



- To understand
  - The nature of colonialism
  - Its economic, social and political impact on India.
  - the structural logic of imperialism & the policy dimension—It is necessary to comprehend colonialism in a world perspective
- The apologists for the empire emphasised on good or bad policies of some Governor Generals - this criticism got a lot of popularity.
- Even the early nationalist leaders made such type of superficial comments about the empire.
- They gave a convincing argument about the exploitative state apparatus but lacked the broader perspective to locate colonialism within the context of capitalist imperialism.

#### THEORIES OF COLONIALISM

##### EUROPEAN VIEWS

- J.A.Hobson, a British Labour Party intellectual – in his popular work 'Imperialism', (1902) – mentioned that, the capitalism was bound to engender such imperialism.
- According to him, Capitalist system, means a very uneven distribution of income.
- Large profits accumulate in the hands of the capitalist & the wages of the worker are low.
- Thus the low level of income of the large mass of workers under capitalism keeps the level of consumption low.
- The "under-consumption" lead to poor sell of industrial products as there were no buyers.
- The capitalists may sell the excess produce that cannot be marketed within the country to foreign markets.
- If all capitalist countries follow this policy there will be a struggle to capture markets in the form of colonies.
- According to Hobson, thus colonial expansion & conflict between capitalists of different countries, were inevitable outcomes of the capitalist system.
- Due to the constraint of "underconsumption", the opportunities for investment for the capitalist become limited in the long run.
- Hobson used the term "over-saving" for the accumulation of profit & savings waiting to be invested –which tended to push the capitalists' towards colonial expansion: acquisition of colonies would make investment of surplus capital possible.
- In other words, imperialism was a logical corollary of the capitalist system.
- Rudolf Hilferding – a social Democrat, a brilliant economist & Finance Minister of Germany –

published (1910) another important analysis, focusing attention on Finance Capitalism.

- Hilferding had to seek refuge in Paris after the rise of Hitler and Nazism in Germany; when Paris was occupied by the German army Hilferding was captured and killed by them.
- He was a heroic leader of the Central European socialist movement.
- According to Hilferding, capitalism is dominated by huge banks & financial interests who act in close association with monopolist industrial Effects of Imperialism business houses.
- V.I. Lenin in his tract on Imperialism, 'The Last Stage of Capitalism (1916)' extended this analysis of finance capitalism.
- In 1913 Rosa Luxemburg a socialist leader who migrated from Poland to Germany – published her work on accumulation of capital and the stages of imperialism expansionism.
- Intellectually & politically she left a mark on the European socialist movement until she fell a victim to the Nazi onslaught.

##### INDIAN NATIONALIST VIEWS

- The nationalists in India, in their scholarly & polemical writings, offered a sharp and telling criticism of the colonial economic impact on India.
- Through the works of Dadabhai Naoroji, Mahadev Govind Ranade, Romesh Chandra Dutt and many others who developed a school of Economic Nationalist analysis
- They highlighted some important features of India's experience under British Rule.

##### ECONOMIC ANALYSIS BY NATIONALISTS

- The concept of Drain of Wealth evolved in the writings of Naoroji and Dutt.
- It meant the transfer of wealth from the late 18th century in the form of plunder & illicit gains by servants of the East India Company & in the form of Home charges
- Home charges means : – the expenses incurred by the Govt of India in England out of its income derived mainly from the taxation of the Indian people & in the form of interests and profits and capital transfer from India to England on private account.
- They pointed out on the deindustrialisation of India
- According to them, the idea of Free Trade & laissez faire, led to a tariff & industrial policy which stifled the possibilities of growth of industries in British India.
- Consequently, India became "the agricultural farm" of industrial England

- According to R.C. Dutt , famines are caused by the high rate of taxation. Wealth of the countryside was drained away through the revenue collection machinery.
- Govt expenditure on the railway, army, the police & other apparatus was so excessive that developmental investments were neglected.
- The low expenditure on irrigation works contrasted sharply with the generous expenditure on the British Indian army, the railways, etc

#### NATIONALISTS VIEWS

- European socialist thinkers & Indian nationalists criticised the phases of colonialism during the stage of Industrial Capitalism & Finance Capitalism.
- Indian Nationalists' critique is centered around 'Formal imperialism', i.e. imperialism in India under formal political subjugation of the colony under British Imperial power
- European Socialists like Hobson, Hilferding highlighted 'informal imperialism' – political subjugation of the colony might not have occurred but economic colonialism characterised metropolitan colonial relations.
- Unlike the Indian Nationalists' approach , the Hobsonian or Leninist approach linked colonialism to the world system of capitalism.

