophe. Moreover, why should devastating famines have punctuated India’s development in the one era of British rule marked by relative economic prosperity? And why should high value-added forms of modern industrialization have taken so long to emerge and have been so small in scale?

But, at least, there is evidence of growth in this period. In the interwar years, per capita incomes may have fallen by up to 15 per cent as the world economy contracted and India lost many of its overseas markets for agricultural products. Also, ecological constraints began to produce a general downturn in food crop yields. To add to the problems, the population surged upwards once more—at least recovering, and probably
surpassing, its rates of growth in the early nineteenth century. But, ironically, Indian industry prospered and advanced at an ever more rapid rate—although nowhere near fast enough to compensate, in the short term, for the crisis of the agrarian economy. During the Second World War, of course, all sectors of the economy enjoyed considerable expansion, urged on by the war effort. But the strains attendant upon faster growth also showed themselves in the Bengal Famine of 1943 and in a general crisis of food supply, which necessitated state intervention in the food market on a regular basis for the first time since the early nineteenth century.¹⁷

When the British finally ‘quit’ India in 1947, they left behind a society in which life expectancy was 26.6 years, 90 per cent of the population was rural, and 55 per cent of it lived below the international poverty line.¹⁸ But, also, three times more human beings subsisted in South Asia than when they had first taken power; the basic technologies of modernity, including the second largest railway network in the world, had been established; and, not least, a series of disparate regional economies—once sprawled across an area larger than Western Europe—had been integrated into a single national market with significant opportunities for future development in the modern world. Do these represent achievements to be deprecated or applauded?

More particularly, what explains the peculiar twists and turns, paradoxes and contradictions, which we have seen in trying to provide even a basic narrative of events? Perhaps the most celebrated formula of critics of ‘British’ India over the last one hundred years has been the idea of a ‘drain’ of wealth, which enriched Britain while removing from India resources which might have been used to drive forward its own ‘modernization’. And it is beyond question that Britain, at all times, drew a surplus from India, which played a crucial strategic role in its own economic growth: during the Napoleonic Wars, following the deterioration of its trading position between the 1870s and the First World War, and during the crisis of the interwar Depression, this surplus was important in preserving Britain’s own economic stability.¹⁹ But while the ‘drain’ undoubtedly helps to explain Britain’s own remarkable economic ‘development’, there have always
remained questions about how far it really explains India’s ‘underdevelopment’. It would take a pre-Smithian understanding of economics to suppose that, because one party in a bilateral transaction makes a profit, the other must necessarily be making a loss. A difficult issue long haunting the ‘drain’ debate has been how much of Britain’s surplus represented ‘legitimate’ payments for services provided to India, which promoted the latter’s growth and could not have been obtained elsewhere as cheaply. A second issue has been posed by the question of whether, had more surplus been retained in India, it would have been used to realize a greater investment ‘potential’ rather than being ‘wasted’ on luxury consumption, as was so much of the country’s residual wealth. But a third, and perhaps more fundamental, question has come up in recent years as means of econometric measurement have improved: was the ‘drain’ ever large enough (p.50) to represent a significant agent of transformation in the trajectory of the Indian economy at all?

In the most careful of recent considerations, G. Balachandran has estimated that it cannot be calculated at more than the equivalent of 1–1.5 per cent of India’s GDP—a substantial amount but hardly the difference between a transition from ‘tradition’ to ‘modernity’. Even more strikingly, Angus Maddison has shown that, relative to their GDP(s), the direct flow of resources from India to Britain was extremely low by the comparative standards of other contemporary colonial empires: for example, representing only one-tenth the flow between Java and the Netherlands. And, while his statistics may no doubt be disputed, their point gains force from the views of hosts of economically active Britons during the Age of Empire itself. Consistently throughout the history of British India, heavy criticism was launched by British economists and businessmen at the constraints posed to possibilities of British trade, investment, and settlement in India, especially by the policies of the colonial state itself. As it were, large sections of British economic enterprise felt themselves unable to create the relations necessary to ‘drain’ enough profit out of India, whose economic performance under colonial rule was widely held a disappointment in the metropolis.
But if a large section of British economic society was consistently frustrated at its inability to ‘exploit’ India, it seems hard to account for the latter’s economic history largely in terms of the effects of that ‘exploitation’. And no less difficult to conceive it as providing the principal reason why Britain conquered—or, at least, held—India in the first place. The final paradox thrown up by the ‘economic’ history of ‘British India’ must be doubts that British imperial purposes were ever principally—or, at least, in a direct bilateral sense—economic in intent. Yet, if not, then the underlying research agendas informing two hundred years of colonial economic history may rest upon false premises; and it may be necessary to look to other areas to explain the economic outcomes which flowed from the British conquest of India.

(p.51) Economic Implications of Company Rule

The first of these other areas must be the character of the colonial state itself, whose policies—at least from the early nineteenth century—can sometimes appear optimally designed to suppress economic activity whether undertaken by Indians or the great majority of Britons. After the abandonment of early experiments with a Permanent Settlement, aimed specifically at restricting taxation and stimulating capital accumulation, the East India Company government from the 1810s opted for policies of revenue maximization in most of its territories outside Greater Bengal. These policies were pursued relentlessly and, between the 1820s and 1850s, in the face of a withering price depression, which increased their burden since they were collected in cash. They marked the second half-century of British rule in India with a ‘revenue offensive’ which, in the Permanently Settled areas, was matched by a ‘rental offensive’ conducted by the new Indian landlord class and having much the same effect.

