DIRECTORATE OF DISTANCE EDUCATON

UNIVERSITY OF NORTH BENGAL

MASTER OF ARTS - HISTORY

SEMESTER-IV

ECONOMIC HISTORY OF INDIA

(1757 A.D.-1947 A.D.)

ELECTIVE 405

BLOCK–1

UNIVERSITY OF NORTH BENGAL

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FOREWORD

The Self-Learning Material (SLM) is written with the aim of providing simple and organized study content to all the learners. The SLMs are prepared on the framework of being mutually cohesive, internally consistent and structured as per the university’s syllabi. It is a humble attempt to give glimpses of the various approaches and dimensions to the topic of study and to kindle the learner’s interest to the subject

We have tried to put together information from various sources into this book that has been written in an engaging style with interesting and relevant examples. It introduces you to the insights of subject concepts and theories and presents them in a way that is easy to understand and comprehend.

We always believe in continuous improvement and would periodically update the content in the very interest of the learners. It may be added that despite enormous efforts and coordination, there is every possibility for some omission or inadequacy in few areas or topics, which would definitely be rectified in future.

We hope you enjoy learning from this book and the experience truly enrich your learning and help you to advance in your career and future endeavours.

ECONOMIC HISTORY OF INDIA (1757 A.D.-1947 A.D.)

BLOCK 1

BLOCK 2

BLOCK-1 ECONOMIC HISTORY OF INDIA (1757 A.D.-1947 A.D.)

Introduction to Block 1

UNIT 1 focuses on the role of English East India Company and their rule in Bengal through trade.

UNIT 2 focuses on the drain of wealth from India to Britain and its long term effect on future of India

UNIT 3 focuses on the role of Indian manufacturers in the 19th century on external and internal commerce

UNIT 4 concentrates on Permanent Settlement and its effects on agrarian economy

UNIT 5 concentrates on Ryotwari and long term effect on agrarian economy.

UNIT 6 focuses on the role of Indian railways and effects on Indian economy

UNIT 7 focuses on the British policies that created many man made famines.

UNIT 1 – EAST INDIA COMPANY RULE IN BENGAL

STRUCTURE

1.0 OBJECTIVE

To know about the role of East India Company in expanding trade in Bengal

To know about how trade converted the rule of Bengal

1.2 INTRODUCTION

IN June, 1756, Calcutta was lost ; the news reached Madras Madras in August. War with France was trembling in the balance. An army of Europeans and sepoys, under Colonel Clive, was waiting to attack the French in the Deccan. A Koyal fleet, under Admiral Watson, was waiting to bombard the French at Pondicherry. But the news from Calcutta outweighed all other considerations; and Clive and Watson were dispatched to the river Hughly with 900 Europeans and 1,500 sepoys.

1.3 COMPANY RULE IN BENGAL

The force appears small in modern eyes, but it ' was irresistible against Asiatics. The ships of war, with their tiers of cannon, were sufficient to create a panic.

BENGAL PROVINCES.

The expedition reached Calcutta on the 1st of January 1757. The Mogul commandant at FortWilliam fled away in terror, and next morning the British flag was hoisted over the factory. The Company's merchandise, which had been reserved for the Nawab, was lying untouched, but every house in the town, Asiatic as well as European, had been plundered by the Mogul soldiers. At this moment, news arrived that war with France Nawab had begun. Clive and Watson were anxious to make terms. 8 peace with the Nawab in order to fight the French. The Nawab, on his part, was frightened at the British fleet, and was ready to promise anything if the ships and cannon would only go away. He agreed to reinstate the British in all their factories and privileges, and to pay full compensation for all the plunder that had been carried away from Calcutta, so that nothing further was wanted but the execution of these terms. The Nawab, however, never seems to have intended Treachery to fulfil his promises. He vacillated, procrastinated, intrigue. and lied egregiously. He signed a treaty, but evaded every application for the money. He worried Clive and Watson with fresh promises and excuses until they were wild with the delay. At last they discovered that he was intriguing with the French for their destruction. But the Nawab himself was environed with dangers of all kinds. His own grandees were plotting against him, and opened up a secret correspondence with Clive. Englishmen, Mohammedans, and Hindus became entangled in a web of conspiracy and craft, from which it was difficult to escape with an unsullied reputation. Eventually, the Nawab sent an army to Plassy, on the route to Calcutta, as if to overawe the British settlement. The army was commanded by Mir Jafir, the head of the conspiracy for dethroning the Nawab. Shortly afterwards, the Nawab himself followed Mir Jafir to Plassy, and the whole force was estimated at 50,000 men and forty pieces of cannon. Battle of Olive advanced from Calcutta to Plassy with 3.000 junJ,' men and nine pieces of cannon.

The battle of Plassy 1757' was fought on the 23rd of June, 1757, just a year and three days after the Black Hole tragedy. It was more of a British cannonade than an action between, two armies. Clive was expecting to be joined every moment by Mir Jafir. The Asiatic plotter had sworn to be faithful to both parties, and was mortally afraid of both the Nawab and the British. He dared not desert the Nawab, and he dared not fight the British. For hours he did nothing. At last, towards the close of the day, he moved his forces from the field, and made off towards Murshedabad. Clive advanced to charge the Nawab's camp, but the Nawab saw that he was deserted and betrayed, and fled in abject terror. The days of the fugitive were numbered. He hid himself for a while with a favourite wife and his choicest jewels, but was then taken prisoner and brutally murdered by a son of Mir Jafir. Such was the end of the once notorious Suraj-ad-daula, better known to British soldiers and sailors as " Sir Koger Dowler." Over- Colonel Clive marched on to Murshedabad, and riches8 installed Mir Jafir on the throne as Nawab of Bengal, Behar, and Orissa. Clive, and Clive alone, was the lord paramount of the hour, the hero of Plassy, the invincible warrior. The money and jewels in the treasury at Murshedabad were lavished by Mir Jafir on Colonel Clive and his party. The British officers of the army and fleet received large donations One million sterling was given to the another million sterling to the inhabitants of Calcutta European and Asiatic.

A hundred boats loaded with silver went down the river from Murshedabad to Calcutta, followed by the curses of the grandees; whilst the sight of the boats approaching Calcutta was hailed with the joy of men who had escaped shipwreck. "For once," says a contemporary, " and only for once, the people of Calcutta were all friends."

The battle of Plassy was a British triumph, Terrible but it entailed enormous responsibilities. Colonel Clive Duties!" had raised up a Nawab to be absolute ruler of territories larger than Great Britain and Ireland, and far more populous. Bengal, including the delta of the Ganges, was one of the most fertile regions in the world, whilst the inhabitants were most submissive and easily governed. For centuries the Bengalis had been oppressed by foreigners Turk, Afghan, Abyssinian and Mogul. The revenues, however, had been collected by Hindu officials, as being at once more exacting in their demands, and more easily stripped of their ill-gotten gains. Nawab Mir Jafir was most subservient to the Wretched British and most anxious to please them, but was Mir Jafir otherwise as dissolute and worthless as any Turkish pasha. In his younger days, when the Mahrattas were harrying Bengal, Mir Jafir might have been a good soldier, but since then he had degenerated into a worn-out voluptuary, spending all the money he could get on jewels and dancing-girls, whilst his own troops were in mutiny for want of pay, and his British supporters and protectors were demanding further supplies for the payment of their own forces. To make matters worse, the Nawab was removing the old Hindu officials and placing his Mohammedan kinsmen in their room. Delhi Suddenly, a new vista opened out to Clive through InghV the territory of Oudh, on the north-west, to the ynh c e e remote capital of the Great Mogul at Delhi. The imperial. Great Mogul was a mere pageant in the hands of the Vizier, who exercised what remained of the imperial authority. The Prince Imperial, the son and heir of the Great Mogul, was afraid of being murdered by the Vizier, and fled away into Oudh, and threw himself on the protection of the Nawab. invasion The Nawab of Oudh had long desired to get of the T^ Nawab of possession of the Bengal provinces, and thought to secure them by making the Prince Imperial a cat's paw. He proclaimed that the Prince Imperial had been invested by his father with the government of Bengal, Behar, and Orissa. He then sent the Prince forward with a large force to enforce the proclamation, whilst he himself remained behind in Oudh and awaited events. 1 To make matters worse, the Hindu officials in the Bengal provinces, who had been dispossessed, or were expecting to be dispossessed, were preparing to join the invaders.

Mir Jafir was in a panic of fear at the appearance of the Prince Imperial, and proposed to pay him a ciive's t nr Wazir * difficulty. sum 01 money to go away, dive would not listen to the suggestion. He ignored the Prince Imperial and the Great Mogul, and soon routed the invading army. The Prince Imperial then became a suppliant to the British, and implored Clive for help ; but Clive had been requested by the Vizier at Delhi to arrest the fugitive, and would not commit himself. He, however, sent a bag of 500 mohurs, about 800/. sterling, to relieve the immediate necessities of the Prince Imperial, and the money was gladly received by the impoverished fugitive. Meanwhile, Clive was at his wits' end for money. Wanted, The Bengal provinces could be held against any *^h enemy in India by a standing army of Europeans and sepoys. Such an army could be maintained for half a million sterling per annum, and the public revenue amounted to three or four millions ; but the Nawab refused to disband his own rabble soldiery, and pretended that he could not pay the Europeans. At this crisis Clive received a secret and startling Solution. proposal from the Vizier at Delhi, that he should accept the post of Dewan to the Great Mogul for Bengal, Behar, and Orissa.

In the palmy days of the Mogul empire, every province was governed by two officials, the Nawab and the Dewan. The Nawab kept the peace and administered justice; the Dewan kept the public purse, received the revenues, paid all salaries, and sent the surplus as tribute to the Great Mogul. The later Nawabs had become their own Dewans, and spent the revenue as they pleased, without sending any tribute to the Great Mogul. Had Clive closed with the offer, it would have involved a mortal struggle with Mir Jafir, for it would have deprived the Nawab of all power over the public purse. But it would have removed every financial difficulty, as the Vizier would have been satisfied with a yearly tribute of half a million sterling, or even less, whilst Olive would have had the whole remaining surplus at his own disposal, dive's Clive would not accept the post of Dewan, either Pitt, 1759. for himself or for the East India Company. But he wrote privately to the British premier, the first "William Pitt, and proposed that the British Crown should act as Dewan to the Great Mogul. Under such an arrangement, the Crown might have taken over the Bengal revenues, sent half, or a quarter of a million a year to Delhi, spent another half million on a standing army, and devoted another half million to the salaries of the Nawab and his officials; and then might have secured a surplus of two millions a year towards the payment of the national debt. William Pitt, however, was already alarmed at the growing power of the Crown, and he declined taking over the proposed income lest it should endanger the liberties of the British nation. Turmoils jn 1750 Colonel Clive returned to England, and in the ' north- in 1761 the war with France was over. India might west. , . now have been at peace, but the north-west was in a turmoil. The Great Mogul was murdered by his Vizier. The Afghans had slaughtered 200,000 Mahrattas on the fatal field of Paniput, and established their ascendency at Delhi. The fugitive Prince Imperial was proclaimed Padishah, or Emperor, by the Nawab of Oudh, who assumed the title of

Nawab Vizier; and the Padishah and his Nawab Vizier invaded Behar and threatened Patna.

The British at Calcutta were now in sore peril, and there was no Clive to guide them. They change of deposed Mir Jafir on their own authority, and set up his son-in-law, Mir Kasim, as Nawab of Bengal, Behar, and Orissa. The new Nawab was unquestionably a better man than the deposed Mir Jafir; but the transfer of a throne by a Governor and Council of British merchants was somewhat startling. There was, however, no one to resist the Calcutta traders, and Mir Jafir yielded to his kismet, retired from his post as Nawab, and removed to Calcutta, as a safer residence than Murshedabad. Mir Kasim agreed to all the British demands. He Mastery was bound over to pay half a million sterling for the British, maintenance of the British army ; but he averted money disputes with the Company's servants by ceding three districts in the immediate neighbourhood of Calcutta, which yielded the same amount of revenue, aod the British could collect the money for themselves. Above all, the new Nawab agreed, as Mir Jafir had done before him, to free the Company's servants from the payment of all inland transit duties within the Bengal provinces. Mir Kasim, accompanied by a British force, took Dealings the field against the young Padishah and the Nawab Vizier. The invaders were soon defeated; the Nawab Vizier fled back to Oudh, but the young Padishah remained at Patna. Accordingly, the British determined to get his sanction to their proceedings, and thus to justify their appointment of a new Nawab in the eyes of the people of India and the European nations trading with Bengal. He was without territory or revenue. His throne and capital at Delhi were in the hands of the Afghans. Yet he had been proclaimed Padishah in India, and was legally the Great Mogul.

Accordingly, the British determined to recognize his sovereignty, and arrange for the appointment of Mir Kasim as Nawab of Bengal, Behar and Orissa, under his imperial seal and commission. British It was somewhat audacious for a handful of British 8 Great traders to set up a Great Mogul for themselves as lord Mogul. Paramount Of ln(Jia> It was still more audacious to carry out the ceremony of installation in a building sacred to silk and saltpetre. Nevertheless, the work was done.

The Company's 'factory at Patna was con- verted into a Mogul palace ; the centre room into a hall of audience ; the dining-tables into an imperial throne. The Padishah was carried in procession to the factory, and enthroned on the dining-tables as the Great Mogul. Mir Kasim paid homage to the sovereign, and was invested with the post of Nawab of the Bengal provinces. In return, the Nawab was bound over to pay a yearly tribute to the Great Mogul of a quarter of a million sterling. Enthrone- The installation of the Great Mogul, and the formal "patna. Appointment of the Nawab of Bengal, were established facts, but no party was satisfied. The Padishah was disgusted, because the British would not conduct him to Delhi and place him on the throne of Aurangzeb. The Nawab was disgusted at paying a heavy tribute when the Padishah might have been forced by a little pressure to sell the appointment for a bag of rupees. He was apparently bent on breaking off all relations with the British, and there was no objection to his doing so. He moved his court from Murshedabad, which was only a hundred miles from Calcutta, to Monghyr, which was more than three hundred miles. Here he formed an army of picked men, and CHAF- "employed a European deserter, known as Sombre or Sumru, to drill the troops in British fashion, and began o to manufacture muskets and cast guns. o The quarrel began about the right of the British No one 1 T i satisfied. Servants of the Company, under the treaty with Mir Kasim, to carry their commodities through the Bengal provinces free from the payment of all transit duties. The British at Calcutta twisted the privilege of non-payment into a right to carry such native commodities as salt, tobacco, opium, betel, sugar, and oil, without payment; whilst all Bengali dealers were compelled to pay a duty at every station.

The British were thus able to undersell native dealers, and monopolise the whole trade of the country. The Nawab protested against this interpretation, and in- sisted on collecting the duties, unless the goods were bought for exportation by sea. Then ensued quarrels, misunderstandings, frays and reprisals; the Nawab complaining of the loss of duties, whilst the British set him at defiance, and resisted all attempts to collect the duties by force of arms. Mir Kasim cut away the British monopoly by Quarrel abolishing all inland transit duties. The

Bengali Kasim. Dealers were thus placed on the same footing as the Company's servants.