#### INTELLECTUAL VIEWS

- Dr. B.R. Ambedkar, in his work 'Problem of Rupee' – traced the historical background (1800-1893) of monetary and exchange standards including gold exchange and gold exchange standards established in India
- Dr. Ambedkar, did not agree with many propositions of Professor Keynes about reforming Indian currency.
- He further argued that recommendations of the Fowler Committee be given up.
- He argued that, the rupee stability cannot be ensured until or unless "general purchasing power" is stabilized.
- He recommended, that rupee be provided effective convertibility into gold", but quickly adds, "a far better way would be to have an inconvertible rupee with a fixed limit of issue
- He critically examined the issue of consolidation while finding property inheritance and population growth as the main source of agricultural problems
- During the period 1800 -1857, the British govt spent between 45 per cent and 64 percent of expenditure on military alone .
- Ambedkar in his study cautioned the British government that chronic budget deficit should be corrected not only by increasing the revenue, but also by increasing the stability and productivity of the nation
- Ambedkar observed that in Budget Assignment, the imperial government reduced income tax due

to outcry of the richer classes which led to additional deficit.

- At the time two types of money systems were in use: silver standard and gold standard.
- Due to uncertainties in international exchange rate, it was difficult to define how much gold was equal to how much silver.
- Since India, a silver standard country was bound to a gold standard country, in reality, the economic and financial life of India was controlled by relative values of gold and silver, which governed the rupee-sterling exchange.
- Because of the appreciation of gold value , a high tax and rigid financial economy was imposed to compensate for the increase in the cost of sterling.
- The English investor did not invest in Indian rupee securities due to fall in the gold value of silver and fall in the gold value of rupee securities.
- Even Indian trade and industry was affected by the fall in the value of rupee
- Ambedkar was in favour of a gold standard & criticized Keynes who favoured a gold exchange standard, because gold exchange standard does not have the stability of the gold standard.
- Colonial exploitation, to Hobson and others, was a natural systemic product of capitalism as it evolved in Europe, not merely an aberration caused by 'wrong policies' in Europe.
- The nationalist critique of imperialism was one of the most powerful instruments of building national consciousness among a subject people

#### EFFECTS OF COLONIALISM

- With the growth of modern factory industry in England, the beginning of the process of destruction of Indian cottage industries.
- The source of profit of the East India Company was the difference between the cost prices in India & the sale prices in England of the Indian Industrial products like cotton & silk textiles.
- The Indian artisans were in a good bargaining position till English East India Company was competing in the Indian market with other East India Companies of the French or the Dutch and with other merchants.
- But in the last decades of the eighteenth century the British gradually eliminated their competitors, in particular the French and the Dutch.
- Moreover, by virtue of their military & political prowess, the British established a hegemony which allowed them to become monopolists in the market.
- The purchase of the company & the servants accounted for a large portion of the marketed textiles of superior quality in Bengal.
- The handicraft industries exploited by reducing the artisan to a low level of income.
- It also destroyed the possibility of accumulation of resources to invest in its technology.