This was not least because these policies were accompanied by an investment strategy, whose regressive implications were no less palpable. While, as we shall see, state-directed investment in public resources in India may never have been high, it can hardly ever have been lower than in the years leading up to the 1840s. The government of Madras, for example, spent less than 0.5 per cent of its revenues on the
maintenance of irrigation works. Moreover, it even attacked principles of ‘private’ investment on the land—disallowing large numbers of inams (tax immunities), which had been granted under previous regimes for constructing irrigation works.\textsuperscript{25} To queries about the apparently regressive nature of its revenue policies, it also formulated a remarkable (and, as we shall see, fallacious) economic sociology of India: supposing it to consist of a society of static and self-reproducing ‘village communities’, which could yield—and, so it was claimed, always had yielded—the bulk of their surplus to their rulers without serious consequence to their internal mechanisms of reproduction.\textsuperscript{26}

(p.52) Nor were the Company’s trade policies of a much different stripe. It was a ruthless monopolist, laying claim to ‘sovereign’ rights over many of the valuable commercial trades in India—opium, salt, betel, alcohol—and, until 1830, using its state powers to enforce quasi-monopolies in other areas, such as textile manufacture. Moreover, then—facing dwindling returns, risky overseas markets and pressures from home—it precipitously abandoned these market positions, causing chaos in the monetary system where the products involved had been crucial to general processes of cash exchange.\textsuperscript{27} But concern for the condition of the monetary economy was never very high on the Company’s list of priorities: in spite of declining inflows of specie, occasioned by the contraction of India’s overseas trade, it continued to export Indian silver to meet its trading needs in China, greatly contributing to the Indian price depression.\textsuperscript{28}

Equally, it showed scant regard for the general economic interests of any wider British community. It early set itself against large-scale British settlement and, after parliament removed its rights to exclude British subjects at will, still retained strong prerogatives to deport any deemed to be acting against ‘British’ interests as judged by itself. It also heavily restricted the ability of Britons to acquire land rights—outside the towns or the remote hill-stations—and progressively disinterred the rights which they previously had enjoyed to gain liens on the revenues or to farm monopolies. Its elaboration of an ideology sharply distinguishing between ‘public’ and ‘private’ rights hit against the private rights of
Britons as much as Indians. Further, it resisted attempts by parliament to reduce its wider monopolies over bi- and multilateral trade (especially with China) and, although formally losing these rights in 1813 and 1833 respectively, clung onto their substance for very much longer. Control over the land revenues and over ‘sovereign’ monopolies on key products left the greater part of India’s commercial and financial systems in its hands, deep into the supposed age of ‘free trade’; and the principal item of trade taken to China by ‘private’ British traders was opium, produced under Company licence.

The hopes that many in Britain had expressed at the time that the Company’s frontier of conquest was moving forward, that an era of enlarged trade and prosperity was about to dawn, were thoroughly dashed by the second quarter of the nineteenth century. After initial growth to 1820, British exports to India stagnated until the 1840s and opportunities to make direct investments, other than in the hills, even diminished in a context of swingeing depression. Restlessness in parliament with the Company’s management of the Indian economy increased apace: its twenty-year Charter renewals becoming the occasion for bitter recriminations and demands for reform. Some reforms were, indeed, implemented: with pressures on the Company to increase its levels of capital investment, especially in irrigation, as the price for renewing the Charter in 1833. But unease continued to grow, necessitating significant, if belated, changes in several of its policies—less regressive landlord/tenant laws in Bengal, a ‘new’ ryotwari system and inam settlement in Madras—as the Charter renewal of 1853 approached. But, finally, even these reforms failed to satisfy parliament, which actually refused to renew the Charter: leaving the Company an incongruous and illegal organization for the last five years of its life before it was displaced by direct Crown rule in 1858.

Several key questions are raised by the economic policies of the Company: why should it have followed such regressive strategies; and why, given that so many British (not to mention Indian) business interests failed to benefit from it, should British parliaments have let it do so for so long? Familiarly, in critiques of imperialism from Adam Smith to J. H. Hobson, it...
has been held that monopolies, while denying benefits to the majority, provide super-profits to a few who sustain their position by political ‘corruption’. And, certainly in Smith’s day, this cannot be disputed in India’s case. The early years of the Company’s expansion saw huge fortunes laid up by the few Britons who were involved in the process and who exercised a strong influence in an ‘unreformed’ parliament. But, from the turn of the nineteenth century, the number of direct beneficiaries from a Company India, now turning towards stagnation and depression, becomes harder to assess. Of course, at its highest levels, the Company was dependent on British banks and merchant houses to sustain its fiscal system and these gained enhanced opportunities for profit as its early relationships with Indian banking houses were progressively discarded. But association with the Company also became more hazardous as India’s foreign trade declined: witness the financial devastation caused by the ‘indigo crisis’ of the late 1820s and the Calcutta banking collapse of the 1840s. Further, it was clearly becoming more difficult to sustain ‘private’ influence over ‘public’ affairs as attacks were launched on ‘old corruption’, both in India, under Cornwallis’s reforms, and in Britain, as parliament lurched—albeit uncertainly—towards reform. No doubt the ‘new’, more professional Company bureaucracy did well out of the transition, paying itself salaries on a previously Indian royal scale. But, much though the reverse often seems the case, bureaucracies are rarely permitted to run governments entirely for their own benefit. The logic of the Company’s economic policies in this era—and, no less, the willingness of ‘political Britain’ to put up with them—remains mysterious.