The Company's servants were blind with wrath at this measure. They insisted that they enjoyed a certain privilege under the treaty with Mir Kasim, and that this privilege was rendered valueless by the general abolition of duties. Accordingly, they proposed sending two of their number to Monghyr to argue the matter with the Nawab. The city of Monghyr is situated on the river Ganges, three hundred miles above Calcutta and actions hundred miles below Patna. The two British envoys were received and entertained by the Nawab, but told there was nothing to settle; he had ceased to collect duties from his own subjects and the British had nothing to do with the matter. At this very moment a boat arrived at Monghyr on its way to Patna with a cargo of firelocks from Calcutta for the garrison at the British factory. The Nawab at once suspected that the British were preparing for war. He confiscated the firelocks, and kept one of the envoys as a hostage, but' permitted the other to return to Calcutta. The latter man was doomed. On his way down the river he was fired upon by the troops of the Nawab, and brutally murdered. Mir Jafir When the news of this catastrophe reached Calcutta the Company's servants seem to have lost their heads. In vain they were told that the British at Patna, and those at another factory, were at the mercy of the Nawab. They swore that they would be avenged although every Briton up country was slaughtered; and they wrote out a declaration to that effect, and each man signed it. The Governor and Council of Calcutta then went in a body to the house of Mir Jafir, and restored him to his post as Nawab of Bengal, Behar, and Orissa, on the condition that he once again levied the duties from Bengali traders. Mir Jafir readily promised, and indeed would have promised anything to recover his lost throne. Meanwhile, the British at Patna were in extreme danger. They had a European garrison at the factory, but the factory was untenable. They made a desperate effort to seize the town of Patna, and for a few hours were successful. The Mogul commandant was taken by surprise and fled with most of his troops; but the Mogul fortress still held out. The British ought to have stormed the fortress, but delayed on account of the heat. The result was fatal. The European soldiers went to the bazaar for drink, whilst the sepoys plundered the shops and houses, and within a very short time the whole force was utterly demoralised. Suddenly, the Mogul commandant met with re- British inforcements, and returned and recovered the town. The British fled back to the factory, but saw that they were being environed by the Nawab's troops. They hurriedly embarked in boats, in the hope of escaping up the stream into Oudh, but the enemy closed around them. Had they resisted to the last, some might have escaped. As it was they surrendered as prisoners, and were taken to Monghyr, where they found that the British inmates of another factory had been arrested and imprisoned in like manner. An avenging army was soon on its way from British Calcutta. Murshedabad was captured, but not with- massacre out a stout resistance, for the drilled troops of the Nawab were vastly superior to the rabble hosts that had fought at Calcutta and Plassy.

The British force, however, overcame every obstacle, and pushed on to Monghyr, whilst the Nawab fled to Patna, carrying his prisoners with him to the number of a hundred and fifty souls. At Patna the Nawab heard that Monghyr was taken by the British, and resolved on exacting a terrible revenge. His prisoners were shut up in a large square building with a courtyard in the centre. He ordered Sombre to slaughter the whole, and the miscreant environed the building with sepoys. The British assembled in the courtyard, bent on fighting for their lives. The sepoys climbed to the roof, but were assailed with a storm of brickbats and bottles from the courtyard. Sombre ordered them to fire on the prisoners, but they hung back, declaring that they were sepoys and not executioners, and would not fire on men without arms in their hands. Then Sombre grew furious and violent ; struck down the nearest sepoys with his own hands, and threatened and bullied the rest into obedience. The sepoys yielded to their European master. Successive volleys were fired into the courtyard, until it was strewed with dead bodies. Not a single prisoner escaped that horrible slaughter.

Mii-Kasim

The massacre at Patna sealed the doom of the Nawab. He fled away into Oudh with his family Vizier. and treasures, but the avenging Furies were at his heels. The Nawab Vizier received him with ostentatious hospitality, but only that he might strip him of his treasures. The Nawab Vizier declared war against the British for the restoration of Mir Kasim, but it was only that he might eventually get the Bengal provinces into his own hands. Battle of The war lasted many months, but was brought to 7' a close in 1764 by the battle of Buxar. The victory gained by Sir Hector Monro at Buxar on the Behar frontier was as decisive as that of Plassy. The Nawab Vizier fled away in terror to the Kohilla Afghans beyond his north-west frontier, leaving his dominions at the absolute disposal of the British; and Sir Hector Monro marched on to the capital at Lucknow and took possession of the whole of Oudh. British The triumph of the British was complete. Mir Kasim lost his treasures and died in obscurity. The Nawab Vizier was a helpless fugitive; neither Rohillas, nor Mahrattas, nor any other power could CHAP. n. help him against the British. The Great Mogul was once more a suppliant in their hands. The British were de facto masters of the bulk of the old Mogul empire, and might have taken possession of the whole of Northern India in the name of the Great Mogul. As it was they proposed making over Oudh to the Afghans, and restoring the Great Mogul to the throne of his fathers at Delhi. Before, however, the Gover- nor and Council at Calcutta could change the map of India, the Court of Directors upset their plans by sending out Clive for the last time with the authority of a dictator. 4. The Directors of the East India Company Loyd clivc had been alternately infuriated and terrified at 1765. 'the news from Bengal. They were extremely angry at the quarrel about the private trade, especially as they had not shared in the profits ; but the massacre at Patna filled them with grief and despair. Accordingly Clive, who had been raised to the peerage, was sent to Bengal as Governor, with full power to act as he thought proper. When Lord Clive landed at Calcutta Mir Jafir was settlement dead, and the existing Governor and Council had sold the throne of the three provinces to an illegitimate son for 200,000?. and divided the money amongst themselves. Lord Clive was extremely wroth, but could do nothing. The offenders retired from the service of the Company and returned to England. Meanwhile Lord Clive stopped the expedition to Delhi, restored Oudh to the Nawab Vizier, and secured a handsome sum out of the transaction for the benefit of the East Indian Company.

But the crowning event in Lord Clive's life was the Company acceptance of the post of Dewan to the Great Mogul Bengal, in the name of the East India Company. Henceforth, the Governor and Council at Calcutta took over the revenues of Bengal, Behar, and Orissa from the Nawab's revenue officers, and provided for the military defence of the three provinces. A quarter of a million sterling was paid to the Great Mogul, and half a million to the Nawab at Murshedabad for the salaries of himself and his officials; but all interference on the part of the British with the administration of the Nawab and his ministers and servants was strictly forbidden, as contrary to the policy of non-intervention. Accordingly, the Nawab and his officials were left to govern the country in their own fashion, without revenue and without an army. Sorrows The Great Mogul, however, was not content. He Great would not live in the Bengal provinces; he wanted Mogul. to go to Delhi and he was sulky because the British would not take him there. He set up his little court at Allahabad, half-way between Calcutta and Delhi, and lived like a prince; but he was unhappy. A British brigade was posted hard by, and the officer in command would not allow him to support his imperial dignity by beating the imperial kettle-drums, because of the noise. Agony of The arrangements as regards the Bengal provines 1765-72 known in India as the acquisition of the Dewanny, were carried out in 1765. In 1767 Lord Clive returned to England, and the Bengal provinces were reduced to greater misery than ever. There was no one to control the native officials, and they accumulated riches at the expense of the masses. The wealth which the old Nawabs lavished on their pleasures was at least spent CHAP. n. within the three provinces; whereas it was now sent to China to buy tea and silk for the East India Company, or was remitted to England as the private fortunes of the Company's servants. Bengal was drained of its silver, and the masses loudly complained that the British ought to protect them against their oppressors. But non-intervention was the cry both in Bengal and in the British Isles, and nothing was done. Meanwhile the revenue had rapidlv declined. British super- Before Lord Clive left Bengal he was compelled to visors. Do something in spite of his policy of non-intervention. He sent a British civil servant to every district in the Bengal provinces, under the name of Supervisor. The supervisors were to watch and report what was going on, but not to interfere with the Bengali officials. 1 They were to collect statistics respecting the land, its produce and capacity; the authorised amount of land revenue and the illegal exactions; the administration of justice and the regulation of trade. The British supervisors could only report what they saw, and what the native officials chose to tell them. One thing was certain: the people were terribly oppressed and the administration was in utter confusion; and so long as the British played at non-intervention it was impossible to apply a remedy. At last the dreadful famine of 1770-71 desolated Famine, and depopulated the whole country.

Terrible reports in the present day there are forty-five districts in the Bengal provinces, namely, thirty-seven regulation and eight no regulation. The distinction between the two classes of districts will be explained hereafter reached England that the Company's servants had leagued with the native officials to buy up all the grain and sell it at famine prices. Meanwhile the revenue had rapidly declined, and the blame was thrown on the Bengali officials. Accordingly the Court of Directors resolved to dismiss the Asiatic officials, and to appoint covenanted British servants in their room; and they selected Warren Hastings to be Governor of Bengal, with peremptory orders to carry out the necessary reforms. Restricted 5 the change from Lord Clive to Warren Hastings was most momentous. Lord Clive was a soldier Born to command. Warren Hastings was emphatically an administrator born to rule. From the first Lord Clive had shirked all political responsibility. He was content to place the East India Company in the position of Dewan, with the additional duty of maintaining a standing army for the defence of the country, but without attempting to invest it with the ruling powers of a Nawab. So long as the Company took over the revenue, the Nawab and his officials were left to govern the people, and administer law and justice, according to their own will and pleasure For himself, Lord Clive was content to rule the Company's settlement and some small cessions of territory of no account, and to leave the outside masses in utter darkness. Vastdomi- Warren Hastings went to Calcutta as absolute, ruler over the three provinces. He was a prince amongst princes; the equal if not the superior of any Hindu or Mohammedan ruler within the Himalayas and the two seas.

As President of the Council his authority was not confined by the Mahratta ditch, but stretched far away over territories as large, if not larger, than Great Britain and Ireland. He united the powers of British Governor, Nawab, and Great Mogul. He was destined to strip the Nawab of every vestige of authority; to cut down his yearly income from half a million sterling to 160,000/., and to reduce him to the condition of a private Mohammedan grandee dwelling at Murshedabad. As for the Great Mogul, he had vanished from the scene. In 1771 he had quitted Oudh and returned to Delhi with the Mahrattas, and thereby forfeited his pension and empty suzerainty as far as the British were concerned. Later on, the Mahrattas demanded payment of the yearly tribute, but were flatly refused by Warren Hastings. In 1772 Warren Hastings was forty years of age, Career of with very large experiences. He had landed at Calcutta ante 1772. at the age of eighteen, and served as a clerk and ware- houseman in the factory at Calcutta. In 1757, after the battle of Plassy, he was Kesident at the court of Nawab Mir Jafir at Murshedabad. Later on, during the quarrel with Mir Kasim, he was a member of the Council at Calcutta, and one of the very few who took the part of the Nawab. In 1764 he went to England and became poor. In 1769 he returned to India and was appointed member of the Council at Madras. In 1772 he proceeded to Calcutta to become Governor of Bengal, Behar, and Orissa, in other words to govern territories covering an area of 150,000 square miles, or one-tenth of the great continent of India. Henceforth his dominion extended from the mouths of the Ganges to the foot of the Himalayas, and from the frontier at Oudh to the frontiers at Assam and Bhutan.

Warren Hastings must be regarded in two different TWO aspects. In 1766, whilst residing in England, his portrait was painted by Sir Joshua Eeynolds, and represents a mild, benevolent, and intelligent English gentleman. Twenty years afterwards another portrait was painted, which represents a stubborn and vindictive official, from whom all traces of the mild gentleman had disappeared.

The first task of Warren Hastings was to introBengal duce British administration into the Bengal provinces. The work had been easy enough when dealing with the population of towns, who were dependent on the East India Company for employment and protection. But dealing with provinces having a population of twenty or thirty millions of Hindus and Mohammedans, who knew very little of the British, and very little of their laws or ways, was a very different matter, and demanded extreme tact and caution. Warren Hastings began the work of government with the reform of the land revenue the backbone of all administration in India. In those days the task was beyond the strength of any Englishman or body of Englishmen. During the Mahratta invasions and sudden changes of Nawabs the collection of the revenue had fallen into utter confusion, and it was impossible for Europeans to understand local rights Land revenue. or wrongs. Zemindars and ryots. The bulk of the land revenue in Bengal was col- lected by middle men, known as zemindars, from tenant farmers known as ryots. The zemindar was half a landlord and half a revenue collector. The first portrait of Warren Hastings was exhibited at the Grosvenor Gallery in 1883. The second portrait is still hanging in the Council Chamber at the India Oifice at Westminste generally possessed some hereditary land which was CHAP. n. the family demesne ; but outside the demesne were the landholders or ryots, from whom he collected the rents. The zemindar was not a landlord in the eyes of the ryots, because under Mogul law he could not raise the rents. Still he was a great man within his zemindary.

He was magistrate, judge, and controller of the village police; and he had armed followers in his pay, who helped the village police in pursuing robbers and collecting rents. He had the right of hunting, fishing, and cutting wood, throughout his zemindary. Moreover, he levied irregular cesses, benevolences or aids, from the ryots, to defray the expenses of a birth or marriage within his own family, or to meet the demands of the Nawab in an emergency like a Mahratta invasion. The changes in the status of Bengal zemindars British may be gathered from what is known of old Calcutta. zem jjdar Before the battle of Plassy the East India Company Calcutta. itself was nothing more than a Bengal zemindar, and held the settlement at Calcutta on a zemindary tenure. The Company was

Notes

pledged to pay to the Nawab a fixed yearly royalty for their little territory. A British civil servant was appointed to represent the Company as zemindar, to bear the name and fulfil the duties of the post; and he collected the ground-rents within the Company's bounds and paid the yearly royalty to the Nawab. He could not raise the rents, for that was forbidden by Mogul law, but otherwise he was all powerful. He administered justice, criminal and civil, like the Justices of the Choultry at Madras. He also raised an additional income by farming out certain trades as monopolies, levying octroi duties on provisions, and taking fees for the registration of marriages, and sale of houses, boats, and slaves.

After Plassy the British zemindar at Calcutta cared sales of Calcutta nothing for Mogul law. He raised the rents within the Company's bounds by the simple process of putting the leases up to auction ; and the eagerness of the Bengalis to hold lands and sub-let them to undertenants led to much competition and a large ad- vance of rents. The zemindar who carried out this innovation was no other than Mr. Holwell, the same gentleman who was accepted as Governor of Calcutta on the morning of the day that ended in the Black Hole disaster. During that terrible night Mr. Holwell seems to have imbibed hatred and contempt for Moguls and Nawabs. Whilst Clive was shilly-shallying with Mir Jafir, Holwell was urging the deposition of the Nawab, the annexation of the Bengal provinces, and the radical measure of putting up all the zemindaries to public auction. This scheme was ignored at the time as the dream of a madman; but nevertheless, within fifteen years, or half a generation, it was seriously considered by Warren Hastings. Mogul The revenue records of the Moguls had always been records singularly complete down to the minutest detail. The holding of every ryot and the area of every zemindary had been measured and remeasured ; the average value of the yearly produce of every field had been calculated ; and the yearly rents payable by the ryots and the yearly revenue payable by the zemindar had been fixed in each case on the basis of the average harvests. All these details had been entered at length in the Mogul records. But the revenue records which contained all the details respecting the 1 See Holwell's Historical Events in Bengal land in the Bengal provinces had mysteriously disappeared when they were most wanted. A Moham- Mystcrimedan contemporary says that they were all destroyed pearancc. when Mir Kasim fled into Oudh. Possibly they may have been thrown into the Ganges and carried out to sea. Warren Hastings did perhaps the best he could British under the circumstances. By the stroke of a pen he converted the British supervisors into British col- lectors of revenues; and thus brought the new collectors into direct contact with the zemindars, who collected yearly rents from the ryots or tenant farmers. The next work would have been to re- measure all the lands and to make fresh estimates of the average yearly value of the produce of each field. This work had been carried out within the Company's zemindary at Calcutta, and many frauds and errors had -been discovered and corrected. But what was possible in an estate, was impossible in a territory considerably larger than the British isles. Warren Hastings had no means at his disposal for re-measuring the lands and revaluing the yearly produce, and it was utterly impossible to get at the actual facts as regards rents and revenues. Not only were the records lost, but the revenue administration was in utter confusion; the ministers exacted what they could from the zemindars, and the zemindars in their turn oppressed the ryots. Moreover, no re- liable information could be obtained from ryots or zemindars, who were alike suspicious of British intentions and mortally terrified by the British invasion, The new British collectors, with the help of native officials, arrived at some approximate estimate of the rents paid by the ryots in each zemindary, and then every zemindar in possession was called upon to pay a certain lump sum as yearly revenue for the whole during a term of five years.

If he accepted a lease for the five years, well and good. If he refused, the lease was sold to the highest bidder, with no other reserve than that of requiring him to give the neces- sary security for the yearly payment to the British collectors. The experiment proved a failure. The revenue demands had been fixed too high. Such was the passion for local influence, that many zemindars had agreed to pay a larger revenue than could be realised from the rents. Vast amounts were lost as arrears Auction that could not be realised. Many zemindaries were zemlnda- sold by auction, and were bought up by native les ' speculators who were ruined in their turn. When the five years' leases had run out no attempt was made to renew them; but zemindaries were let on yearly leases until some permanent system could be devised, and this arrangement continued in force until the end of Warren Hastings's administration. Judicial. The system of judicial administration introduced by Warren Hastings was equally cautious and criminal experimental. Bengal zemindars ceased to act as courts, magistrates or judges. The British collector be- came magistrate and civil judge. 1 As magistrate he made over all prisoners for trial to a Mohammedan court, which was created in each district, but over which he maintained some degree of control.