- By the beginning of the 19th century the staple industrial exports, cotton textiles, began to decline
- Items like indigo & raw silk, continued to be exported
- From 1813 it was no longer the East India Company but private trade which became the agency for exports.
- Along with the export market the home market of the Indian artisans taken away by the foreign factories.
- According to Romesh C. Dutt & Madan Mohan Malviya (in his note of dissent to the Indian Industrial Commission) British import of Manchester cloth increased in value from 96 lakh sterling in 1860 to 27 crore sterling in 1900.
- David Morris, argue that this evidence is not decisive – they argue that – under Pax Britannica the population increased, the per capita income increased, the sale of cloth increased due to change in consumption habits, and thus it was possible for Indians to buy more foreign cloth, leaving the market for indigenous artisans unaffected.
- Morris's argument is that the market expanded so that it was possible to accommodate both Manchester & Indian Weaver's produce.
- This view of Morris is unacceptable because he does not produce any evidence to prove increase in population and per capita income during the 19th century.
- The early nationalist economists did not have access to the sources and methods used by these recent economic historians.
- According to A.K. Bagchi , in the middle Gangetic region, the industrial decline can be measured with some accuracy: the weight of industry in the livelihood pattern of the people was reduced by half from 1809-13 to the census year 1901.
- According to Daniel Thorner, the census statistics do not suggest that de-industrialization was in progress from 1881 to 1931.
- As per the census figures the male workforce in agriculture increased from 65% in 1881 to 72% in 1931, while the proportion in industry declined from 16% in 1881 to 9% in 1931.
- The increase in these categories appears to be far less in the primary sector only about 2% growth between 1881 and 1931.
- Similarly the decline in industry & trade put together is also much less (only about 3% decline in 1881-1931).
- Thorner dismisses the data on female labour force claiming that the data collected were inaccurate in the opinion of census officials.
- Thus, Thorner concludes that the 1881-1931 census does not show any evidence of substantial de-industrialization.
- These figures for 1881-1931 show an increase in employment in Agriculture by 13% and a decline in Industrial employment by 9%.
- The crucial index is the per capita productivity & the value of what is produced as a proportion of national produce, i.e. ratio to national income. J. Krishnamurthy doubts upon the use of demographic data.
- The imperialist apologists frankly admitted the de-industrialization of India but argued that it was good for both India and Britain that the colony specialised in the production of agricultural goods.
- As late as 1911 John Maynard Keynes wrote that industrialising India was neither possible nor desirable.
- India could, attain greater prosperity by exchanging agricultural products for all the industrial goods that may be needed through imports from the West.
- This view goes back to the classical theory of comparative advantage & international division of labour, assigning to colonies like India the role of the agricultural farm of the industrialised imperial country
- One of the real achievements of the nationalist economists was to defeat this view & to establish in the political agenda of the freedom struggle the economic programme of India's industrialization.

#### FAMINES

- If colonialism meant destruction of old industries did it mean the growth of agricultural production?
- As for the earlier fifty years, the repeated occurrence of famines tell its own story.
- From the middle of the 19th century a number of famines devastated India.
- According to official estimates in these famines the total loss of life was at least 1 crore and 52 lakhs, and the total number of famine-affected people was 39.7 crores.
- These vast numbers indicate periods of subsistence crisis
- The immediate cause for this was droughts & crop failure
- Stagnation in agricultural technology, failure of investment to raise yield per acre, the drain of the agriculturists' resources into the hands of the revenue intermediaries and money lenders and dealers in agricultural commodities were undoubtedly important contributing factors
- The sparseness of govt investments in irrigation and other developmental investments, and the rapid rise in population from 1920s
- According to George Blyn's estimate for British India, per capita food-grain availability declines from 0.23 ton to 0.16 ton(1901 to 1943)
- According to Sivasubramanian's estimate for the whole undivided India the decline was from 0.2 ton to 0.14 ton

- According to Alan Heston, the decline was from 0.17 ton (1901) to 0.16 ton (1946)
- Thus all the estimates indicate that the supply of food grains declined in the last half-century of British rule though they differ on the extent to which it occurred.

#### COMMERCIALISATION OF AGRICULTURE

- The output of non-food grain crops increased – due to increased demand & rising prices of these both in the external and the internal market.
- The Cotton Boom of the early 1860s which merits our special attention.
- The emancipation of the black slaves by Abraham Lincoln & the consequent Civil War in U.S.A. led to a massive shortfall in the world supply of cotton in 1860-64.
- This led to the increase in cotton prices, export of cotton from India, and the growth on cotton cultivating acreage in India.
- This Cotton Boom brought the Indian peasants in Cotton growing areas within the ambit of the world capitalist system.
- The important export houses of Bombay, wholesale traders in the big cities, the brokers and other middlemen, the village business communities who advanced credit to the peasant for cotton cultivation, all profited
- Opium & indigo, contributed to the accumulation of capital in the hands of some Indian businessmen.
- Cotton Boom marked the recruitment of India as a supplier of agricultural commodities and raw material needed by the industrialised West.
- Thus it complemented the process of deindustrialization.
- The role of the colony specialising in agriculture & of the industrialised metropolitan country in the West - demarcated clearly in the theory of international division of labour.
- There was an increase in non-food grains output while foodgrain production declined..
- The per annum increase in population in 1891-1947 was 0.67% while total food-grain production increased by only 0.11%.
- The per acre production of food-grains decreased by 0.18% per annum.
- The increased demand in the market & the rising prices of highly commercialised non-food grain crops increased by 0.86% per annum & their total output by 1.31% per annum.
- Those crops were cotton, jute, tobacco, sugarcane, oilseeds etc.