But the mystery may start to clear if attention is turned to what the Company was spending its heavy revenues on and to the implications of its policies outside India. The highly aggressive revenue strategies of the period reflected efforts to maintain the huge military machine, which the Company had built up in the course of its conquests, long after it had consolidated its position as the dominant power within India. This machine was used continuously to expand the frontiers of ‘British India’ towards the north-west (Sindh, Punjab, and Afghanistan); and also to advance overseas,
Nelson’s fleet in Egypt as early as 1799 and then shifting towards South East Asia (Sri Lanka in 1796, Java in 1811, Singapore in 1819, Burma in 1824) and onto Canton in 1839. Indian military power became the quintessential complement to British naval power in building the British empire east of the Mediterranean, creating opportunities for British trade, investment, and profit which would collectively outweigh anything to be obtained bilaterally from India itself.\(^3^3\)

In effect, India became the crucial pivot in a multilateral system of imperial economy and force: supplying not only soldiers but also key items of commodity trade (opium, cotton) and labour to support an empire which, otherwise, Britain—from its tiny island base off north-west Europe—would scarcely have been able to maintain. Indian revenues paid for the army; Indian monopolies supplied the trade goods; and, ultimately, Indian personnel and expertise (in commerce and administration) compensated for the difficulties and costs of keeping ‘white men’ in the tropics. The Company’s economic strategies were very much geared to the development of this wider system. Aggressive and regressive taxation systems in India might deny resources for productive investment and, where the bulk of revenues was spent on the military, sap other forms of consumption. But they supplied the means to keep the external frontier rolling forward and to guarantee social order and ‘business as usual’ behind it. If problems arose within India, they, too, were to be met by looking overseas: the Company’s principal response to ‘de-industrialization’ was to promote emigration abroad; and, in the depression of the 1820s to 1850s, to seek new means of ‘vent’ in foreign markets. The Indian economy was progressively less valued for any potential of its own and was governed in ways which would make that potential ever more difficult to realize. But it serviced valuable ‘global’ interests and, as these grew more considerable, it cannot be held surprising that—whatever the economic disappointments inside India—British parliaments should have been reluctant to dispose of the Company’s government entirely for all that they criticized and resented its Indian performance. Nor, in many senses, did they ever do so. For, even after the abolition of the Company and the transition to Crown rule, the basic
orientation of British Indian economic policy remained much the same albeit subject to new imperatives as the century advanced.

Contradictions of Colonial Development

From the 1850s, in the wake of the transport revolution, the long depression over the Indian economy lifted and new opportunities for export cash-cropping burgeoned in many areas. The recovery also lifted prices, which rose steadily until the First World War. In turn, this reduced the real weight of the land revenue demand and restored opportunities for capital investment. The colonial state increased its own levels of investment (especially in irrigation) and also encouraged greater private participation in the Indian capital market, especially via railway construction. Eventually, the more buoyant economic conditions began to stimulate industrialization.

 Nonetheless, the colonial state’s principal interests continued to lie in meeting the needs of the military and the expansion of overseas commerce; and its domestic Indian policies were, in many ways, inflected towards these goals to the detriment of opportunities for capital in India, not just indigenous but British too. The military budget (especially if increasing government debt incurred for military reasons is included) still absorbed the great bulk of revenues, and attempts were made to compensate for the loss of the real value of land revenues by imposing increasing imposts on the sources of reviving trade. Military (and debt) expenditures left very few resources for anything else and irrigation policy was placed in a tight straitjacket: with the exception of Punjab which—as the main recruiting ground of the post-Mutiny army—enjoyed a lavish patronage. Otherwise only schemes which would bring an instant increase in revenue yields were supported. Even the railways—by far the largest capital investment project undertaken in British India—were designed to serve the ends of defence and foreign trade: their main routes were laid out, after the Mutiny, to improve military security and to move goods to and from the ports. Industry, when it first began to arise, shared the latter orientation. The first spinning mills served the China trade and Calcutta’s
jute factories manufactured sacking for global markets. Also, the colonial state began ever more actively to promote the export of Indian labour skills and even that of rare resources of indigenous capital. Between the 1850s and 1914, more than 2 million people left the shores of India to work not only as labourers, but as clerks, policemen, and market sellers in British imperial economies as far distant as the Caribbean; and Indian capital, especially via the Nattukkottai Chetty bankers of the south, became heavily involved in the opening of Burma.\(^{35}\)

By contrast, in India, the colonial state appears at times to have set its face against a faster pace of transformation wrought by the expansion of the world economy. Where cash-crop markets and mechanisms of credit and debt began to threaten social transitions, it was quick to try and stop them—widely passing tenancy and indebtedness Acts to keep the peasantry on the land. After the Indian Mutiny, it became haunted by fears of agrarian revolt, which would tie down its international army in India and render the maintenance of its rule more difficult.\(^ {36}\) Equally, it gave precious little encouragement to the growth of any industry aimed at serving domestic markets: either by redirecting its purchasing policies or by setting up tariff protections or by deepening the modern banking system (which was entirely export-oriented). If domestic industry did develop in colonial India, it would be the result of anything but inducement by the colonial state.

This last feature, of course, has conventionally been understood in terms of the colonial state maximally helping British manufacturers exporting to India. The transport revolution had finally opened up India as a mass market for British industrial goods and the attenuation of India’s own industrialization would serve to keep it so. Also, as Amiya Bagchi has argued, British ‘free trade’ could easily be overestimated even in this era: via various forms of racial and national prejudice, as well as residual corruption, the local agencies of the colonial state continued to favour certain British businessmen at the expense of potential Indian rivals. This created unofficial forms of monopoly, limiting the general development of resources: in terms of potential factor allocation, India might easily have had steel, coal, and other
major industries much earlier than it eventually did and producing at lower costs than Britain’s own.\textsuperscript{37}

That British economic policy in India should have been influenced by the likes of the Lancashire textile lobby and should have involved collusive practices between public and private agencies cannot, of course, be denied. But, importantly, these policies and practices did not only discriminate against rival Indian entrepreneurs. They also effectively cut out large sections of British business and capital from ‘exploiting’ India. India may have become a vital market for certain sections of British industry, especially those associated with the first phases of industrialization such as (ironically) cotton textiles. But it very much did not for many others, such as machine tools or other more sophisticated products generated out of the secondary phases of industrialization. Such products required markets based on higher incomes and rates of growth than could be found in India. From the 1880s, these sectors of industry (famously from Birmingham, the home of the British machine tool industry and of Joseph Chamberlain) launched an increasingly vehement attack on Britain’s empire of ‘free trade’, with India at its pivot, and demanded policies of imperial protection, which would boost industrial investment throughout the empire. ‘Birmingham’ strongly vied with ‘Lancashire’ to be the dominant voice over British \textsuperscript{(p.58)} imperial policy, offering visions of a very different kind of empire for the industrial age.\textsuperscript{38}