The control over the country police was also transferred from the zemindars to the new magistrates and collectors. This measure was good in itself, but attended with disadvantages, which will be brought under review hereafter mulvis expounded or interpreted Mohammedan law ; but the British collector was present to see that trials were properly conducted, and perhaps to intercede when the punishment awarded was barbarous or cruel. This was little more than a reform of the existing system such a reform as might have been carried out by an Akbar or Aurangzeb. For centuries Mohammedan law had been the common law of Northern India, and Hindu criminal law, with its hideous severities as regards caste, had been ignored by Mogul rulers, although, no doubt, caste laws were often enforced by the Hindus themselves. Civil justice was administered more directly by Mixedcivii the British collectors. In civil disputes, especially as regards inheritance and marriage, the parties concerned were necessarily guided by their own laws. Accordingly the collector sat as judge, but w r as assisted by Mohammedan lawyers in deciding cases between Mohammedans, and by learned Brahmans, or pundits, in deciding cases between Hindus. Under most circumstances the cazi or pundit must often have been the real judge, whilst the British collector was only the representative of the supreme authority. Courts of circuit and appeal were also appointed to courts of travel through different areas, and sit as British judges of assize in both criminal and civil courts. appeal - Here was that same mixture of British and Asiatic judges as in the collectors' courts. But many changes were made from time to time in the judicial system, and the whole question will be better considered hereafter when dealing with the reforms of Lord Cornwallis, who eventually succeeded Warren Hastings as Governor-General.

Meanwhile the Governor and Council still formed chief the chief court at Calcutta, and confirmed all capital Sudde?!" sentences, or heard appeals in important civil cases, as in the old times when British authority was bounded by the Mahratta ditch. From time to time they passed regulations for the guidance of collectors, and eventually Warren Hastings drew up a clear and concise criminal code with his own hands. This chief court was known as the Sudder. It had a civil and a criminal side, and lasted as an institution down to the latest "days of the East India Company. 1 Patri- Under such circumstances British ideas of justice justice! Gradually superseded Mohammedan usages. Indeed it was impossible to maintain the criminal law of the Mohammedans in courts controlled more or less by British judges. Under Mohammedan law theft was punished by mutilation, adultery was punished by death, or not punished at all unless four eye-witnesses could be produced ; whilst the most atrocious murderer might escape from justice by the payment of a blood fine to the kinsmen of his victim. Cazis and muftis might be nominally independent, but practically they yielded to British influences ; and British judges administered justice in a patriarchal fashion.

Check your progress –

1. Elaborate Clive role in trade in Bengal.

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2. How Warren Hastings expanded the trade of the Company.?

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1.4 LETS SUM UP

The British **East India Company came** to **India** as traders in spices, a very important commodity in Europe back then as it was used to preserve meat. Apart from that, they primarily traded in silk, cotton, indigo dye, tea and opium. They landed in the **Indian** subcontinent on August 24, 1608, at the port of Surat and their further expansion in Bengal decided the fate of India.

1.5 KEYWORDS

Company rule, Raj, Diwani , Bengal, Plassey

1.6 QUESTIONS FOR REVIEW

1. Discuss about the Compny Raj in Bengal.

2. Elaborate the mercantile role of Bengalis

1.7 SUGGESTED READINGS

1. India under British Rule by J Talboys Wheeler

2. History of Bengal Vol 2 by R c Majumdar

1.8 ANSWERS TO CHECK YOUR PROGRESS

1. Hint 1.3
2. Hint 1.3

UNIT 2 THE EARLY DRAIN OF WEALTH AND ITS MECHANISM, MAGNITUDE AND EFFECTS

STRUCTURE

2.0 OBJECTIVE

To learn about the meaning drainage of wealth of the Indians caused by the British.

To understand its impact till our current generation.

2.1 INTRODUCTION

During the last quarter of the 19th century a great controversy arose over the question of 'The Drain' between the nationalist leaders of India and the Protagonists of Britain. Indian nationalist thinkers developed the theory of Drain mainly for analysing main cause of poverty in India.

2.2 EARLY ECONOMIC DRAINAGE

The main agreement that was advanced in this respect was that "a significant portion of India's national wealth was transferred to England without any quid pro quo.” The experts described such ‘Drain’ on India’s resources as the transfer of resources from India to England either by getting nothing in return or getting only disproportionately a smaller part of such transfer of resources.

The person who first raised this issue of drain of resources from India to England was Dadabhai Naoroji in his book “Poverty and Un-British Rule in India” published in the year 1871. Dadabhai Naoroji tried to explain in his book the causes of drain, to measure the extent of such drain and to find the consequences of such drain.

Thus the British siphoning system adopted to take away India’s resources and wealth has been termed as ‘The Economic Drain’ by economists like R.C. Dutt, Dadabhai Naoroji and others.

Causes of the Drain:

Dadabhai Naoroji in his book observed, “The drain consists of two elements the first, arising from the remittances by European Officials of their savings, and for their expenditure in England for their various wants both there and in India ; from pensions and salaries paid in England; and the second that arising from remittances by non-official Europeans.”

This indicates that in order to meet the requirements of the economic drain, India had to export much as compared to its imports.

Dadabhai Naoroji observed that the following factors were responsible for the economic drain from India:

I. Remittances to England by European employees for supporting their families and education of their children—which may be considered a feature of colonial system of government.

2. Remittances of savings by the employees of the East India Company as they preferred to invest at home.

3. Remittances for purchasing British goods demanded by British employees as well as purchasing British goods in India.

4. Government purchase of stores manufactured in Great Britain.

5. Interest charges on public debt held in Britain (which excluded interest payment on railway loans and other debts incurred for productive works).

As a result of political, administrative and commercial connections established between India and England, the Government of India had to make huge payments to the people of England. All these payments were known as ‘Home Charges’.

Home charges were consisting of interest on public debt raised from England, annuities on account of railways and irrigation works and payments to British employees, employed in India as well as pensions to retired employees worked in India.

Versa Anstey made an estimate of these Home Charges to the extent of 35 million pounds annually. Moreover, the British rulers realised the cost of battles they fought with native rulers from India by raising loans.

Estimate of the Drain:

Although it was impossible to make a correct estimate of the extent of drain from India in the form of resources and gold bullion flowed from India to Great Britain, during the British rule, however some estimates were made on the extent of such drain.

Verelst estimated that during the period of five years just after Battle of Plassey, total volume of drain from India in terms of goods and bullion was 4, 94, 16, 11 pounds sterling. S.B. Saul also made an estimate of such drain based on balance of payments alone and his figure for the year 1880 alone amounted to 4.14 per cent of India’s national income.

Dadabhai Naoroji also made an estimate of drain which was around Rs 8 million. Later on, the volume of drain estimated by Naoroji was Rs 12 million in 1870, Rs 25 crore in 1893. In 1897, Naoroji made another estimate of drain for the ten year period of 1883-92 and found the total drain at Rs 359 crore. In 1905, total amount of drain calculated by Naoroji was Rs 51.5 crore.

Another estimate was made by G.V. Joshi for the period 1834 to 1838 and total amount of drain from India during this period was estimated at nearly 600 million sterling.

D.E. Wacha's estimate of drain in 1901 was to the extent of Rs 30 to Rs 40 crore per year.

S.N. Banarjee's estimate of average annual drain for the last 30 years of 19th century was of the order of 30 million.

R.C. Dutta's estimate of drain was found to be around 20 million per year during the early part of 20th century.

Considering this huge drain of resources from India, Irfan Habib observed, "The fact that India had to have a rate of saving of 4 per cent of its national income just to pay the Tribute must be borne in mind when economists speak of the lack of internal capacities for development or the low per capita income base, from which the British could not lift the Indians, however much they tried."

Consequence of the Drain:

The huge amount of drain of resources and bullions from India to England created a serious impact on the economy of India and a favourable effect on the economy of England. Such consequences of drain were studied in detail by various Indian economists like Dadabhai Naoroji, M.G. Ranade, R.C. Dutta, G.K. Gokhale, G.V. Joshi and others and emphasised in detail the extremely deleterious effects of the Drain.

While criticising the drain of resources and capital from India to England, M.G. Ranade observed, "…………of the national income of India, more than one third was taken away by the British in some form or the other."

In 1901, R.C. Dutta observed that "the drain from India was unexplained in any country on earth at the present day, one half of the net revenue flows annually out of India verily the moisture of India blesses and fertilisers other lands………….. So great an Economic Drain out of the resources of land would so impoverish the most prosperous countries on earth; it has reduced India to a land of famines, more frequent, more widespread and more fatal than any other known before in the history of India, of the world."

It would be better to study the effects of Drain on both England and India.

Effects of the Drain on England:

A huge volume of drain of resources and capital from India to England resulted a better standard of living in Great Britain. The Drain also resulted huge investments in England agriculture and industry after 1750. These investments were partially responsible for agriculture revolution in England and the 18th Century and also for Industrial Revolution in England after 1750.

England attained the take-off stage of its growth by utilising the resources drained out of India. Huge amount of remittances from British officials in the form of saving and pensions after serving in India empowered those people to devote on construction of roads, railways and canals, new inventions and also for bringing rapid changes in all different sectors of its economy.

Thus Drain of resources were responsible for laying foundation of economic prosperity in England.

Effects of the Drain on India:

Huge drain of resources from India into England had resulted disastrous effects on Indian economy and its people. Huge amount of these resources which could be invested in India were snatched and siphoned off to England.

Huge public debt undertaken by the Government and its payment of interest necessitated increasing tax burden on the people of India, which were highly regressive in nature. As per Dadabhai Naoroji's estimates, tax burden in India during 1886 was 14.3 per cent of its total income which was very high as compared to 6.93 per cent in England.

Moreover, these tax proceeds were mostly used for making payments to British creditors and not for the social services and welfare activities of Indians. This type of drain of tax proceeds from India impoverished the agriculture, industry and trading activities in India and was largely responsible for stagnant stage of its economy during the 18th and 19th centuries.

Although the British undertook responsibility of maintaining law and order, centralised political and judicial administration, roads, railways, educational set up etc. but the extent of draining out of resources was too excessive leading to stagnation of the economy and poor and miserable condition of Indian masses.

Nationalist leaders of India analysed the various harmful effects of Drain in different ways.

As per Dadabhai Naoroji's opinion, the drain of resources was the major and sole cause of India's poverty. Naoroji, R.C. Dutta and S.N. Banerjee were also of the opinion that the drain had created harmful effects on the level of income and employment of India. Drain had resulted loss of generation of income and employment in the country.

In this connection, R.C. Dutta observed, "For when taxes are raised and spent in a country, the money circulates among the people, fructifies trade, industries and agriculture, and in one shape or another reaches the mass of the people. But when the taxes in a country are remitted out of it, the money is lost to the country forever. It does not stimulate her trade or industries or reach the people in any form."

The national leaders were of the opinion that drain of resources resulted loss of capital rather than loss of wealth. Drain resulted a huge depletion of productive capital leading to fall in the volume of investable resources in the country. This aspect of the loss of capital was considered as core issue of the Drain theory of Naoroji.

This drain of resources resulted industrial retardation in our country g.v. joshi, in this connection observed, "No nation can stand such a drain and yet hold its own in the industrial field."

R.C. Dutta had also tried to establish a causal relationship between the drain of resources and the improvement of the peasantry. He argued that the drain was paid mainly out of land revenue realised from the peasants.

Methods of Reducing the Drain:

In order to reduce the burden of the Drain, nationalist leaders mentioned several measures. The first measure suggested by them was the Indianisation of the civil and military services and thereby reducing the number of British personnel and increase the number of Indian personnel to a reasonable proportion.

The second method suggested was the reduction of Home Charges realised from India and bearing a major part such home charges by England.

The third method suggested for reducing the burden of drain was to purchase government stores in India and also by checking increasing import of private foreign capital.

Thus, this huge economic drain of resources from India put a serious hurdle in the path of capital formation in India. Moreover, British brought back the drained out capital to India and gradually set up various industrial concerns in India owned and managed by British industrialists.

With the active patronage of British government, British could secure nearly a monopoly position in the area of trade and principal industries.

As a result, British industries established in India drained out further resources in the form of regular remittances of interests and profit from India into Britain. Thus such a large size of economic drain created a serious hurdle in the path of economic development of India till 1947 and was also largely responsible for growing poverty in the country.

Many distinguished leaders of thought observed strains and stresses faced by the Indian people after the Mutiny of 1857.

In explaining the dynamics of a colonial, poor and dependent economy, they observed that economic surplus was extracted by the foreign government by a complicated mechanism of “economic drain”.

The transfer of resources and wealth from India to England without providing ‘any equivalent return’ which began in the second half of the eighteenth century had been christened by Indian ‘non-practicing’ economists like Dadabhai Naoroji, M. G. Ranade, R. C. Dutt as the "economic drain". The drain theory—which Indian thinkers made their own—was as old as Rammohun Roy, through Naoroji and others it came to Gandhi. Not only Indians but also some notable foreign stalwarts also observed this phenomenon.

The most sophisticated account of the economic drain—a basic characteristic of the Indian colonial economy—was made by Dadabhai Naoroji in 1871 in his book, Poverty and un-British Rule in India. The basic purpose of his study was to measure mass poverty which was a direct consequence of the economic drain.

However, the idea of "drain theory" should not be attributed to Dababhai Naoroji. It was popularized by him as an explanation of the economic predicament of a colonial economy. He articulated it into a framework in which many of the hard-pressed economic problems of the country could be seen in their proper interrelations. According to him, the drain was the basic cause of India's, poverty and the fundamental end of the British rule. In fact, modern colonialism was inseparable from the drain. It could be viewed as "evil of all evils."

The Concept of Economic Drain:

The concept of drain is a post-Plassey affair. Dababhai used phrases like "bleeding drain," "a running sore", "material and moral drain," and "deprivation of resources". All these phrases can be summed up as "economic drain." However, Dadabhai did not claim any originality as far as the genesis of the concept of drain was concerned. He borrowed the concept from the writings of the British authors.

To the British writers like Sir John Shore (in 1787), Mr. Frederik John Shore (in 1837), Mr. Sanile Marriot (in 1837), etc., the concept of economic drain involved:

(i) Trade without equivalent returns,

(ii) Drain of wealth, and

(iii) Annual tribute.

These concepts of drain formed the core of "external" economic drain which Naoroji made his own. The essence of economic drain was the system through which the "economic surplus in the functional sense, not in the sense of superfluity was extracted out of poor colonial economy, in the first instance, by a process of internal drain", and subsequently considerable part of the surplus was drained out through excess of exports over imports.

In other words, it was a net unilateral transfer of funds from India to England with all its adverse pressure on India's terms of trade. From this concept of economic drain, one must draw a line of distinction between "internal drain" and "external drain".

The "internal drain" consisted in the transfer of wealth from villages to the city, from backward regions to rich regions within a country or from the poor to the rich through the medium of taxation, interest payments or amortization, profits and other forms of surplus without equivalent return.

According to Dadabhai, the "external drain" was a drain because of "unrequited exports", "non-commercial exports" which brought no equivalent return in the form of imports from India to Britain. Dadabhai spoke of the economic drain as an internal-cum-external drain, while R. C. Dutt had much interest in external economic drain.

However, it will not be out of place to remark here that external drain of wealth in India would have been impossible without an internal drain. Truly speaking, internal economic drain may be regarded as the contingent effect of external drain.

Components of Economic Drain:

After the battle of Plassey, the balance of power shifted to England. Down to 1757, as the Indian cotton and silk goods found a big outlet in the West, the European traders brought bullion into India even in the midst of criticism at home. Such criticism was made because India did not have equivalent goods to offer to the European traders. But loosing bullion to India was hardly tolerable.

This problem was solved dramatically after the transfer of power in 1757. Now, India went on pouring her accumulated capital in Britain by way of plunder from Bengal, tributes, profits from internal trade and the surplus from Dewani revenue of Bengal. Ironically, the last-named item was christened by the Company as ‘investments’ in India.

After the grant of Dewani of Bengal, the Company amassed enough revenue which was used to buy goods for export. In 1767, the East India Company’s investment stood at Rs. 6 million. In 1793, it went up to Rs. 10.96 million. Another Rs. 6 million per year was exported by other non-British companies, who, however, were thrown out of the market by the English companies by 1780.

Thus, “profit-making through trade became integrated with administration which also became an instrument of profit-making.” Thus, the drain meant the transfer of goods or wealth from India to Britain without any equivalent return, a simple matter of unrequited export of goods and not an export of bullion.