#### IMPACT ON RURAL SOCIETY

- Commercialization of agriculture paved the way for the generation of usury & merchant capital in rural society.
- The cultivator's dependence on the village moneylender for advance of credit for the

marketing of his crop, for loans during lean seasons for subsistence increased.

- In the payment of land revenue also the money lender-cum-trader played an important role in supplying cash.
  - Finally, the village moneylender was also an agent for the penetration of the rural market by the imported industrial consumer goods, particularly Manchester cloth.
  - The poor farmers were forcefully made to take crop production of moneylenders choice
  - According to estimates based on the 1931 census : —
1. At the bottom of the pyramid were the landless agricultural labourers (including bonded labourers) accounting for 37.8% of agriculturists.
  2. The stratum above them were the farmers with very small holdings of below 5 acres (9%) and various types of tenants-at will and sharecroppers (24.3%)
  3. The layer above consisted of the better-off section of farmers with land above 5 acres in size (about 25.3%).
  4. Finally at the narrow top of the pyramid were members of the rent receiving class, many of whom did not actually cultivate land themselves (3.6%).

#### MODERN INDUSTRY AND INDIAN CAPITALIST CLASS

- The imperial plan was to promote the development of an economic infrastructure for the exploitation of the natural resources and raw materials of the colony.
- Particularly the railways & transport system, created conditions of development not only for foreign capital in some sectors (e.g. jute factories, coal mines, tea and coffee plantations) but also for indigenous capital.
- The latter 'extended industrial investment first in cotton textiles, in the teeth of the opposition of Manchester interests and the inimical tariff policy of the British Indian Government.
- From 1854 when the first Indian mill was set up in Bombay till the World War I the progress of Indian industrial capital was slow.
- It was the War & the inter-war period which saw the rapid development and industrial diversification of Indian Capital.
- It also involved a struggle against British business interests which exercised powerful influence on policy-making in England and also against the unsympathetic British Indian Government.
- This would explain the emergence of alliance between the Indian capitalist class and the nationalist leadership who fully supported national capital.
- From Shivasubramanian's estimates of national income it is clear how small was the extent of industrial growth even in the last fifty years of British rule.

- On the average the ratio of industrial sector's share to the Net Domestic Product was 12.7% in 1900-1904, 13.6% in 1915-19, and 16.7% in 1940-44.
- That India virtually remained where it was, is clear from the ratio of income generated in the primary sector to the total NDP: 63.6% in 1900-04, 59.6% in 1915-19, 47.6% in 1940-44.
- The Tertiary Sector alone showed a striking increase in its share: 23.7% in 1900-1904 compared to 35.7% in 1940-44.
- In the 1860's, according to Dadabhai Naoroji's calculation, the per capita income of India was Rs. 20 per annum.
- About this time, 1870 to be exact, the per capita income in England (Mitchell and Deane's estimate) was £ 24.4 sterling (Rs. 568)
- The more recent estimates of Sivasubramanian suggest that in the last half century of British rule per capita income in India remained almost stagnant
- In 1900-04 it was Rs. 52, in 1915-19 it was Rs. 57.3 and in 1940-44 it was Rs. 56.6 (at constant price of 1938-39).
- But departures from non-interventionism were frequent, and fundamental.
- Theory was that the country needed to be prepared through active intervention for making the 'civilizing mission' of the West effective
- Indian railways guaranteed interest to the British, investors irrespective of profit and loss.
- On the other hand laissez faire was insisted upon in the sphere of tariff policy: no tax burden on imported Manchester cloth for instance, was good for British interests and bad for all Indian mill owners
- Again laissez faire was invoked to absolve the government from any intervention in trade in food-grains (including export of grains) during the famines in the late 19th & early 20th centuries
- The political structure in Britain ensured that important business interests could influence policy-making in India through Parliament, the Secretary of State for India who was a member of British Cabinet, the Governor General, and the higher bureaucracy in India.
- Till World War- I in particular this influence was clearly visible.

#### THE COLONIAL STATE

- The professed political ideology of late 19th and early 20th century British rulers has been described as 'laissez faire' plus policeman.



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