Of course, the ‘Birmingham’ lobby did not win the political debate at the time and imperial protectionism was delayed until after the First World War. But the general point that it was seeking to make might be held exemplified by Britain’s economic relationship with India over the twenty-five years leading up to that cataclysm. India might have been Britain’s most important market for textile exports but, as the axis of the world economy shifted from trade to investment, its overall importance to Britain’s external economy declined. Apart from the railways, very little private British capital was ever invested there. The ‘potential’ of India’s iron, steel, and other industries went a-begging and, between 1890 (when the main stage of railway construction was completed) and 1914,
the proportion of total British overseas capital invested in India fell sharply from 19 per cent to 10 per cent.39 Perversely, while few imperial Britons in 1914 would have denied that India was the jewel in their crown, this was very much not because of the profits earned directly from it. India’s relative economic stagnation in the ‘golden age’ of the world economy before 1914 marked out how far its own development was being sacrificed to providing military power and promoting economic growth in other parts of Britain’s empire.

After the First World War, this necessarily changed—with the contraction of the global economy, which India had been serving, and of British military power. In the 1920s and 1930s, the colonial state made desperate efforts to alter its historic orientation: conceiving a discourse of Indian development; introducing tariff protections for imperial industries; and even proclaiming itself to have an ‘Industrial Policy’. The nature of Britain’s economic relationship with India showed signs of changing as the (albeit small) amounts of British capital locked up in the old colonial trades began to disperse (or to be taken over by Indians) and new inflows of industrial investment (most famously, by Lever Brothers) started to arrive.40 But the adverse economic circumstances of the times, as well as the rise of an increasingly vociferous Indian national movement, brought out new contradictions. As the global economy crashed around their ears, ‘India’ and ‘Britain’ turned in on themselves, becoming more truly ‘national’ economies, whose complementarities were increasingly limited and whose rivalries became more pronounced. The colonial state experienced growing difficulties in holding them together and in hiding its ultimate metropolitan biases. In particular, the protracted negotiations to set a tariff regime capable of serving the interests of both British and Indian industry revealed how far those interests were becoming divergent. With the demise of Britain’s once multilateral free trading empire, the colonial ‘game’ was up in India (at least economically) even before the Second World War made decolonization inevitable.
Crisis of the Indian Economy in the Early Nineteenth Century

But if, from the time of the conquest, the British colonial state had abandoned more than a peripheral interest in the domestic development of the Indian economy—and had looked outwards and towards international military power for its purposes—why should this have been so? And, given that state policies do not entirely determine the course of economic histories, what difference might this have made to India’s possible history, to its alternative trajectory of development? Looking back to the circumstances of the Company’s rise to power, answers to the first question are not self-evident. Long-standing tendencies in ‘Western’ history and social science to depreciate the pre-colonial economies of South Asia have usually been rooted in attempts to assess their ‘futures’ and ‘potentialities’ for further capitalist development. But very few comparisons of them with other economies in their own times have found them so wanting. Paul Bairoch, for example, has estimated that, as late as 1750, South Asia still possessed 28 per cent of the world’s total manufacturing capacity. In addition to a world-dominant position in the manufacture of textiles, it also sustained a wide range of other, high-quality artisanal industries. The occasional glimpses which we have of its agricultural systems suggest that they were capable of generating crop yields equivalent to the best in the world and living standards (at least for skilled workers) as high than those in, say, contemporary Britain. What led the emergent Company state to throw away the advantages which might have come from closer cultivation of its valuable new Indian assets? The question is even more teasing because there were signs of an alternative. Had the path to future development laid out in Cornwallis’s Bengal Permanent Settlement of the early 1790s been followed, the colonial state might have had a very different economic orientation: military authority would then have been definitively subordinated to civil politics; taxation rates would have been restrained to promote capital investment; a strict barrier would have been set to territorial expansion.
That this did not happen can, perhaps, be put down to the eventual intertwining of two different strands of historical logic. One of these arose out of the circumstances of the Company’s conquest. In the first place, it was by origin a maritime agency whose first claims to political hegemony were established at sea. South Asian economies critically depended on inflows of specie metal (of which they produced little) deriving from overseas trade. Aggressive naval strategies, which were little contested by South Asia land-based powers, gave Europeans preponderant influence over the Indian Ocean from as early as the seventeenth century, which eventually turned into British naval dominance by the late eighteenth. The Company was able to exert a stranglehold over many of the regional economies of South Asia by controlling their access to markets and money overseas.

And, second, economic power became converted to political power as it connected with new processes of state formation then taking place inland. There is much to suggest that the Mughal empire itself generated forms of ‘military fiscalism’ as it sought to tap economic expansion in order to build an overbearing military machine. But such tendencies were developed to new heights under the successor regional states, which contested power after the beginnings of its demise at the turn of the eighteenth century. As Christopher Bayly has argued, these states elaborated new systems of taxation and monopoly—bringing them into closer relationship with long-established networks of commerce—to pay for new and more expensive technologies of warfare. The Company supplied them with both military and commercial services, giving it a growing position of influence, which it eventually used to subvert and conquer them.

The Company rose to power in India, then, as an organization designed to look overseas and absorptive of the military fiscalist capacities of the indigenous states which it swallowed. Moreover, it also rose in a world political context which could hardly have been better guaranteed to strengthen these tendencies. From 1792, Britain’s century-long struggle with France reached its apogee in the Revolutionary and Napoleonic Wars, which lasted for twenty-five years and, as their implications stretched from Java to the New World,
became the first truly ‘global’ wars. Whatever hopes Cornwallis might have had, as he reached Calcutta in 1789, that he could set the Company’s Bengal colony on a path to peace, prosperity, and progress modelled on an (albeit very narrow) vision of English domestic experience, were soon thereafter to be dashed. India emerged in 1815 at the fulcrum of an expanding global system of military and commercial power, which would secure British world supremacy for the next half-century. The Indian colonial state would service these wider imperial military and commercial needs, which became more important to Britain than anything which bilateral connections to the Indian economy might yield.