Since the unilateral transfer of funds to Britain was of dire necessity, the problem of drainage of wealth became complex after 1833 when the EIC was stripped off its commercial functions. The British Government now went on innovating newer and newer techniques of drain for empire-building in and outside India. It now consisted of mainly “Home Charges” and “unrequited exports”.

(i) Home Charges:

The Home charges were born sin, as remarked by Amalesh Tripathy. The economic drain is illustrated with reference to what was called ‘Home Charges’ which referred to the expenditure incurred in England by the Secretary of State on behalf of India.

The Home Charges were annually remitted to England “to pay interest on money expended in India on railways and irrigation works and for other purposes of the Government, to pay for stores, charges for effective and non-effective services of British troops on the Indian establishment, furlough and retired pay of Civil and Military -Officers and servants of the Government and other expenditures.”

India was forced to make payments on account of railways and irrigation works. For instance, the guaranteed interest on capital ranging from 4.5 to 5 p.c. paid out of Indian revenues for railway contraction in India to the private railway companies. This guaranteed scheme; turned out to be wasteful because more capital was invested by the railway companies than was economically justified.

By assuming a minimum guarantee on invested capital, the government assumed the risk without the chance of making profit. It led to over--capitalization also. The capital used in excess of the requirements and the guarantee of interest on the capital which the companies invested constituted “drain”.

Another component of Home Charges consisted of purchases made abroad for government stores in India. In those days, the government was the biggest purchaser of iron and steel and engineering goods and a variety of goods as India was unable to supply these.

The objective was the encouragement of indigenous industries. Thus the stores purchase policy assumed critical importance in accelerating India’s industrial development. However, the scheme would have been beneficial had the government purchased their stores in India instead of in England. From 1858 to 1875 stores were imported through the Stores Department of the India Office in England. The Home Charges also included furlough (leave of absence) allowances, salaries, pensions to British Indian officials and army officers. It also included defence expenditure incurred by the Government of India.

Almost all high-paid posts were ‘reserved’, for Europeans. Recently, it has come to light that massive government expenditure in India was incurred on ‘European engineer(s) and university Professor(s)’. Ironically, British Government’s own expenditures both on higher education and on public works were rather insignificant. In India, practically, in other spheres of jobs, the same policy remained and the differences between Indians and Europeans in pay and wages widened with time. One author remarked that such policy of wage structure came to be determined ‘by racial discrimination rather than labour market necessities’.

Along with the defence expenditure, civil expenditure also shot up to an abnormally high level. The remittance of private fortunes like savings as well as salaries and pensions of European employees were the most objectionable forms of drain.

The policy of excluding Indians from the higher ranks of the civil services (e.g., holding of examinations in London, lowering of the maximum age limit from 23 to 19 gradually since English candidates become graduates earlier than their Indian counterparts) and the policy of military expenditure (e.g., the recruitment of one British to every three Indian soldiers) resulted in an excessive sterling cost of Indian administration.

The colonial administration, in the language of Dadabhai, created “two India’s”. One was the prosperous India. Thus, British India exhibited what is now called a “dual economy” in the colonial setting.

Another mechanism of funnelling wealth to England was the huge amount of interest on public debt incurred by the Government of India. Before the Mutiny, the public debt was on account of cost of wars waged by England in and outside India and Home Charges, i.e., tribute. In 1858, the debt stood at 70 million pounds. It rose to 81 million pounds in 1859 and 98 million pounds in 1860. By 1900, the figure shot up to 200 million pounds and then to 274 million pounds in 1913.

This rapid increase in debt and especially in sterling debt which involved an equally large volume of interest liability as was regarded a drain of India’s resources—a scandalous waste of Indian money. And to raise newer and newer loans, the British Government devised newer taxes in this over-taxed country. Thus, a vicious circle was set up between two interdependent variables — increase in taxation to extract as much as possible internal resources, and the mounting sterling indebtedness.

Further, public debt was incurred to conduct not only internal wars in India, suppression of the 1857 Mutiny but also most disgracefully to conduct foreign wars and military expeditions (e.g., Afghanistan, Persi, Tibet, etc.) countries. There cannot be any qualms that such foreign expeditions were meant to fulfil only the ‘imperial interest’ of Britain and thus were uncalled for. Even Lord Eurzon wrote in 1901 that India “has been so flagrantly flecced in the past.”

Imperial apologists like Vera Anstey argued, however, that had there been no Home Charges India would have to provide for her own normal and military defence at her own cost and, in the process, India would definitely stand as loser— "it is surely obvious that the "saving" effected would be a negative quantity." Nationalists strongly objected to this hypothesis.

(ii) Unrequited exports:

The crux of the drain theory was, of course, the concept of "unrequited exports" which produced no equivalent returns. According to Dadabhai, the external economic drain was a drain because of unrequited exports. India's export surplus, that is, the excess of exports over imports, was virtually 'unrequited'. It grew continuously in size since 1850.

Excepting 1859-60 when there had been import surplus of Rs. 11.75 crore, the quantum of export surpluses of 'unrequited' variety between 1849-50 and 1909-10 were mind-boggling — it constituted 'practically a half of the savings that a subsistence economy like India could be expected to generate at the time'. To put Great Britain's balance of payments in order, maintenance of an export surplus was vital.

As other European countries went on industrialising, Britain was put in a comparatively disadvantageous position. To counteract this situation, Britain needed India. Further, India's continuous export surplus with countries other than Britain counterbalanced British deficits. As a result, India's meagre stock of capital was drained away in the form of "unrequited exports". Indeed, the export surplus reduced the country's power to save and invest, and, therefore, inhibited the country's economic progress.

Truly speaking, it is difficult to make a comprehensive list of the items that constituted drain. In view of this, the Amrita Bazar Patrika, on 14 April 1881, observed: "India is sucked in so many different ways and by so many parties that they are themselves ignorant of one another's whereabouts and doings and of the extreme peril to which their patient is subjected by their operation."

Extent of Economic Drain:

Such "Indian Plunder" or the so-called "drain" cannot be accurately estimated because of the fragmentary nature of data. Thus the subjectivity, rather than objectivity, of the authors determined the extent of drain. During the period under study, attention has been naturally focused on Bengal as one can study the process of drain in its very classical form.

After the battle of Plassey, Bengal in the 1760s provided Rs. 24 lakh a year for the Company's China trade. In the 1770s it marginally fell to Rs. 20 lakh a year. By the end of the 18th century, total value of coins, bullion and merchandise drained out from Bengal per year amounted to sicca Rs. 98,42,359.

According to William Digby, probably between 1757 and 1815 (that is, between Plassey and Waterloo) "a sum of 1000 million pounds sterling was transferred from India to English Banks". This gives an average of 17.2 million pounds per annum. On the contrary, Prof. Further showed an 'underestimate' of drain of not more than 1.9 million pounds annually during 1783-93.

Rammohun Roy estimated it at 110 million pounds in the form of "tribute" between 1765 and 1820. Dadabhai quantified economic drain as 15,000 million pounds for the period 1787-88 to 1828-29. According to R. C. Dutt, on average, 'one-fourth of all revenues derived in India was annually remitted to England'.

He further estimated that during the last decade of Queen Victoria's reign (1890s), a sum of 159 million pounds out of a total revenue of 647 million pounds was remitted from this country to England. His another estimate showed that annual payment under the "Home Charges" increased from 5 million to 15 million pounds between 1856 and 1876 and it rose to more than 17 million pounds by 1901-02.

According to R. C. Dutt, Home Charges in 1901-02 can be divided into the following heads:

Heads and Pound-Sterling

Besides this money burden, the economic drain involved real burden arising out of growing tax burden. According to Dadabhai, the average tax burden in the poverty-stricken country was estimated to be 14.3 p.c. of income in 1886, as against 6.92 p.c. income of England.

Estimates of modern historians are, however, rather underestimates. They estimate drain as a proportion of national income rather than public revenue. T. Mukherjee argues that between 1870 and 1900 the drain varied between a meagre amount of 0.4 percent and 0.7 p.c. of India's national income. It seems that the drain theory was thus an inconsequential.

This underestimation is hardly accepted because first drain has to be linked with the public revenue rather than national income. Secondly, even if it was relatively small, it continued for a period of not less than 50 years. It is to be pointed out here that "drain", according to Naoroji and Dutt, "was not an erratic or occasional shock, but a constant leak". Thus, there is no logic of debunking this drain theory as envisaged by the foreign authors of it since it was an 'unceasing flow'.

According to Sir Theodore Morrison, exaggeration was due to the fact that the drain theorists did not allow for relevant deductions (like balancing export surplus by invisible imports of shipping services, insurance charges, and expenditures by Indian researchers and travellers abroad) while calculating export surplus.

In addition, if imports of gold and silver were taken into account the extent of drain would have been small. However, G. K. Gokhale, G. V. Joshi etc., criticised Morrison's selective and one-sided view. The extent of drain has been estimated by them after allowing deductions.

The huge drain of wealth from India contributed greatly to the industrialisation effort of England, England's fortune of having a modern industrial structure was largely built upon the ruins of Indian industries. The necessary stimulus to industrial production in respective stages of development depends largely on the availability of finance. It was the Indian loot—the drain of wealth from India by the EIC—that helped financing British industries in its initial stages of industrialisation.

Economic Drain Theory and Critics:

Notes

To the critics of the economic drain theory, the extent of drain was exaggerated by nationalists since foreign trade and export surplus constituted an unimportant part of India's national income. With the enunciation of the drain theory, controversy raged on the question as to whether all payments constituted 'drain'.

For instance, dividend and compensation paid to the stockholders and shareholders of the EIC at the time of transfer of power in 1833 was a "tribute" and a "drain" on Indian resources. But, interest payments on loans for railways and irrigation works and the payment for stores cannot be described as "tribute" or "drain".

Critics argue that these payments represented the type of foreign expenditure which Japan, an independent country, had to incur in the initial stage of her industrial development. "In so far as there were goods received or fixed asset created out of loans, to be shown against payments made, these could not simply be described as a drain."

According to Morrison, British capital used to construct railways, irrigation, tea plantations, and jute mills was definitely productive in the sense that this foreign capital raised national income and made long run economic growth possible.

"Rather than complain about a drain, Indians should be grateful to British investors for making good the deficiency in India's domestic capital resources. The benefit to India was all the greater because the British connection enabled it to borrow from the world's cheapest capital market. Borrowing in India, even if it were feasible, would have been far more expensive."

Also, the Britishers argued that 'England receives nothing from India except in return for English services rendered or English capital expended'. Regarding good government, law and order, less said the better. However, one can defend remittances of profits on British capital invested in railways, irrigation, plantations, and others on the ground that such things were, after all, 'developing' or 'modernising' India.

Rightly, nationalists were critical of the public debt policy of the Government of India as it reflected the colonial status of the country.

Bulk of India's public debt was 'political' in nature, as well as unproductive (e.g., India's war gifts to England, pension and furlough payments and the expenses of the India Office), useless and inessential. But it is to be remembered that India had been saddled with a crushing national debt.

Amalesh Tripathy articulates: "The very meagre of national income of India could not afford to bear the huge expenses of a top-heavy European bureaucracy whose savings added to the capital-stock of Britain and the slightest fall of whose incomes form un-favourable movement of the exchange rate was met from on over-burdened Indian exchequer."

The upshot of the above discussion is that the British Government length-ened its arm of injustice to the people of India for empire-building in and outside India. The "drain theory" as enunciated by the nationalists clearly exposed the character of the British rule. The exploitative role of the British Government dates back to the Battle of Plassey.

India had been reduced to a most profitable 'colony' in the world. Britishers found colonies as 'the source of legitimate gain for the ruling country'. The 'tribute' or 'annual drain of wealth from India (Naoroji, D.) in the period of 'merchant capital' (1757-1813) played the most key role in financing Britain's capitalist development. Economic 'drain' is the most fitting term for this phase of colonial exploitation.

Drain of Wealth

The "drain of wealth" from India to Britain during the two centuries of colonial rule was very real, very substantial and there are strong reasons to believe that India may have looked significantly different and far better economically and socially had it not been for the two centuries of British rule.

The beginning of this period can probably be traced back to the Battle of Plasssey. The battle marked a significant turning point in world history, for it permitted the English East India Company to gain control over the rich resources of the Mughal successor state in northeastern Bengal and Bihar. This was the starting point for a century-long process of British conquest and dominion over the entire Indian subcontinent and beyond.

While the maximum revenue extracted by the Mughals as high as 40%, this paled in comparison to the effective tax rate in the early years of colonial rule, as central Mughal authority waned, the state resorted increasingly to revenue farming, raising the effective rent share to 50% or more. After initial attempts at revenue farming, Company officials aggressively introduced new taxes in an attempt to reduce their dependence on agrarian production, thus worsening the tax burden on the common man.

Land revenue continued to be the mainstay of the regime until the end of British rule in India, but its share of gross revenues was far less than under the Mughal emperor. To a larger degree, however, new taxes not imposed by the Mughals accounted for land revenue's declining share. Company officials began early to diversify their tax base so that the new regime was not so overwhelmingly dependent upon agrarian production.

British salaries were high: the Viceroy received £25,000 a year and the governors, £10,000. From 1757 to 1919, India also had to meet administrative expenses in London, first of the East India Company, and then of the India Office, as well as other minor but irritatingly extraneous charges. The cost of British staff was raised by long home leave in the UK, early retirement and lavish amenities in the form of subsidized housing, utilities, rest houses, etc.

Although there is a prevalent myth around British contribution to development if education and infrastructure in India, in reality, the situation was quite different. The bulk of government expenditure was focused more on ensuring the stability of the empire than anything else.

Amidst all the paraphernalia of the "Raj", public works and social expenditure was completely forgotten. The Company allocated negligible funds for public works, for cultural patronage, for charitable relief, or for any form of education, confining its generosity to paying extremely high salaries to its civil servants and military officers. Otherwise parsimony ruled.

The education system which developed was a very pale reflection of that in the UK. Three universities were set up in 1857 in Calcutta, Madras and Bombay, but they were merely examining bodies and did no teaching. Drop-out ratios were always very high. They did little to promote analytic capacity or independent thinking and produced a group of graduates with a half-baked knowledge of English, but sufficiently Westernized to be alienated from their own culture. Education was used as a tool to turn a tiny elite into imitation Englishmen and a somewhat bigger group into government clerks.

In spite of agriculture being – by far – the most significant part of the economy, little was done to promote agricultural technology. There was some improvement in seeds, but no extension service, no improvement in livestock and no official encouragement to use fertilizer. Lord Mayo, the Governor General, said in 1870, "I do not know what is precisely meant by ammoniac manure. If it means guano, superphosphate or any other artificial product of that kind, we might as well ask the people of India to manure their ground with champagne".

The Company officials were extremely wary of any public works spending unless it was for projects of direct use to the state. The Company even failed to repair and maintain roads, river embankments, and bunded storage tanks for irrigation that had been the responsibility of earlier regimes. When, in 1823, the Governor General in Council decided to devote a portion of anticipated surplus revenues to works of public improvement, the Court of Directors rejected this proposal. When, the Directors learned of heavy expenditures on buildings in the mid 1820's, they wrote to the Governor General to condemn this extravagance.

In the early 1800s imports of Indian cotton and silk goods faced duties of 70-80%. British imports faced duties of 2-4%. As a result, British imports of cotton manufactures into India increased by a factor of 50, and Indian exports dropped to one-fourth. A similar trend was noted in silk goods, woollens, iron, pottery, glassware and paper; millions of ruined artisans and craftsmen, spinners, weavers, potters, smelters and smiths were rendered jobless and had to become landless agricultural workers."

The monopoly on trade in salt and opium was an important mainstay of the Company's finances. Together opium and salt produced on average 18.9 percent of gross revenues.

A certain Portion of the Revenues of Bengal had been for many Years set apart, to be employed in the Purchase of Goods for Exportation to England, and this is called The Investment. The greatness of this investment had been the standard by which the merit of the Company's Principal Servants had been generally estimated; and this main cause of the Impoverishment of India has generally been taken as a measure of its wealth and prosperity.

However, the high taxes, the heavy burden of state, the neglect of education and public works and unfair trade practices – these were only the tip of the iceberg. The most damning evidence of British exploitation was the irrefutable "drain of wealth" that took place over the period of two centuries.

Between 1772 and 1815 there was a huge net financial transfer from India to Britain in the form of Indian goods. The "drain resulting from contact with the West was the excess of exports from India for which there was no equivalent import" included "a bewildering variety of cotton goods for re-export.

These net financial transfers from India to Britain reached a peak of £1,014,000 annually in 1784-1792 before declining to £477,000 in 1808-1815.

Separately, Dadabhai Naoroji estimated the economic costs and drain of resources from India to be at least at 12 million per annum. He said that all attention was engrossed in devising new modes of taxation, without any adequate effort to increase the means of the people to pay; and the consequent vexation and oppressiveness of the taxes imposed, imperial and local.

Between 1757 and 1859 officials of the East India Company tapped the productive people and resources of Bengal and the eastern Gangetic valley to fund the protracted military campaigns necessary to conquer India. In 1793, this devious system of extortion was given official sanction and thus was paved the path to financial ruin. The Company was enjoined to take ten million rupees (1 million sterling) each year for the investment from the territorial revenues of colonial India.

This systematic drain was nothing short of loot – albeit carried over 200 years and under the cover of colonial trade. It left the economy in shambles and reduced this great country from one of the powerhouses of the world economy to a laggard which was barely able to sustain itself.

Deindustrialisation

Under pressure from the powerful rising English manufacturing interests, the EIC dealt a severe blow to Indian industries that led to final extinction—the phase of India's 'deindustrialization'. It employed the arm of political injustice on Indian products (one-way free trade) to strangulate a competitor with whom she could not contend 'on equal terms'.

The last nail in the coffin was hammered in 1813 when the trading monopoly of the EIC was withdrawn. It was the political domination and the commercial policy of Britain that threw open India to all. India now suddenly was reduced to an importing country from an exporting nation. Indian market now became flooded with machine-produced goods at a lower price and also witnessed the loss of export markets.

Further tragedy was in store. Being a colonial country, India had to pay a large sum for England's industrialization scheme. She was forced to supply raw materials for triggering industrial revolution with greater rapidity in England. India was then forcibly transformed from being a country of combined agricultures and manufactures into an agricultural colony of British manufac-turing capitalism.

A history of modern Indian large scale private industry between 1850 and 1914 is associated with the developments in mainly plantations like jute, cotton, and steel. Beginning of these modern Indian industries was the 'product of India's economic contact with Britain'. There was also a limited development of mining, especially coal. One thing that is worth noting is that most of these industries, except textile factories, were under European control.

In the early days of the Company rule, Indian raw jute had been in great demand for the Dundee mills.

World conditions after 1850 were quite propitious for the growth of jute manufacturing and the credit for jute spinning firm in Rishra, near Serampore, Bengal, went to George Acland. The founda-tions of cotton textile industry were laid also during the early 1850s. Though the jute industry was dominated by the foreigners the cotton industry was shaped and cared by the natives, mainly the Parsee entrepreneurs.

Some abortive attempts were made by the East India Company in the 19th century to develop iron and steel industry. However, the credit for the development of large scale manufacture of steel in India goes to Jamshedji Tata and his son Dorabji. Tata Iron and Steel Company were set up in 1907 and it started function of producing pig iron in 1911 and steel ingots in 1912. Meanwhile India's industrial structure started diversifying. In spite of inadequacy of domestic demand and high production costs, industries like woollen mills, breweries, and paper making industries made significant march during this time. Though these industries were recorded officially as the large industries, they were small in character.

Other industries having small-scale character that operated were tanning, vegetable oil processing, glass-making, leather goods manufacturing, etc. Despite diversification, India's modern manufacturing industry could not develop on a sound footing before the outbreak of the World War I.

It is a well-known fact that the British ruled India for well over 300 years. During their long and illustrious rule over the vast territories of India, they gained a lot and they gave a lot too.

India in its present situation owes a lot to Great Britain for the level of industrial development that exists in India today and the systems of education, administration etc. that exist in India today. There is no doubt that even something as elementary as the judicial system of India is borrowed from the English system and that our laws themselves are based on English laws.

However, a point to be pondered about is the nature of treatment that the British meted out to India and Indians. After all, the British conquered India with a reason and the reason is pretty clear that the wealth and riches of India were too much for a great industrial power like England to resist at that point of time. The British were ready to do anything possible in order to obtain the riches of India.

They thus followed an elaborate plan of action in order to strip India of its wealth and to equip Britain with the very best of the raw materials and riches. This is what is referred to as the 'Drain of Wealth' from India by the British.

Section I

The Concept of External Drain

Dadabhai and his predecessors conceived of economic drain as an external-cum-internal drain. It was kind of built-in mechanism, which extorted the resources from a low-level colonial economy; and the surplus thus generated through a complicated process was drained out of the economy through the process of external trade, the dynamics of which was supplied by the unilateral transfer of funds in an equally complex fashion. The functioning of this mechanism of transfer of resources was uniquely determined, according to Dadabhai, by a number of objective political factors which are as follows:-

India being a colonial economy governed by remote control.

India being quite unlike white men's colonies in the temperate zone which attracted labour as well as capital for economic development.

India being saddled with an expensive civil administration and an equally expensive army of occupation.

India being a strategic base of operations that had to bear the burden of empire building not only in India but also beyond her borders.

Overheads of development being oriented towards strategic requirements, towards the requirements of administrative control in a vast country ruled by a handful of foreigners, towards the objective of 'opening up the country to free trade' – an euphemism for colonial exploitation – and towards the objective of creating highly paid jobs for foreign personnel.

India being a colony with a difference, public expenditure out of the proceeds of taxation and loans failed to generate as much of domestic employment and income as would have been possible if the principal income-earners had not been 'birds of passage', or if they had spent their incomes largely within the country or on goods and services produced within the country.

The economic drain being both an external cum internal drain, the external drain being in precarious equilibrium with the internal – one can hardly separate the two.

The concept of economic drain in the Indian context has an old lineage going back to the age of mercantilism that witnessed the early career of the British East India Company. It was said that:-

"… if exports exceed the imports, it is concluded that the nation gets the treasure by the general course of trade, it being supposed that the surplus is imported in bullion and so adds to the Treasure of the Kingdom; gold and silver being taken as the measure of riches…"

Thus the drain of wealth from a country was considered unfavourable while the opposite kind of drain was considered favourable. Thomas Mun was the Director of the East India Company and was the author of the England's Treasure by Foreign Trade. Mun wrote on the subject of trade in order to defend the activities of his own East India Company. Here was a trading company that was importing luxuries and exporting silver to pay for it, which was a definite infringement on the basic rules of mercantilism. Mun showed that both these activities being offensive apparently were good in the long run for the State. Drain of silver to the East was justifiable, because in due course more silver came back in exchange. Luxuries imported from the East could be sold in Europe at a profit and brought more in silver than was drained away in the first instance. If luxury imports by the East India Company were stopped, foreigners would supply the demand at a higher cost.

While Mun believed in the drain of specie through foreign trade, it was also admitted that it would increase prices and thus he suggested the expedient of foreign lending – a policy recommendation very much in advance of contemporary thinking on international economics.

The crude concept of drain of gold and silver through the process of foreign trade gradually led to a more sensible view of the purpose of foreign trade and of the balance of payments including ‘capital’ and ‘service’ items.

It eventually became clear to practical traders that an export of bullion could co-exist with a ‘favourable’ balance of trade and an import of bullion with an ‘unfavourable’ balance if one were to reckon with the complex, offsetting factors operating on the various elements in the balance of payments.

The crude mercantilist concept of drain however, died soon. In the Indian context, Mun’s reasoning in favour of the export of silver to the East seems to have lost its force almost a century later in the early days of the East India Company’s rule in India. The basic economic situation in India had been radically transformed after 1757. A trading company had become by a curious combination, a ruling sovereign. Thus, profit making became integrated with administration which also became a means of profit making. This was the case because a trading company could not function otherwise. Abstraction of a surplus on both trade and administration – profit-making par excellence – assumed proportions which were beyond the dreams of even the most avaricious merchant adventures. The surplus had not only to be mopped up but also had also to be transferred to England. There was thus an unprecedented economic drain, sometimes in devious ways, which drew the righteous indignation of some of the early British administrators.

The reverse movement of ‘treasure’ after Plassey was an unprecedented phenomenon and it set a new pattern which attracted the attention of Dadabhai’s predecessors whom he quoted in defence of Drain theory. This pattern was distinctive in at least two ways:-

It was a long-period trend characteristic of the entire period of the British rule till the outbreak of the Second World War.

Notes

The drain eventually ceased to take the form of transfer of specie, the most general form of purchasing power that could be used for waging continual warfare in the earlier centuries.

The drain of wealth from India increasingly took the form of transfer of commodities through an export surplus which was liquidated not necessarily in the form of export of gold and silver from India. The transfer mechanism acquired a complex character that could no longer be explained in terms of crude mercantilist concepts. The so-called 'unfavourable' balance of England's trade with the East, particularly India, was really accounted for by the unilateral transfer of funds. There is definite evidence that this concept was understood towards the end of the 18th century. It is this idea that is carried by the following lines :-

"…the great excess of the imports over the exports in the East India trade appears as a balance against us, but this excess consisting of the produce of the Company's Territorial Revenues, and of remittances of the fortunes acquired by individuals, instead of being unfavourable is an acquisition of so much additional wealth to our public stock…"

It was thus thought that it was possible to realise the surplus revenues from India only through trade and it was the East India Company which could provide a sure mode of remittance.

The testimony of Sir John Shore in this regard is very helpful. In this testimony in his minute to the Fifth Report (1787), he said that the company was acting as both merchants and sovereign in the sense that in one capacity, it was engrossing the trade of the nation and in another capacity it was appropriating the revenues of the nation. Thus, the remittances to Europe of revenue are made in terms of commodities of that country, which are purchased by them. Speaking of the earlier character of India's foreign trade, Sir John Shore said that European trading companies who traded with the Persian Gulf and the Far East used to bring in return goods as well as silver and gold. However, from 1765 onwards the reverse trend followed and the Company's trade produced no equivalent returns. Thus, India's external trade, even if it were to expand, was not expected to bring an equivalence of imports.

Added to the above, we also have the evidence provided by Lord Cornwallis, who in his minute of 1790, had specifically referred to the heavy drain of wealth. The causes of the external drain, according to him were:-

'Large annual investment' in Europe.

Remittances of private fortunes for many years past, the impact of which was 'severely felt', at the time of writing, in the form of scarcity of specie for transactions and the consequent depression in India's agriculture and internal trade.

It may be noted that these early British commentators used certain significant concepts, such as:-

Trade with no equivalent returns.

Drain of wealth.

Remittance of surplus.

Annual tribute.

These concepts formed the core of the theory of the mechanism of external economic drain, which Dadabhai eventually formulated with the help of elaborate statistics in order to indicate the order of magnitude of the various factors involved. In the 18th century the writers dealt with here were of the types who were dealing with the phenomena of trade between the mother-country and the colony, of trade between unequal partners characterized by inequality of advantage, disparity of bargaining power and an economic relationship resting on the exploitation of a dependant colony by a strong, metropolitan power.

Dadabhai's forte was his capacity for statistical estimation. The researcher would like to focus on the actual estimates of the drain of wealth from India to England from the beginning of the British rule right down to 1865-66.

Dadabhai compiled two series from the Parliamentary Returns of Indian Accounts. They were:-

Annual 'charges in India'.

Annual ‘charges in England’.

Charges in India represented public expenditure. It was assumed that nearly one-tenth of ‘Indian charges’ from 1787-88 to 1823-29, the early period of the expansion of the British empire in India, represented a number of items, which can be mentioned now in respect of which an element of drain was supposed to be involved. The proportion was assumed to be one-eighth of the subsequent period. These items were as follows:-

Remittances to England by European employees for the support of their families and for the education of their children.

Remittance of savings.

Remittance for the purchase of British goods for their own consumption.

Purchases by them in India of goods of British manufacture.

Purchases by Government of stores of British manufacture in India and England not included in the Home Charges.

‘Charges in England’ included interest on public debt held in India and loss in exchange, and excluded interest on railway debt and debt incurred for productive works. ‘Home Charges’ did not figure during the period 1787-88 to 1828-29. Dadabhai made a rough estimate of the wealth transferred prior to 1788. Wealth transferred during the entire period was thus taken to be equivalent to one-eighth/one-tenth of ‘charges in India’ plus ‘Charges in England’ plus an estimate of transfer prior to 1788, the aggregate being capitalized at 5 per cent to yield a final figure (including booty and other invisible elements) of not less than 150 million pound.

Dadabhai checked his estimates with the help of trade returns available for the period of about 50 years – 1814 to 1865 – taking into account exports, imports and bullion movements. His calculations gave a figure of an export surplus of 350 million pounds, after making allowance for the gross under evaluation of imports into England and over evaluation of exports to India under the current system of ‘official evaluation’ according to Dadabhai, and also after making allowance for the exports of bullion from England to India between 1843 and 1865. This figure, capitalized at 5 per cent, gave a figure of 100 million pounds to which had to be added the transfer of wealth similarly capitalized for the period prior to 1814. The final figure form the angle of trade returns was thus again in the neighbourhood of 1500 million pounds.

India's export surplus represented payments for all kinds of invisible services rendered by the British rulers, investors, bankers and shippers. The fact that the balance of payments did contain an element, which could not be, described as a 'tribute', viz., the remittance of interest of loans for railways, irrigation works and other productive purposes was well known. But these loans were considered as one of the things for which India is under special obligations to England. The interest, even supposing it to be all earned by the railways, though forming part of the exports of India, is not part of the commerce of India. This clarification was unnecessary in the case of interest on unproductive debt incurred for empire building, in India and outside the borders of India, in the name of India's defence.

Some time ago it was usual to endeavour to prove that an excess and imports of goods did not necessarily mean an exportation of bullion by alleging that the excess was balanced by the 'invisible exports'. This was a clumsy and confusing way of treating the matter. It is tolerable with regard to the first two items of 'cost of carriage and remittances of foreigners serving abroad, since services can be conceived as invisible exports, but it fails entirely in regard to the other three factors'.[8] The services rendered by the British cannot be considered as an 'invisible service'. Added to that, the high salaries received by the British officials were not commensurate with the services rendered by them. Since the Indians were not associated with the public services, the railways and other undertakings in responsible positions the Englishman did not leave behind a fund of experience and knowledge, which was drained away, while the country bore the heavy burden of sterling pensions.

The drain theory had its crude exponents in his time. Keeping money or purchasing power within the country and preventing it from being drained away is a notion, which is as old as mercantilism and as old as the nationalist movement in our country. But there was something behind this evidently fallacious mercantilist formulation, which was nevertheless substantial.

However, Dadabhai grasped the underlying economic reality firmly enough. He applied the criterion of the effect of public expenditure on the generation of income and employment within the country. Exportation and importation, if they are a foreign monopoly, yield profits, which do not generate domestic incomes and employment, but generate incomes and employment abroad. The common man in India wanted to express the same idea but failed to formulate it correctly. Irrespective of whether the Englishman imported British goods for his personal consumption or bought British goods in India, or the government which bought in India or in England, stores of British manufacture, in these cases individual as well as public consumption failed to generate domestic incomes and employment. There was no offset, in the shape of the expansionary effect of public expenditure on local employment and income, for the heavy taxation borne by the poverty-stricken masses, which made extravagant public expenditure possible. Here again, there was a 'foreign leakage' of employment and income, which was virtually a drain.