This course can be seen to have been further assured by the cross-cutting of another strand of historical logic. From the turn of the nineteenth century, many of the regional economies of South Asia began to decline and to start their own precipitous journey towards ‘de-industrialization’. The most common cause of this has been seen in the impact of Britain’s own Industrial Revolution, which began to take markets away from South Asia’s textile industries. But it is possible to think that there must have been much more to the problem. On the one hand, while export markets were certainly lost, poor transport conditions made it very difficult for British manufactures to reach more than a few elite markets within India. Why should this promote what, by most accounts, was a very severe shift in economic orientation onto the land and away from industry? Moreover, why should it not have elicited a more obvious response from within the Indian textile industry itself? Faced now with competition from a new and superior technology, the most obvious response of South Asian textile manufacturers might seem to be that of adopting this technology for themselves. And, looking at the circumstances of their industry in the eighteenth century, it is not clear why they should not have done so. Mercantile capital and entrepreneurial expertise abounded; there was already a highly skilled workforce; most importantly, cotton actually grew in India, which it did not in Britain. From many angles, it appears absurd that Britain’s Industrial Revolution should have been based so much on the manufacture of a fibre
which it could not produce and in whose handling it was previously known to be inept.

But, in fact, there seems precious little evidence of any such attempted response by Indians or the ‘new’ imperial Britons. As early as the 1770s, the Company had tried to introduce then-modern methods of silk manufacture into Bengal (albeit that they failed). However, now, even the attempt appears lacking and India let a crucial opportunity to enter the ‘new’ world economy at a much higher level in the value-added chain than agriculture go a-begging for half a century. If the exact circumstances of the period are examined, however, they do suggest an explanation—if only one which then needs further explaining. As noted earlier, from the 1820s the economy began to spiral into a price depression, which lasted for nearly thirty years. Very few entrepreneurs have ever been known to risk heavy investments, not least in a new technology, in the middle of a depression. But what caused the Indian depression and why did it last so long? Again, the impact of the British Industrial Revolution on the world economy may provide part of the answer: it reduced price levels in a wide range of commodities across the globe. Yet very few depressions in the rest of the world were as deep or as long lasting as that in India.

The problem may partly be resolved by looking at the domestic economic consequences of the political settlement following the colonial conquest, which had a crushing impact on Indian sources of demand. Although we have no way of measuring it, consumer demand within India must always have been many times greater than that provided by external trade (for all the latter’s strategic importance in attracting specie). During the eighteenth century, such demand substantially increased: swelled by the proliferating regional courts and armies of the period and articulated by an expansion of commercial networks as military fiscalism brought more closely together the functions of trade and government, generating a series of great banking houses. But the consequences of the Company’s rise to power largely reversed these trends. On the one hand, as it bureaucratized the state, it separated government and commercial functions—at least for Indian bankers—and disorganized indigenous institutions of capital. On the other,
as it consolidated its political hegemony, it dismantled many of the regional courts and armies: commanding, literally, soldiers and courtiers to beat their swords into plough-shares, and confiscating their means of consumption. While it spent a lavish patronage of its own, this was never likely to compensate for the lost sources of demand. An important part of its revenues was spent abroad; and, while British officers and officials might pay themselves on a Mughal scale, they did not have the same tastes in indigenous fashions and goods.\textsuperscript{45}

The deep depression of the 1820s to 1850s, then, was created not only by changes in the world economy outside India, but also by the economic consequences of the Company’s seizure of power within it. Industrial investment, again, is never likely to flourish in economies with weak financial mechanisms and an absence of local markets to serve. India’s chance to occupy a higher place in the modern world economy’s value-added hierarchy disappeared with the reduction of its indigenous banking systems and the dwindling of its consuming classes. In the context of domestic economic collapse, the Company’s decision to utilize it as the base for outward military and commercial expansion was now more or less made for it.

Indeed, India’s low profile of domestic consumption can be seen to provide important clues not only to why it struggled (except as a drugs-supplier) in the world economy of the second quarter of the nineteenth century, but also to why it failed to rise above any but the lowliest position over the next hundred years. The prodigious increase in cultivation in the first half of the nineteenth century was driven much more by subsistence need than the pursuit of commercial profit: where the prices of agricultural commodities (with a few exceptions like opium) were falling. Agriculture provided the only alternative (other than emigration) to the sources of employment being lost not only in industry, but in a vast array of ‘services’ once consumed by India’s political elites and disparaged by their British successors. ‘Peasantization’ became the social theme of the day as an increasing proportion of the workforce moved out onto the land and into petty commodity production. Surveys from the eighteenth century suggest that no more than 60–65 per cent of the workforce may have been directly engaged in agriculture at
the time. But by the end of the nineteenth century, it was closer to 80 per cent.46 ‘Traditional village India’, as seen even by the Victorians, was not the India that might have been seen by their predecessors a century earlier.