Section III

Difference between India and other British colonies

Dadabhai endeavoured to prove that the colonial economic drain had a distinctive character in the case of India as compared to other colonies that had been developing as white man's settlements in the temperate region. This comparison gave a historical perspective to his drain theory. He noted what the economic historians had done in the present century, viz., that the white men's colonies had a sizeable import surplus in relation to the capital-exporting mother country. The imports of Australia, including bullion etc., during the period of 1858-67 are 309 million pounds and exports being 268 million pounds, leading to an excess of imports over exports of about 41 million pounds. The imports of Canada (including bullion) are 148 million pounds and exports were 120 million pounds, leaving an excess of imports of 28 million pounds. This import surplus was caused by heavy imports of capital for colonial economic development which generated employment and income in the colonies. Dadabhai estimated that during the same period, India’s total exports (including treasure) were about 456 million pounds and the imports were about 419 million pounds. The import value included 72 million pounds of railway loan and other forms of public debt which were not productive. If it were not for the railway imports, India’s economy would have been in a sad condition. Dadabhai was also careful to point out that the opium revenues paid by China make up about 7 million pounds for the political drain, and the rest must be withdrawn from the production every year, reducing the productive capital so much. He demonstrated that capital development in other parts of the British Empire was reflected in a high value of per capita exports whereas for India per capita exports were insignificant in value and reflected the reverse of domestic capital formation. He had no information about the foreign indebtedness of British colonies other than India, the servicing of which could be deducted from the total value of exports in order to compute what he called ‘True export trade per head’ (TETPH). It was assumed that the entire public debt was the foreign debt and that the rate of interest was 5%. Making a deduction on account of interest payment on this basis, he arrived at the following figures of the ‘True export trade per head of population’ for the year 1885:-

Region	TETPH in Shillings (s.)	TETPH in Pence (d.)
Australia	271	0
Natal	28	8
Cape of Good Hope	35	5
North America	70	5
West Indies	75	4
British India	3	0

Dadabhai concentrated his attention on the basic difference between India and other British colonies, viz., that, in the case of one, foreign trade was oriented towards capital development while in the other one the reverse was true except in so far as railway loans and irrigation loans were a mitigating factor. Thus, he said that it is the exhaustion caused by the drain that disables us from building our railroads, industries etc., from our own means. However, even if we did not suffer the exhaustion we could borrow money from England and the case would have that of a natural business wherein the interest thereby remitted would have nothing deplorable about it as in the case of other countries which by virtue of being undeveloped borrow from others and increase their own wealth. These may include countries such as Australia, Canada, The U.S.A. and so on and so forth.

He thus came to the conclusion that the inflow of foreign capital in the Indian context was caught in the vicious circle and was prevented from playing a constructive role which it was expected to do in a healthy state of the economy. He reiterated the fact that British India's wealth is carried out of it and then the wealth is brought back into it in the shape of loans and for these loans, India must find interest. This is one vicious circle.

Although he regarded railway development with borrowed capital as a mitigating factor, he thought that it did not produce the same consequences in India as it did for example in the USA. It was recognized that the railways help in increasing the productivity of the country because they distribute the produce of the country from one part to another basically transferring it from the places where it is available to where it is not. But every country even if it building its railways out of borrowed capital, derives immense benefit in the long run. However, that was not the case with India. This is basically because of two reasons or rather two practices that were followed by the British in India:

For the director's home establishments, Government superintendents and other Government establishments, the wealth was transferred from India.

A large European staff of employees did eat up and take away a large portion of the income in the form of salaries and perks.

Dadabhai thus came to the conclusion that the only real question as regards the public works is not how to stop the British but as to how to let the people of India reap the full benefits.

It is necessary for us to examine some statistical evidence now in this respect in order to confirm the ideas that have been put forward.

During the period 1863-1913, Great Britain had invested about 4% of her national income overseas, the percentage being as high as 7% during the latter part of the period. Roughly 2/3rd went to the white men's settlements. Investment was thus of the type of direct investment in the general economic development in these newly settled areas. The colonial pattern of foreign investment, i.e., the concentration of investment on extractive industries producing raw materials for the export to advanced countries, in general, and to the mother country, in particular, played a minor role. Thus ¾th of British foreign investments were accounted for by public investments or public-utility investments, and the rest by banking, insurance, manufacturing and raw-material extraction. However, it must be noted that there is no doubt that capital development in these areas, through the construction of economic overheads, stimulated the development of primary production under favourable natural conditions and also the export trade in primary commodities. Whether this was colonial economic development is a matter of semantics or rather a question of definition. The situation can well be summarized as follows:-

"…England had found it convenient to produce what and meat in Argentina, gold and wood in Australia, minerals and food products in Africa, raw materials and food in the US and Canada…"

The tropical colonies of India received only ⅓rd of the total capital outflow. This part of the British capital was employed in a much more dubious fashion. Nineteenth century British investment centred on railways. The Indian railways accounted for nearly 1/10th of the total British railway securities in 1914. British railways system as protected by a system of extensive Government assistance in the form of and grants, subsidies and guaranteed returns to the investors. However, the other advantages flowing from the British investment to the Indian railways cannot be neglected, of which Dadabhai tried to give a balance sheet. Nevertheless in India, the railways did not give rise to a flood of satellite innovations and it actually destroyed more employment opportunities than it opened up. It is now generally recognised that the colonial pattern of investment gave rise to a more lop-sided development than a balanced growth. Apart from this aspect of the question, the early history of plantation industries and mining in India had an unsavoury character which has passed into legend. It was once said that:-

"… England sends her capital abroad to places where poverty and hardship still exist; in other words where labour is cheap. We live in comfort on the imported profits of that capital…"

This is a statement that Dadabhai would have totally agreed with. For example, he had estimated that in 1885 the exports of British planters out of India were about 10 million pounds out of the total exports of 65.3 million pounds for British India, excluding the exports of the 'Native States' and 'Frontier Territory'.

Section IV

Dadabhai counters his critics

It was a paradox without doubt that the drain theory could be sustained in the context of a sizeable export surplus which India had in relation to Britain. Dadabhai's critics who had still not shed their mercantilist notions thought that an export surplus did not promise a profit to India and an influx of specie into the country was a visible realisation of this profit. However, Dadabhai countered their arguments very successfully. He said that India has not got its imports of silver as so much profit on its exports or making up so much of deficit of imports against exports. The import of bullion has been chiefly from commercial and financial necessities. During the period 1801-1863, the net imports were 234.3 million pounds. From 1864 to 1869, the imports were about 101.12 million pounds. During these years there were also great remittances for the railway loans. He explained the increasing monetisation of the rural economy mainly in consequence of the new universal system of collecting all revenue in cash created a large demand for silver coins. Dadabhai estimated that about 135 million pounds of coinage was in circulation which would just about give 13s-6d. per head of the population.

He said that to talk about the oriental wealth now and as far as British India is concerned is pretty much a dream. When we talk of all the silver that was purchased, more often than not, we forget how minutely and widely a large portion of it must be distributed to be of no use for national purposes. The Herschel committee estimates corroborated Dadabhai's argument regarding the virtual irrelevance of the silver imports into India. The committee estimated that during the period of 1870-71 to 1892-93, the net imports of silver were about 7.184 million rupees, but nearly the whole of the newly imported silver had during this period passed through the mint.

This makes us wonder as to how much the East India Company actually plundered away before they began to re-import the bullion. In this regard, it makes sense to refer to the testimonies of Sir John Shore and Lord Cornwallis mentioned earlier. Sir John Shore makes it clear that in the period between 1777 and 1787, there was large outflow of bullion from India.

Although remittances to China were normally financed by the government by means of bills, a large amount of silver had been remitted by India. Silver bullion had also been transferred by individuals in considerable amounts. Sir John had no hesitation in coming to the conclusion that current silver had greatly diminished in quantity and that further depletion was expected for three reasons. They were:-

That the old channels of importation by which the drains were formerly replenished were in great measure closed.

That Madras, Bombay and China had to be supplied with silver money.

The exportation of it by the Europeans to England will continue still further to exhaust the country of its silver.

Lord Cornwallis confirmed Sir John Shore's observations regarding the depressions in agriculture and internal trade. Lord Cornwallis mentions the 'heavy drain of wealth', 'the diminution of current specie' and 'supplying wants of other Presidencies' as the causes for the economic debacles. Dadabhai agreed to these ideas without any hassle.

A case study on the effect of the 'Drain of Wealth' from India on the present day India

The Draining Away of Assam's Oil Resources:-

The history of Assam since the last century is closely linked with the discovery of oil and its subsequent and continuing exploitation by firstly, the British, and later in the post-Independence period by the colonial Govt. of India. This phase of Assam's history began in November 1866. In that fateful year one Mr. Good Enafe of the Calcutta Machinery attempted a manual digging of an oil well in the Naharpung area in Upper Assam. After finding no oil at a depth of 120feet he gave up. In March 1867 the first oil well in the Asian continent to be dug using mechanical means was started in the Makum Namdang area also in Upper Assam. They hit oil at 118 feet and over a tone of crude oil was extracted. In 1889 the Assam Railway & Trading Company began massive oil exploration and production in Digboi. 1893 saw the formation of Assam Oil Syndicate to handle oil production in Assam and a complex sprung up in north of Digboi. This fructified in 1901 with the establishing of the Assam Oil Company that started producing 500 barrels of crude oil per day and established a refinery to refine this crude in Digboi itself. In 1911 the Burma Oil Company came to Assam with the intention of oil exploration and production and soon they discovered massive oil reserves in Surma valley.

Later the Oil India Ltd. was set up to exploit the natural crude oil and natural gas of Assam. The company set up the oil and gas based Namrup Fertilizer plant, a petrochemical plant in the same area and also a power complex using gas for production of electricity. Further in Duliajan a plant was set up to manufacture Liquid Petroleum Gas, or LPG and market the same as cooking gas all over India.

The British as a colonial power with a history of looting and exploitation of all its colonies did the same with Assam in India. The Indian colonial govt. has been perhaps the most ardent students of the British and continued this exploitation of all of Assam's natural resources, however in a more subtle and secretive manner. Special clauses inserted in Indian constitution such as the Articles 246 to 248 ensured that Assam did not gain much from the oil production. The people of Assam have never benefited from the oil revenue. On the other hand they have been kept completely in the dark and not informed about the factual reality of the oil reserves, its production, refinement, sales, revenue accrued etc.

In 1948 Delhi and its appointed oil companies sold a metric tonne (MT) of Assam's crude oil at Rs. 1382. Assam received Rs. 61 per MT as royalty. As taxes the central government received Rs. 532 and gave Assam Rs. 131 out of this. In subsequent years the price of oil increased substantially but the minimal royalty did not, in equal ratio.

In 1991-92 the natural gas in Assam was still not utilized fruitfully. 56% was flared off. The official figures in 1992-93 were Rs. 30 lakh per day of natural gas wasted.

ANNUAL PRODUCTION OF CRUDE OIL IN ASSAM

Oil well/field Production in million tons Refinery:-

Naharkatia — 0.26 million tonnes

Digboi — 0.75 million tonnes

Noonmati — 1.40 million tonnes

Moran — 0.60 million tonnes

From the above table we can see that two-third of Assam's crude oil is refined outside the state. As a result the peoples of Assam are deprived of crores of rupees in revenue and employment opportunities.

Apart from this the Indian State machinery has not given a thought to the future of the peoples of Assam but they are systematically draining off all of Assam's oil reserves.

Assam's oil reserves are expected to be completely drained off and depleted by the year 2019 AD. But the figures also reveal that every decade more and more oil reserves are being discovered. It is worth mentioning that the Shell Company recently discovered an oil reserve having 14000 metric tonnes of oil. The pertinent fact is that the central government has kept all findings about the oil and mineral resources, and facts and figures secret. In the name of maintaining official secrets and national security the facts of Assam's oil reserves are classified and never disclosed to the peoples of Assam, as the reality of the sustained economic exploitation of the natural wealth of Assam would make the people revolt against the ruthless Indian State machinery. What is Assam's contribution to the total Indian production of oil and what does it gain from this? This is the difference between the farce of "Independence" and democracy, which India so proudly claims while continuing the colonial exploitation of a marginalized people.

The situation now

Before Colonial rule and the infusion of Western systems, people in the Third World lived in relatively self-sufficient communities, planted rice and other staple crops, fished and hunted for other food, and satisfied housing, clothing, and other needs through home production or small-scale industries that made use of local resources and indigenous skills. The modes of production and style of life were largely in harmony with the natural environment.

Colonial rule accompanied by the imposition of new economic systems, new crops, the industrial exploitation of minerals, and participation in the global market (with Third World resources being exported and Western industrial products imported) – changed the social and economic structures of Third World societies. The new structures, consumption style, and technological systems became so ingrained in Third World economies that even after the attainment of political independence, the importation of Western values, products, technologies, and capital continued and expanded. Third World countries grew more and more dependent upon global trading and financial and investment systems, with transnational corporations setting up trading and production bases in the Third World and setting products there. With the aid of infrastructure programs funded by Industrial governments, multilateral institutions such as the World Bank, and transnational banks, Third World governments were loaned billions of dollars to finance expensive infrastructure projects and to import highly capital-intensive technologies. They were also supported by foundations, research institutions, and scientists in the industrialized countries that carried out research on new agricultural technologies that would "modernize" the Third World – that is, that would create conditions whereby the Third World would become dependent on the transnational companies for technology and inputs.

To finance the import of modern technology and inputs, Third World countries were forced to export even more goods, mainly natural resources such as timber, oil, and other minerals, and export crops that consumed a larger and larger portion of the total agricultural land area: Economically, financially, and technologically, Third World countries were sucked deeper and deeper into the whirlpool of the world economic system and consequently lost or are losing their indigenous skills, their capacity for self-reliance, their confidence, and, in many cases, the very resource base on which their survival depends. But the Western world's economic and technological systems are themselves facing a crisis The Third World is now hitched onto these systems, over which they have very little control. The survival and viability of most Third World societies will thus be put to the test in the next few decades. Even now, there are numerous examples of how the Western system has caused the degradation of the environment and the deterioration of human health In the Third World.

Import of Hazardous Technologies and Products:-

Hazardous products are also being pushed on the Third Word in increasing volume. There are many examples of these: pharmaceutical drugs, contraceptives and pesticides banned years ago in Europe, America, or Japan but sold by companies of these same countries to the Third World; cigarettes with a far higher tar and nicotine contents than in the rich countries, and most recently, milk products contaminated with high radioactivity resulting from the Chernobyl nuclear disaster. The health effects on Third World peoples are horrendous. For example, it is estimated that forty thousand people in The World die from pesticide poisoning each year.

Moreover, millions of babies have died of malnutrition or illness from diluted or contaminated baby formula pushed by transnational companies that persuaded mothers to give up breast feeding on the argument that infant formula is a superior form of nourishment.

Notes

The hazardous technologies and products imported from the industrialized countries often displace indigenous technologies and products that may be more appropriate to meet the production and consumption needs of the Third World. Labour intensive technologies that provide employment for the community and are in harmony with the environment (traditional fishing methods, for instance) are replaced with capital intensive modern technologies that in many instances are ecologically destructive. Appropriate products or processes (such as breast feeding) are replaced by modern products that are thrust upon the people through high powered advertising, sales promotions and pricing policy. The Third World is thus losing many of its indigenous skills, technologies, and products, which are unable to survive the onslaught of the modem world.

The Green Revolution:-

The modern industrial system has changed the face of Third World agriculture. In many Third World societies, under the new plantation system, much of the lands formerly planted with traditional food crops have been converted into cash-crop production for export. If export prices are high, the incomes obtained could be higher for export-crop farmers; but when prices fall, as they have in recent years, the farmers are not able to buy enough food with their incomes, and also many agricultural workers lose their jobs.

The so-called Green Revolution is a package program that makes it possible to grow more than one crop per year through the introduction of high-yielding seed varieties (especially of rice), high doses of chemical fertilizers and pesticides, agricultural machinery and irrigation.

In many areas where this “revolution” was implemented there was an initial rise in production because more than a single crop could be produced in a year. But the corresponding rise in farmer’s incomes was soon offset by the increasing costs of imported chemical inputs and machinery. High-input agriculture favoured richer farmers who could afford to pay for the chemicals and drive out poorer farmers who could not. The pesticides exacted a heavy toll in thousands of poisoning cases. In addition, the high-yielding crop varieties are very susceptible to pest attacks as insects become resistant to the pesticides. Yields in some areas have dropped.

Meanwhile, thousands of indigenous rice varieties that had withstood generation of pest attacks have been abandoned and are now only preserved in research laboratories, most of which are controlled by international agencies and corporations in rich countries. Third World farmers and governments will increasingly be at the mercy of the transnational food companies and research in situations that have collected and patented the seeds and germ plasm originating in the Third World itself.

Biotechnology The Latest Weapon:-

Although it is still relatively new, the application of biotechnology to agriculture has already had severely detrimental impacts on Third World economics. A few examples will illustrate this point.

Seventy thousand farmers in Madagascar growing vanilla were ruined when a Texas firm produced vanilla in biotech labs. In 1986, the Sudan lost its export market for gum Arabic when a New York company discovered a process for producing gum. It is now estimated that biotechnology can find substitutes for $14 billion worth of Third World commodities now exported to the rich countries. This will dramatically reduce the Third World's income.

Modern Industrial Plants and Energy Mega projects:-

The introduction of Western consumer goods, industrial plants, and energy mega projects has also greatly contributed to the loss of well-being in the Third World.

The indigenous, small-scale industries of the Third World produced simple goods that satisfied the basic needs of the majority of people. The technology employed to manufacture these goods was also simple and labour-intensive. Many of these indigenous industries have been displaced by the entry of modern products that, when heavily promoted through advertising, become glamorized, rendering the local products low in status by comparison. With modern products capturing high market shares, modern capital-intensive industries (usually foreign-owned) set up their bases in Third World countries and displace the traditional, locally owned industries.

But many Third World countries were not content simply with modern consumer-goods industries. They also copied the cities of the industrial nations and set up large infrastructure and industrial projects: steel mills, cement plants, vast highways, big bridges, and super-tall buildings. The political leaders and elites of the Third Word feel their countries need to have all this in order to appear "developed", just like the industrial countries.

Huge amounts of energy are required by modern industrial plants and infrastructure, hence the need for the mega projects in the energy sector particularly large hydroelectric dams and nuclear power stations. Each such project has its problems: The huge dams require the flooding of large tracts of forest and agricultural land, causing the displacement of many thousands of people living there. In any case, the dams do not last for long due to siltation, so they are usually not viable financially. Their costs far outweigh their benefits. There are also health effects, as ecological changes associated with dams and irrigation canals spread schistosomiasis (carried by snails), malaria, and other waterborne diseases. Finally, there is the possibility of a major tragedy should the dam burst, as has occurred in India and elsewhere.

In the case of nuclear power plants, those sold to the Third World do not have the same quality and safety standards as those installed in industrialized countries, where there is stricter quality control and greater technical expertise. If a power plant installed in a Third World country is found unsafe, the government has a dilemma: stop its operation and incur a huge loss or continue using it but run the risk of a tragic accident. In the Philippines, Westinghouse Corporation built a nuclear power plant for $2 billion, but there were so many doubts about its safety that the Aquino government decided to "mothball" it. Even when a nuclear power plant is declared safe enough to start operating, there is the difficulty of disposing of its radioactive waste.

These huge industrial, infrastructural, and energy projects often cost hundreds of millions or billions of U.S. dollars. The projects are invariably marketed by transnational corporations that stand to gain huge sums in sales and profits per approved project. Financing is arranged by the World Bank, by transnational commercial banks, or by First World governments, usually under aid programs

Absorbing so much investment funding, they deprive communities of much-needed finance for genuine development projects while leading the borrowing Third World nations into the external debt trap. Finally, they cause widespread disruption and displacement of poor communities, especially indigenous peoples, who by the hundreds of thousands have to be "resettled" as their forests and lands are flooded out by dams.

The Drain of Resources from South to North:-

In this way, via their powerful technological capacity and their domination of the new global systems of trade and finance, the industrial countries have rapidly sucked out forest, mineral and metal resources from the Third World and used its land and labour resources to produce the raw materials that feed the machinery of industrialism. It is worth reminding readers that the industrial nations – approximately one-fifth of the world's population – use up four-fifths of the world's resources, mostly for making luxury products.

The Third World, by contrast, with three quarters of the world's population, uses only 20 percent of the world's resources. Since incomes are also unequally distributed within Third World nations, a large part of these resources are used to make or import the same luxury products as are enjoyed in the industrial nations and to import capital-intensive technologies required to produce such elite consumer goods. Thus, only a small portion of the world's resources serves the basic needs of the poor majority in the Third World, who sink deeper into the trough of poverty and destitution. This is the ultimate environmental and social tragedy of our age.

The resource based on which communities have traditionally relied for both production and home-needs has been rapidly eroded. Soils required for food production become infertile; forests that are home to indigenous people are logged; water from the rivers and wells are clogged up with silt and toxic industrial effluents.

The transfer of resources from South to North takes place through many channels. First, there is the transfer of physical resources. For example, only 20 percent of the world's industrial wood comes from tropical forests, but more than half of that is exported to the richest nations. The developed countries produce and keep 80 percent of the world's industrial wood but also import much of the rest of the world's timber harvest as well. Most of it is used for furniture, high-class joinery, housing, packing material, even matchsticks.

Second, there is a transfer of financial resources in that the prices of Third World commodities (often obtained at a terrible environmental cost) are low and declining even more. Between $60 and $100 billion per year were lost to Third World countries in 1985 and 1986 alone due to the fall in commodity prices. In human terms, this means drastic cuts in living standards, massive retrenchments of workers, and big reductions in government budgets in many Third World countries.

Third, many of the "development projects" that lead to the loss of resources are financed by foreign loans. It is rare for these projects to generate sufficient returns to enable repayment of debt, so debt repayments are ultimately met by the already impoverished Third World citizens.

An Alternative Vision:-

The analysis just given clearly show that a radical reshaping of the international economic and financial order must occur so that economic power, wealth, and income are more equitably distributed and so that the developed world will be forced to lower its irrationally high consumption levels. If this is done, the level of industrial technology will be scaled down, and there will be less need for the tremendous waste of energy, raw materials and resources that now go toward the production of superfluous goods simply to maintain "effective demand" and to keep the monstrous economic machine going. If appropriate technology is appropriate for the Third World, it is even more essential as a substitute for the environmentally and socially obsolete high technology in the developed world.

But it is almost impossible to hope that the developed world will do this voluntarily. It will have to be forced to do so, either by a new unity of the Third World in the spirit of OPEC in the 1970s and early 1980s or by the economic or physical collapse of the world economic system. This will enable a redistribution of priorities away from luxury-oriented industries and projects and toward the production of basic goods and services. If the poor are allocated more resources, the demand for the production of such basic goods and services would increase. With people given the basic facilities to fend for themselves, at least in terms of food crop production, housing, and health facilities, Third World governments can reduce their countries dependence on the world market.

In development planning, the principles of such ecologically sustainable development should be adopted: minimizing the use of non-renewable resources; developing alternative renewable resources; and creating technologies, practices and products that are durable and safe, and satisfy real needs.

In searching for the new environmental and social order we should realize that it is in the Third World that the new ecologically sound societies will be born. We need to recognize and rediscover the technological and cultural wisdom of our indigenous systems of agriculture, industry, shelter, water and sanitation and medicine.

Third World governments and peoples in the developed world have first to reject their obsession with modern technologies, which absorb a larger and bigger share of investment funds for projects such as giant hydro dams, nuclear plants and heavy industries that serve luxury needs.

We need to device and fight for the adoption of appropriate, ecologically sound, and socially equitable policies to satisfy our needs for such necessities as water, health, food, education and information. We need appropriate technologies and even more so the correct prioritizing of what types of consumer products to produce; we can’t accept appropriate technology producing inappropriate products. Products and technologies need to be safe to handle and use; they need to fulfil basic human needs and should not degrade of deplete the natural environment. Perhaps the most difficult aspect of this fight is the need to deprogram Third World peoples away from the modern culture that has penetrated our societies, so that life-styles, personal motivations, and status structures can be delinked from the system of industrialism and its corresponding creation of culture.

Thus we can see that the situation has hardly changed. The equations are still the same between the underdeveloped countries and the developed countries. There is still the same exploitation that existed at one point of time. The drain of wealth from the weak and the poor still continues just as it did during the British rule from India as Dadabhai so rightly pointed out for the world to see.

The researcher hopes that this project has achieved its objective of trying to educate the reader about the 'Drain of Wealth' from India during the British rule.

Certain points to be noted with regard to the topic in question are as follows:-

The British plundered India over a period of about 200 years without anybody to stop them.

Many a time, the economic aspect of the British rule seemed to be forgotten because of the political struggle for power.

The situation may have changed in political aspects and the colonies may have achieved independence but the economic exploitation still goes on in one form or the other by the developed countries of the developing and the underdeveloped countries.

The drain of wealth from India seemed to have its own harmful effects on the Indian economy after independence and in the policies of the Government of India too.

Check your progress –

1. Define the drainage of wealth theory.

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2. How East India Company drained the resources of India at the early stages?

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2.3 LETS SUM UP

It refers to the economic critique of colonial rule in India that was advocated by the early nationalists. They described the constant one way flow of wealth from India to England for which India received no returns as 'Drain of Wealth'. This occurs when gold and silver flow out of a country as a result of an adverse trade balance

Origins of Drain of Wealth

In the 17th and early 18th centuries, the English East India Company used to import bullion - gold and silver to the tune of 20 million, and funds from England for purchasing goods in India. These goods were then exported to Europe for sale. After the Battles of Plassey (1757) and Buxar (1764), the Treaty of Allahabad (1765) was signed, which entitled the Company to collect land revenue from the province of Bengal, the Company began generating surplus revenues (after paying the duties and tribute to the Nawab of Bengal).The Company used these revenues to purchase goods in India which were then exported for sale in Europe and elsewhere. It eventually eliminated the need for the Company to import bullion and funds from England to finance its operations in India. It resulted in a situation where Indian revenues were used to purchase Indian goods which were then exported out of India, without India getting anything in return. This was the beginning of drain of India's wealth.

Drain of Wealth was Facilitated by the Position Enjoyed by East India Company

The Company initially had a dual role. On one hand, it functioned as a government entity which had the power to levy and collect taxes such as land revenue.On the other hand, it also functioned as a commercial entity and invested the revenues collected in India to expand its business. The revenues going to the Company had been termed by historians as a political tribute. This was because the political power enjoyed by the Company was the reason for its ability to generate revenues out of Indian territories and it was a tribute in the sense that India did not get anything in return for paying such revenues. It was essentially a political trade and thus not a normal trade.

2.4 KEYWORDS

Economic drainage, wealth creation, British Raj, Company Raj

2.5 QUESTIONS FOR REVIEW

1. What was Dadabhai Naoraji's version of drainage of wealth?

2. Discuss the mechanism about the exploitation of wealth by British.

2.6 SUGGESTED READINGS

B. N. Ganguli, 'Dadabhai Naoroji and The Drain Theory', Asia Publishing House, Bombay, 1965

Romesh Dutt, 'The Economic History of India', Low-Price Publications, Delhi, 1990

2.7 ANSWERS TO CHECK YOUR PROGRESS

1. Hint – 2.2

2. Hint – 2.2

UNIT 3 - INDIAN MANUFACTURES FOR EXTERNAL MARKET-INTERNAL COMMERCE

STRUCTURE

3.0 OBJECTIVE

To learn about the role of Indian manufacturers in external economy.

To learn about the role of Indian manufacturers in internal market

3.1 INTRODUCTION

Colonial India (1757–1947) witnessed a dramatic growth in long-distance trade. Shipping tonnage handled at Bombay, Madras, and Calcutta increased from one hundred thousand tons to over six million tons between 1798 and 1914. Between 1860 and 1914, the railways cheapened the cost of cargo movement from inland to the seaports. The carrying capacity of the bullock caravans in peninsular India, the only pre-railway mode of long-distance cargo transport in the region, has been estimated at about ten thousand tons c. 1800.

3.2 INDIAN MANUFACTURERS AND THEIR ROLE

Trade and commerce conducted by the European Trading Companies in India had great impact on the urban growth, monetization of economy and commercialisation of agriculture. The pre-colonial trade both external and internal had brought about a number of changes in the socio- economic set up of the Indian sub-continent. It has been reckoned by the economic historians of modern times as a powerful force in speeding up urban growth. It is also argued by them that the external trade has contributed greatly to the emergence of a number of port-towns, proliferation of production centres, clear identification of urban and rural markets. Similarly the scholars dealing with the period of transition from feudal to the capitalist mode of production, speak highly of mercantile capital which held sway during this period. According to them, revival of trade and commerce and the competition between the French and the English in trade and commerce were chiefly responsible for the dominance of merchant capital in India. Development of merchant capital had its far reaching effects in various fields of economic activities such as agricultural, non-agricultural and exchange sectors. The scope of this thesis is to see how far these above factors were relevant to the trade in Pondicherry during the eighteenth century. The trade centred at Pondicherry under the dominance of the French East India Company is something which can shed more light on the above subject.

Historians who studied maritime history of India have worked rather satisfactorily on the trade conducted by the Portuguese on the Malabar coast, the Dutch Trade on Western coast of India, the English East India Company's trade in Bengal and other parts of coastal India. Though a few scholars have concentrated their attention on the French activities, no detailed study of trade and commerce under the French Trading Company at Pondicherry has been taken up. The work of Henri Weber dealing with La Compagnie Pranpaise Dee Indes 1604-1875, covers the trading activities of the French Company in India in general. But, it does not give detailed information of trade carried on by the French at Pondicherry and he did not take note of the indigenous source materials. M.V. Labernardie's work Le Vieux Pondich6ry 1673-1815 discusses trade and political conditions in the Carnatic region. Her work in French language, does not provide quantitative details of sea-borne trade conducted by the French at Pondicherry. G.B. Malleson's work failed to give any thought to French Company's trade in

Pondicherry as he committed himself to the study of political history. Same is the case with the work of S.P.Sen. He speaks in general about Company's commerce in India and discusses political struggle between the English and the French in the Carnatic region and the political situation of Bengal. The unpublished thesis of B. Krishnamurthy written on the French trade with India (1664-1754) speaks of initial growth of the French trade in India in general. Here also no emphasis is laid on the French commerce at Pondicherry. Similarly other scholars like Catherine Manning, Philip Haudrere and Jacques Weber have worked on the French East India Company and its trade, but do not deal with Pondicherry in particular.

No specific study of trade and commerce based on Pondicherry, which was a prominent commercial centre and the principal port-town under the French Trading Company in the eighteenth century, has seen the light of the day till now. The present work, therefore, is an attempt to explore the mercantile activities of Pondicherry, a very significant centre of trade and commerce in Coromandel coast with emphasis on the points indicated above.

The eighteenth century in the history of India is a remarkable period owing to various political developments and commercial growth. In South India, the century witnessed commercial and political rivalry between the French and the English against the backdrop of the changing political alliance of the Muslim rulers. The English and the French tussles in the West further escalated the Anglo- French rivalry in the Carnatic region. Pondicherry which was one of the small pockets where the French had established their headquarters and conducted trade, also came to be affected by the Carnatic wars. Migration of merchants, weavers and artisans to port-towns from interior parts and temple complex during this time affected the expanding commerce of these centres with East and Western coasts of Indian peninsula. Hence it is appropriate to examine the significant role played by the Pondicherry port and how its commerce was conducted during the eighteenth century. Pondicherry's strategic location under the French flag certainly contributed to its development of trade. Indeed, during the period of Lenoir, Dumas and Dupleix commerce at Pondicherry flourished. Therefore, there is a need felt for a scientific work to study the trade and commerce of Pondicherry from 1701 to 1793. The reason why this period has been taken for this study is that the Superior Council established at Surat was shifted to Pondicherry in 1701 by a Royal Edict and thereafter Pondicherry was poised to become the headquarters of the French in the East. The maritime trade under them continued to progress until 1793 when the English captured Pondicherry which dwindled under the English flag till 1817.

Scholars of the maritime studies of the same period have identified several port-towns in the coastal India such as Surat, Masulipatanam and Madras and attributed several causes for the rise and decline of these centres. In the absence of a detailed work on Pondicherry, the present study can only fill up the gap existing in the maritime history of South India. Several historians have, of course, used the French Company's records and these scholars have failed to use the indigenous sources. Thus, this present study attempts to use both the Indian and European sources to describe the commerce of Pondicherry at a micro level.

The source materials used in this thesis are mostly contemporary and original. They include Tamil and French manuscripts, memoires. Diaries, Catalogue des manuscripts des anciennes Archives de 1'Inde francaise, Correspondence des agents h Pondicherry de la nouvelle
Compagnie des Indes avec les Administrateurs b Paris 1788- 1803, Arrets du conseil superieur de Pondichery. Correspondence du conseil supdrieur de Pondichery at de la compagnie, Lettres et conventions des Gouverneurs de Pondicherry avec les divers Princes Indians de 1666 b 1793 and Proces-Verbaux des deliberations du conseil souverain de la compagnie des Indes. Besides these original sources, secondary sources have also been used. The secondary materials include the work of authors like Henri Weber, G.B. Malleson, S.P.Sen, J.Conan, H.de Closets D'Erry, M.V. Labernardie and Alfred Martineau. Some original records of the English Company and letter correspondences are also used. Valuable French journals such as Revue Bistorique published by the Historical society of Pondicherry have also been used for this work.