Moreover, the deepening of India’s peasant economy in these years presented major problems to the logic of capitalist development, once the new transport technologies made their impact from the 1850s. Peasants are not only poor, but produce many of their own subsistence needs outside the market. Problems of demand can be seen to have dragged back the potential of economic growth in the period 1860–1914 to promote stronger domestic industrialization. The volume of British cotton textiles ‘forced’ on Indian consumers, for example, has often been seen to mark out a potential modern cotton industry, which India might have developed in this period had the colonial authorities not ‘suppressed’ it. But, in the early 1900s (when British cotton exports to India were reaching their greatest extent), the volume of those exports represented just 25–30 per cent of total British cotton production—which itself, by then, was responsible for only 2.5 per cent of Britain’s GNP.47 India had the scope for a modern cotton industry little more than a quarter the size of that in Britain, which would represent the equivalent of 0.6 per cent of Britain’s GNP. Once more, this hardly seems the ‘lost’ basis of a far-reaching transition. Moreover, even to achieve this size of market, tariffs would have had to be imposed: raising prices and further constricting demand. After peasant petty commodity production became the driving force of the economy, from the 1820s, it is possible to wonder whether anything short of a fundamental restructuring of demand—of the kind associated with a social revolution—could have moved the Indian economy significantly into the modern industrial age. And a thin, alien, and increasingly uncertain British colonial state, with more important economic interests elsewhere, was never going to be the agent of such a revolution.

Although, momentarily, the second great crisis of the world economy—in the 1920s and 1930s—did hint at it. Then, as agricultural prices fell faster than those of industrial products (for the first time since the mid-nineteenth century), new
pockets of consumer demand appeared among the small salaried and urban classes created from the 1850s by the revival of the economy. Industrialization proceeded at a faster pace (helped also by the final arrival of tariff protection) and, in its last days, colonial capitalism, as we have seen, did begin to find new priorities in India. A new colonial economy, marked by the state abandoning its military and external orientations to foster domestic production and consumption, appeared on the point of forming. But, by this time, the political contradictions of colonialism were too glaring for it to go very far and it dissolved in the context of the Second World War. Nonetheless, even its brief emergence demonstrates that colonialism had possibilities of economic development other than those pursued in India before 1914: Indian poverty and agrarian stagnation were never its necessary corollaries and, under different conditions and guided by different sets of interests, it might have promoted more significant economic growth.

Situating the Colonial Intervention

However, that point opens a further and final series of questions about the layers of meaning to be taken from India’s economic experience under colonialism. How far did South Asia possess the possibilities of an alternative—and better—economic history during the nineteenth and twentieth centuries had it never fallen under British rule at all? This question has, implicitly and explicitly, haunted the economic history of colonial India almost from the beginning and is extremely difficult to avoid. Any attempt to assess South Asia’s economic performance under the British must take part of its evaluation from a ‘counterfactual’ model of what would/could/should have happened otherwise. But, obviously, answering any such question is also extremely problematic. The reasons why events may not happen are theoretically infinite and, in some ways, counterfactuals are constrained only by qualities of historical imagination.

Also, in India’s case, there are a number of special problems. A first is whether there would have been an Indian economy at all without British rule. The political trends of the eighteenth century strongly suggest that South Asia was moving away
from a loose Mughal imperial political system and towards a series of tighter, more compact regional states—based on the dynamics of military fiscalism and practising their own competitive forms of mercantilism. It was the British conquest which both resurrected the imperial political level and imbued it ‘nationally’ with the centrist state qualities arising out of the regional military fiscalist transformation. And it can be doubted that any other power in South Asia without access to the overseas trade connections and military technologies of the Europeans (if not necessarily the British) could have done so. A unitary (and proto-national) ‘Indian’ state/economy—as opposed to a series of regional states/economies—was more a consequence of colonial rule than an alternative to it.

The same, too, may be true of any context of world economy in which a hypothetical ‘modern’ India might have developed. As we have suggested, Britain’s conquest of India played a key strategic role in the building of a British empire east of the Mediterranean. Without the men, money, and material gained from India, Britain’s own resources were too sparse to have accomplished this end. But many historians would also argue that this empire was crucial to providing the institutional framework within which the modern world economy developed in the nineteenth century. Without such a framework, there might not have been any such economy—or, at least, only one of a very different kind—and ‘modern’ India itself would have had no wider context of ‘modernity’—or only a very different one inconceivable in form—in which to grow.

In the last twenty years, too, a number of other issues have made the specification of appropriate counterfactual models yet more difficult. In particular, most of the classical theories of economic development conceived in ‘the West’ over the last two hundred years have collapsed: undermined both by the latter-day and very different growth of ‘the East’ and, even more, by wholly unanticipated forms of ‘post-industrial’ economy in ‘the West’ itself. Those theories—Smithian, Marxist, Weberian—presupposed full industrialization to represent completion of a historical process, which was expected to follow universally the path taken first in ‘the West’. Differentials of ‘development’, and explanations for them, could be read off simply against a scale replicating
Western experience. But, if the West has fallen off the end and the East has proceeded to prosperity by other means, the scale’s calibrations no longer have much credibility. One further consequence of this has been to undermine understandings of how ‘the West’ came to achieve its own precocious modernity in the first place; and even of what that modernity might consist. Currently, there are a large number of different theories of the ‘rise of the West’, and of the first Industrial Revolution, competing for intellectual space. But, if we no longer know with any certainty why ‘the West’ rose, or how its modernity was achieved (if it ever was), it seems especially futile to inquire how India might, or might not, have followed the same mysterious course had it not been colonized.

Nonetheless, some comparisons with recent theories of Western development may be useful to mark sets of differences in South Asia’s case, which can help to establish not failed quasi-Western trajectories, but the logic of the region’s own patterns of economic growth and reproduction before the colonial era. These may then make stronger bases from which to launch hypothetical projections into ‘non-colonial’ futures and to clarify more precisely what the colonial conquest did and did not change. Ken Pomeranz, for example, has hypothesized the ‘Great Divergence’ represented by the super-growth of the Western economies to have resulted from acute ecological strains, which found responses in the adoption of fossil fuels and in the capture of the natural resources of the Americas. But, in South Asia before the nineteenth century, there are few signs of any such constraints: land and forest resources were plentiful in most areas and there was little pressure to pursue substitutes or imports. Whatever else, colonialism did not ‘deny’ India an ecologically directed path to industrialization.

W.W. Rostow, by contrast, saw Western exceptionalism in long-term patterns of accumulation and investment which promoted successive ‘stages of growth’. But, in South Asia, accumulation was very difficult to sustain. As Ashin Das Gupta has argued, although merchant fortunes might grow very large, they rarely lasted for more than a generation or two.
And, while Prasannan Parthasarathi has found skilled workers capable of earning very high wages in comparative terms, Ravi Ahuja has also shown that they cannot have been able to keep them for very long: famine hit precisely the area of Parthasarathi’s study in 1718–19, 1728–36, 1747, 1769, 1781–3, 1789, 1792, and 1798. Indeed, the instabilities caused by famine appear a recurrent feature of pre-colonial South Asian economies. They were partly the product of wars generated by the state system. But, perhaps even more, they were the product of a highly precarious monsoon agriculture: dependent either on the vagaries of the winds or else on mountainous snow-melts, which brought annual floods of terrifying power. These were offset by very little fixed investment, gained by cumulative or other means. The Mughal empire’s efforts at canal-building, for example, scarcely bear comparison with those of its contemporary Chinese empire. And, while tax concessions certainly encouraged some ‘private’ investment on the land, it was never on the scale to be seen in the great land-drainage schemes of the Netherlands or eastern Britain from the seventeenth century. But, then, it is not clear that any early modern technologies existed which could cope with the extraordinary forces of nature to be found in South Asia, whose economy was always a heavy gamble on the monsoon.

Or again, Neil McKendrick has made Britain’s ‘Commercial Revolution’ of the eighteenth century the key to ‘Industrial Revolution’ later in the nineteenth. A national market came to develop in imported items of consumption (including, ironically, Indian textiles), which lent themselves to mass-production methods. But it is difficult to detect similar processes of national ‘homogenization’ in Indian fashion and taste. A disproportionate amount of consumption was enjoyed by aristocracies who, by definition, pursue distinction not homogeneity. Elsewhere, the caste system—within which differences were expressed, above all, in styles of dress—promoted innumerable, separate ‘niche’ markets. Indeed, rather than towards goods and commodities, Indian consumption preferences appear to have been oriented much more towards services. As Dharma Kumar especially has noted, South Asia at the time of the conquest possessed a
strikingly large ‘service’ sector for any pre-modern economy.\textsuperscript{55} But ‘human’ services cannot be mass-reproduced and give rise to few linkages with the rest of the economy.

Or again, many historians from Karl Marx have seen the subordination of labour to capital—expressed in the destruction of guild-craft and the dominance of the merchant over the artisan—as crucial to change. But in South Asia, as Parthasarathi has argued, caste-organized artisans were able to mount effective resistance to merchant power, which was often weakened by its own contradictory relationship to state power.\textsuperscript{56} The warrior-ruler and the merchant-prince were inclined to inhabit very different social worlds. While the circumstances of the eighteenth century, and the rise of military fiscalism, brought them closer together, it by no means resolved their tensions. Merchant fortunes were no less at risk of confiscation under Tipu Sultan of Mysore, or the Nawabs of Bengal, than they had been under the Great Mughals.

However South Asia is viewed, it is hard to see it set on a path to replicate the kinds of growth experience followed by the ‘Western’ economies. But this does not—necessarily and inevitably—mean that it was therefore undergoing no growth experience at all and was ‘static’. Rather, and in the first place, it points to a number of distinctive features, which South Asian economies possessed and which are not immediately reconcilable with ‘Western’ anticipations of growth. High degrees of skill specialization, elaborate service economies, and potentials to garner great short-term wealth are not usually associated with conditions of chronic subsistence instability, low levels of fixed capital formation, and an open land frontier. But here they plainly were: setting up a very distinctive logic of economic expansion and social reproduction.\textsuperscript{57}

Three mechanisms can be seen as crucial to this logic. The first was highly extended relations of exchange, which ameliorated the instabilities encountered in any one area by bringing in goods and services from others. India’s long seacoast facilitated the movement of bulk trades: for example, in grain and salt. But the remarkable Banjara (itinerant
communities) caravans of pack bullocks, which traversed the interior from the late medieval period, even opened up this facility overland. Bengal’s textile industry could be supplied with raw cotton from Gujarat on the other side of the subcontinent. Exchange was further facilitated by cash, and a growing cash economy was evident in parts of South Asia from the eleventh century. It drew in the new supplies of specie metal, from the Americas and Japan, available from the sixteenth century and reached new heights of sophistication with the minting of the Mughal emperor Akbar’s celebrated silver rupee.\textsuperscript{58}

The second set of mechanisms concerned elaborate forms of risk-sharing, whose imperatives stamped a wide range of institutions. For example, as C. A. Bayly and Sanjay Subrahmanyam have seen, mercantile houses pursued complex risk-averting strategies: splitting their activities between many different trades and building up diverse ‘portfolios’ of assets.\textsuperscript{59} This meant, of course, that they were always likely to keep the bulk of their investments liquid—rather than risking the added hazards which came from ‘fixing’ them down. But it was not only enterprises of proto-capitalism, which betrayed such strategies. As anthropologists have long seen, the \textit{jajmani} system of intra-local, non-market exchange can be seen to function to a logic anticipating adversity and maximizing the means to recover from it.\textsuperscript{60}

And a third set of mechanisms related to mobility. In bizarre contrast to the idea of a society of static ‘village communities’, elaborated by the colonial authorities, early modern South Asia was extraordinarily mobile. The vast Banjara caravans criss-crossing the interior represented but one of many forms of ‘flexible’ labour market, featuring artisans, soldiers, and even peasants, whose movements are traceable down to the modern age through their habits of preserving their own caste-styles and languages.\textsuperscript{61} In agriculture, labour and capital pursued not land, but water and silt—creating seasonal patterns of movement of surprising scale. Village tenure systems also universally anticipated the attraction of large numbers of ‘temporary cultivators’, who would come and go as hydraulic opportunities shifted.
These mechanisms appear to have been extremely effective in coping with the problems of instability, which the economy faced. The recuperative powers of South Asian economies were remarkable: as Bayly has seen, even the devastation caused by the invasions and wars of the early eighteenth century could gain rapid compensation as labour and capital moved to other ‘high zones’ of production and consumption. Moreover, there would seem evidence of fairly consistent expansion in territory and population over a long period. Several historians have seen secular growth trends in many parts of South Asia, rising in the eleventh and twelfth centuries and continuing into the eighteenth. Irfan Habib’s argument, that the population reached its limit (of 160 million) in 1600 and stagnated thereafter until 1800—under Mughal oppression and the ‘chaos’ of the eighteenth-century civil wars—is now widely contested. Ashok Desai and Sumit Guha estimate a population nearer 115–20 million in 1600, which may have grown (if at a chequered pace) towards 140–60 million by the onset of the colonial era.

Further, there is also evidence of a distinctive ‘development’ dynamic with the potential to raise the ‘quality’ of production and consumption. Specialist skills and services were inclined to proliferate with growing wealth, manifested in ever more dense and elaborate systems of caste in the richer river valleys; new technologies were designed to meet demands from particular niche markets (sword steels that were harder than any that can be made today; new fabrics to meet distinctive tastes); investments in irrigation were made to maximize the production of exchangeable crops, if not to secure local supplies of food against the vagaries of the climate (which were unmanageable).

South Asian economies possessed their own logics of development and may, no doubt, have gone on successfully pursuing them, and generating ever more services, manufactures, and extended relations of exchange for a considerable period longer had changes in technology, overseas markets, and the distribution of world power not brought the external forces of British imperialism to intrude. Admittedly, some of these forces were already anticipated in the rise of the military fiscalist regional states of the
eighteenth century—and increasing dependence on overseas markets and foreign supplies of specie did make South Asian economies peculiarly vulnerable to external influence. But, expressed through the political form of the regional state, these forces appear much less threatening to the established mechanisms of economic growth and reproduction. Eighteenth-century South Asian states could never control the movement of populations; their competitive needs for cash restrained their predatory habits towards merchants and bankers; and their desire for strong economies to underpin their war machines drew them towards risk-sharing forms of investment (for example, via production-sensitive revenue systems). Many South Asian regional economies remained dynamic to the dawn of the colonial era, ‘developing’ in their own distinctive ways.

But that dawn did come and, thereafter, they developed as parts of the wider transformations taking place in an imperial system of global economy. However, what this view of these pre-colonial systems may also highlight is why some of the interventions brought by colonialism proved to be particularly cruel and, eventually, to convert the economic reputation, which India enjoyed in the world, from a repository of great wealth and manufacturing skills to a charnel-house more associated with famine and early death. At several key points, the nature of the colonial intervention directly disrupted the three key mechanisms of economic reproduction, but failed to replace them with anything as effective.

Reflecting both European cultural norms and fears at the thinness of its social power, for example, the Company state early set itself against the physical mobility of South Asian populations—at least within India. It set out to dismantle many of the broader labour markets, which previously had existed but which it now saw as a threat to ‘order’, not least treating the Banjaras as incipient criminals. It also sought to tie peasants to land, lest they evade taxation, and thus inhibited the movement of labour and capital in pursuit of water. ‘Sedentarization’ was a key theme of the first half of the nineteenth century, no less than ‘peasantization’: which, itself, drove more artisans, soldiers, and service personnel into subsistence agriculture—bringing forward the day when land
and natural resources would run out. But the Company also struck heavily against a wide range of other risk-averting strategies: its refusal to lift or moderate cash revenue demands in the face of crop failure or price depression transferred commercial risks onto producers and away from itself. And it seriously affected the functioning of extended relations of exchange within the economy (if very much not outside it) by presiding over the decline of domestic consumption and excluding from the revenue system indigenous banking capital, which was reduced to peddling and petty moneylending functions.

Of course, the displacement of these mechanisms was meant to open the way to new technologies and exchange systems brought by ‘modernity’. Roads and railways would replace the transport functions of the Banjaras; fixed investment in irrigation would ease the problems of climatic instability; Western-style banks would allocate capital to production. But, in the context of a state constantly looking outwards and obsessed, above all, with the costs of its military power, somehow these new systems and technologies never quite consolidated themselves—or, at least, consolidated themselves sufficiently to meet growing needs, as population expanded and natural resources finally became pressed.

The Great Famines of the 1870s and 1890s shocked the late Victorian British public, which until then, appears to have believed the reports on ‘the moral and material progress’ of India issued annually by its Secretary of State. But they arose out of the strict logic of colonial development. Population pressure had intensified farming in areas of the highest climatic precariousness, many of which had never been intensively cultivated before. It was sustained by the promise of returns on cash crops, particularly cotton, which could be carried via the new transport system to railheads and ports—whence grain from other areas was supposed to be brought in return. However, in the face of crisis, a transport system biased towards moving goods ‘outwards’ proved inadequate to bringing back and distributing sufficient food ‘inwards’. And with the limits of available land now being reached, there was nowhere to which the peasantry could move. In the Ceded Districts of Madras, between 1876 and 1878, about a third of
the population died and the area took more than a generation to recover. Famines, no doubt, had happened often enough under the logic of the 'old' economy. But it can be doubted that one so 'Great' would ever have happened here—in a part of the Deccan previously used more for grazing Banjara cattle herds than for cultivation—nor that its depth and the time taken to recover from it would have been so considerable. Colonial development involved increased risks to peasants and labourers and, whenever it failed, the human costs were always likely to be high. Whatever 'moral and material progress' the Indian economy may have achieved under British rule, it had an inbuilt tendency to disintegrate in ways which rapidly became highly immoral and revealed a distressing lack of material.

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