Sources and methodology followed in this thesis have been discussed here. Pondicherry and its trade economy on the eve of the eighteenth century is attempted in the second chapter. It deals with the advent of the Portuguese, the Danes, the Dutch and the English, early efforts of the French to trade with India, Colbertism in France, establishment of the French factory at Pondicherry and trade under the French influence upto 1700.

Production in the primary sector is examined in the subsequent stages. Here emphasis is laid on agricultural production, non-agricultural productions such as textile manufacturing, cotton cleaning, cotton spinning, cotton weaving, silk weaving, development of weaving activities, ownership of looms and master weavers, dadani system, bleaching, dyeing, painting and printing of textiles, manufacture of oil and sugar, brick industry, pottery, lime industry, salt production and fishing, basket making and mat weaving, smithery, carpentry, cutting and polishing of precious stones, leather and distillary industries, toddy drawing, gun-powder manufacture and centres of production.

Migration of weavers and other artisans to Pondicherry is also discussed in this section. Overland and coastal trade of Pondicherry is studied. The topics under discussion include development of daily markets and their organisation, participation of merchants, structure of the markets and their functions, kinds of markets, retail trade in the bazaar, retail trade outside the bazaar, wholesale trade in paddy, grain godowns, cotton and indigo warehouses, arecanut and tobacco godowns, cloth storehouses, toddy, arrack and liquor godowns, development of retail markets in the town,

daily market control by the French Governors of Pondicherry, prices of commodities, several seasonal markets, weekly markets, periodical fairs, control of fairs by the mahanattars, commodities of trade, measures, weights and market taxes, trade routes, mode of transport, trade with the hinterland and coastal trade. The subsequent chapter analyses the vicissitudes of overseas trade of Pondicherry. Discussion made is on the external trade of Pondicherry with West Asia, South Asia, South East Asia, Far East, Indian ocean islands and East African coast. The Indo-European trade between Pondicherry and France is also highlighted in a detailed manner outlining its significance.

A century later, goods carried by the main South Indian railway companies amounted to over five million tons. If we add the Great Indian Peninsular railway, which connected Bombay with the western part of the Deccan plateau, the figure would rise to eight million tons. Such scale of commercialization could hardly be achieved without reorganization of trade, a process that S. D. Chapman calls in the British context “diversification and redeployment of merchant capital.”

Business historians underscore several aspects of the process. One of these was the emergence of multinational trading houses. Another was the adoption of formal legal identity by trading firms, allowing them to make fuller use of the commercial laws that held sway over the wide geographical space ruled over by the European Empires. The combination of family proprietorship and corporate identity also enabled some of the trading houses to use flexible strategies, conserve limited managerial resources, and mitigate the transaction costs that remote management entailed. By sharing business and personal ties and a liberal economic ideology, the mid-nineteenth-century multi-national merchant firms resembled an emergent social class.

Yet another dimension of the story was industrialization, especially in Asia, where a subset of the trading firms moved into manufacturing. The narrative has been told from the vantage point of British, American, or Japanese capitalism.

In the context of India, the usual examples are the expatriate businesses that were big in scale, lasted long, and were foresighted enough to preserve their papers. On the other hand, the role of indigenous capitalists, who were already established in the commerce of the region, remains insufficiently studied, among other reasons because most did not leave archival data. Further-more, business history scholarship on India does not supply an account of merchant capital distinct from that of industrialization. Major works and anthologies recognize the importance of the Indian merchant in pre-colonial India, but fall short of an interpretive history of the merchant in colonial India.

There are only two exceptions to this statement. Rajat Ray makes the useful point that indigenous trading-cum-banking firms (the“bazaar”) occupied an “intermediate space” between European capital serving overseas trade and the Indian peasant. However, this formulation reduces the Indian traders to no more than middlemen and makes the cleavage between overseas trade and overland trade a product of “European domination”—these are questionable premises. Another exception is Claude Markovits, whose work on mobile Indian group sunder scores “the ability of South Asian merchants to maintain significant areas of independent international operations throughout the period of European economic and political domination.”

But Markovitsis mainly concerned with aspects of mobility, and neither author offers a narrative that integrates domestic and foreign trades. How does the story of diversification of trading capital change if we bring in the indigenous actors? One of the two aims of the article is to answer this question. I suggest that the raw material allows us to infer that the Indian merchants who joined in the new trades shared three characteristics with the global firms—mobility, institutional adaptation, and a willingness to make a cautious entry into manufacturing. Indian firms controlled many of the internal and overland trades feeding into the seaports; some firms had relocated themselves from points of river-borne and caravan trades to the railway termini. The larger among these moved from family control towards partnership or corporate form, especially in the case of the mills established by them. More radical forms of relocation can be found among groups of capitalists who went from their bases in Sind, Gujarat (especially Cutch or Kachchh), or Chettinad (South India) towards Russia, Africa, Holland, Burma, and Japan to form diaspora networks doing export and export finance.

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But inside India, there remained a difference between the two domains of commercial enterprise, indigenous and expatriate. A second aim of the article is to explain the difference. If Indian traders dominated the movement of goods over land, expatriate enterprise was more or less confined to the ports. Further, specialization was associated with an institutional difference. The firm as a legal entity registered as partnership or the joint-stock company was more common among European merchants, and frequently involved participation of non-kin professionals, whereas among "the old-established merchants in India, partnership has been strictly limited to members of the same family."

Yet another difference emerged between the principal port cities in the pattern of enterprise, Bombay having relatively more Indian enterprise in commerce and industry, whereas Calcutta remained mainly European. Historians recognize that this split in the Indian business world between the bazaar firms and the expatriate firms merits attention. There are several reasons for this. In an older view, the split signified a hierarchy between trading orders; the expatriates represented the "ascendancy "or dominance of foreign capital in Indian trade. But this view overstates their control and overlooks the constrained nature of their business in India.

Another reason is the divergence that occurred in the mid-twentieth century. In the late-interwar period, the Indian firms supported the nationalist movement and the expatriates did not. Through this turmoil, the Indian firms gained in economic and political power, and the expatriate firms declined and changed ownership.

Even if its significance is understood, the origins of the dualism have not been sufficiently explained. Analysts have explained alternatively that Indians and Europeans moved in different spheres as an effect of information asymmetry or of racist and restrictive strategies adopted by the Europeans. The original statement of the information asymmetry thesis emphasized the comparative advantage of the Indians in knowing the countryside and of the Europeans in knowing the world market, to conclude that "where knowledge is imperfect and is distributed differ-entry among groups, the reactions to any economic situation will be varied."

A different view emphasizes barriers to entry into the Euro-pean spheres of business, maintained by means of clannish control over joint- stock banking in Calcutta. Neither information distribution nor clan sympathy supplies a sufficient account of the dualism, however. Information asymmetry begs the question why the Indians or the expatriates failed to overcome the information barrier in as long as a century. Segregation was hardly the result of a one-sided prejudice. Calcutta's Marwari's were just as determined to shut out the Scots from their inner circles as were the Scots with respect to the Marwaris. There were two guilds at work here. But why these guilds emerged in the first place remains unanswered. The survey on which this article is based suggests, on the one hand, that the dualism is overdrawn and there were areas of convergence as well, and on the other, that the persistence of a difference had owed to the conditions of the money market. Inland trade and export trade imposed different kinds of demand upon credit transactions, in turn leading to segmentation between the two spheres. A realistic model of differentiation needs to distinguish between indigenous and expatriate firms, because they enjoyed different types of comparative advantage, as well as between agricultural trade and port-based export trade, because conditions of the money market differed between these spheres.

Among these four categories, crossovers were becoming more common in the interwar period than they were before. The concluding section of the article develops the hypothesis more fully. The next three sections deal with Indian and European commercial enterprise. Indian Merchants From ancient times until early in the Second Millennium CE, two very different capitalist traditions had evolved in India. One of these formed along the coasts, lived on overseas trade, and usually operated from small coastal states. The other one formed in the land-locked interior, served overland trade, supplied luxury consumption articles to the urban elite, and took part in moving the taxes that sustained vast empires. The empires emerged in the fertile plains of the Ganges and the Indus, and lived on land taxes. These states understood the value of the seaboard, but could not easily take control of that zone. There were few roads and road-building was costly because of the uplands, the forests, and numerous rivers. The rise of the Indo-Islamic empires and the spread of their power from the Indus-Ganges plains to the south (the Deccan Plateau), the east (Bengal), and the west (Gujarat) between 1400 and 1600 led to a limited convergence between these worlds. The land-based states established a foothold on the coast, notably, in Surat in Gujarat, Masulipatnam in the south eastern coast, and Hooghly in Bengal. As these points became business hubs protected by powerful states, they attracted the European East India Companies. All of them pursued their primaryaim by means of diplomacy, but the English (later British) East India Company changed the rules of the game by acquiring three port cities of its own. These three cities were strategic enough to attract trade and mercan-tile capital away from Surat, Masulipatnam, and Hooghly from the late eighteenth century, when the inland states became engaged in debilitating warfare. The major inland trading points such as Delhi, Agra, Lahore, and Multan lost more than a million people to emigration between 1800and 1850, whereas the gain of Bombay, Calcutta, and Madras was of the same order of magnitude. Some of the richer agricultural zones, such as Awadh or Rohilkhand, suffered attrition and loss of control over trade routes. The commercial classes resident in the cities of the Indus-Ganges plains did not all disappear, and made their presence felt after the opening of the railways, but political and economic power had temporarily shifted from the land to the sea. The Indian merchants who lived through this transformation remain an enigmatic group. The merchant is a prominent figure in the narratives of Mughal India. Historians recognize that merchants and bankers were important actors in the Mughal imperial economic system, that their support sustained the Empire, and that shifting mercantile loyalties delivered political power in one region to the British.

And yet, for firms so important to the economy and polity of interior India, we know hardly any names of prominent merchants. The few names that are familiar to the historian are names of bankers rather than traders, and these names are familiar because these individuals did business with the Company. In the 1600s, the agent was often recruited from political or military classes, but later, they were recruited from groups already established as merchants in the regions of operation so that the accounts left about them also provide glimpses of the mercantile society along the coast. But these are no more than snapshots. Perhaps we hear so little about individuals and firms because individuals and firms were embedded in families and communities. Assets tended to be jointly held in large patrilineal extended families, and several such families were connected through transactions in assets, information, apprentices, and managers, and not least, marriage ties. The identity of the firm was submerged in that of the community, and the head of the enterprise was less an entrepreneur or an owner than a trustee of jointly held wealth. Exceptions to this rule did exist. One example occurred in Surat, the most cosmopolitan and global trading city on the Indian shores. Here, associational ties did form and were no less visible than personal ties. But even in Surat, political crisis and disputes could push merchants to rally behind their communities.

The practice of incorporation of joint-stock firms was unknown. Commercial law surely existed, but was so enmeshed with personal conduct and relationships that it was invisible to outsiders. There was no known court of law where merchants belonging to different ethnic groups could routinely settle their disputes. The situation altered in the late eighteenth century. Change came from three sides. First, the British East India Company's own trading monopoly had been a target of criticism from almost the start of the enterprise; as the criticism reached a peak and the Company established itself as a military-political force in India, its commercial interests went into retreat, and it had to yield ground to the free merchants and country merchants. Second, migration of Indians into Bombay and Calcutta led the way to unorthodox partnerships cutting across ethnic and communal boundaries. By 1800, therefore, conditions were ripe for Indo-European partnership firms to grow in the port cities. And third, with the decline of the Company's main business in Indian cotton textiles, the commodity composition changed, and a slow penetration of the agricultural interior by coastal capitalists began. In the first half of the nineteenth century, Indo-European firms based in

Bombay, Calcutta, and Madras exported cotton, wheat, indigo, rice, and opium that came from the interior plains and the uplands. After 1860, the integration of land with the sea became more firmly established due to railways, steamships, the electric telegraph, the Suez Canal, and new laws. From then onward, we begin to hear about individual enterprise more systematically.

The pattern of mercantile enterprise differed between Bombay and Calcutta, and in both cities, between the periods 1800–1860 and 1860–1940. In the first phase, trade was composed of a few goods procured from regions within easy access from the port city—Malwa opium and Khandesh cotton in Bombay, and Bihar opium and Bengal indigo in Calcutta. The big firms of this era were dependent on one of these commodities. By contrast, in the second stage, the range of commodities had diversified, and commodities (such as wheat or cotton) were procured from greater distances. The big merchant firms of this era dealt in amore diversified basket of goods. While this was a feature common to both cities, Bombay and Calcutta had a divergent history in the first phase.

Indigenous merchants in Bombay tended to be bigger firms than their counterparts in Calcutta, more prominent in Asian maritime trade. The difference stemmed from the particular trajectory that Parsi entrepreneurs had charted in the former city. The key to their success was shipping. The hub of indigenous commercial tradition was first Surat, then Bombay. On the Gujarat littoral, a number of communities, especially traders from Cutch, had been prominent and remained prominent in the Arabian Sea trade in the nineteenth century. Studies of early modern India, however, concentrate on Surat, especially the “ship-owning merchants” and the brokers or agents of the Company operating from there. Some of the ship owners did not survive the simultaneous decline of the Persian, Ottoman, and Mughal empires. But shipping as a business carried on, largely under the leadership of the Parsi merchants.

The Parsis who had migrated from Surat to Bombay and were originally carpenters by profession took over ship repair and shipbuilding in partnership with the Company, took a controlling stake in the important coastal trade in Malabar teak, moved into coastal shipping, and eventually joined the Indo-Chinese trade in Malwa opium. The Parsis had other resources that suited them to urban trade in particular. Being literate and multilingual (a number of Parsi merchants could speak Portuguese and French), they were prominent in government service, as clerks in European business firms and as assistants in attorney offices. As a community they thus had fingers in a number of skilled services connected with commerce. Another distinction of the community was a more individualistic succession law than the ones that prevailed in Hindu and Muslim merchant groups. A joint outcome of these qualities was that the nouveau-riche Parsi families became owners of large chunks of urban property by 1850.

The first Parsi residents of Bombay were probably grocers for the town, also engaged in the useful side business of procuring safe and good quality liquor for the city. In the eighteenth century, one set of families, the Wadias, developed shipping, and three others, engaged in commerce, reached Burma, China, Mauritius, and Aden. They set a pattern that was to become the hallmark of Parsi enterprise in the nineteenth century. Their names were Banaji, Modi, and Ready money. Among the leading Parsi merchants of the nineteenth century, JamsetjeeJejeebhoy started as assistant in afirm selling opium in China, and when he established himself in the trade, he gave business contracts to a number of relations and friends. He also formed a partnership with aGujarati Hindu and a Muslim merchant. These interethnic partnerships did not always work well, but they set a trend.23For example, Dinshaw Manockjee Petit was first an assistant and later partner to a European. His father was a broker in a European firm. Jamsetji Tata served his apprenticeship as a merchant in China opium.

Check your progress –

1. Discuss the contribution of the Parsees in setting up manufacturing in India.

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2. Discuss the role of Bombay port in external trade.

3.3 LETS SUM UP

It appears that by 1850, the joint-stock principle was becoming popular. We can guess this popularity from the presence of six stock-brokers in the city who had credit with the Bank of Bombay. Gujarati Hindu and Jain individuals dominated the stockbroking business. The cotton famine (1861–65) helped the cotton trade expand, of course, but its major and lasting effect fell on financial transactions. In 1860, there were sixty share-brokers in the city, and their leader was a suave thirty-year-old Jain named Premchand Roychand. Before the boom, Roychand was a cotton shipper, with interests in opium and gold, and partner of Ritchie Steuart & Co. His role as a broker to the Liverpool merchant Steuart meant that he was to "guarantee the firm against any losses which it may incur in its advances on cotton and other shipments to a variety of dealers.

3.4 KEYWORDS

Parsee merchants, Bombay port, stock exchange, manufacturer

3.5 QUESTIONS FOR REVIEW

1. What was impact of Indian manufacturing in internal market?

2. How British handled the role of Indian traders?

3.6 SUGGESTED READINGS

The Cambridge Economic History of India , Vol 2 by Meghnad Desai

Economic History of India by Tirthankar Roy

3.7 ANSWERS To CHECK YOUR PROGRESS

1. Hint – 3.2

2. Hint – 3.2

UNIT 4 AGRARIAN CONDITIONS-REGIONAL VARIATIONS – PERMANENT SETTLEMENT

STRUCTURE

4.0 OBJECTIVE

To learn about the Permanent Settlement

To know about its impact

4.1 INTRODUCTION

In the early history all things considered, land was either the main or the fundamental wellspring of income. In present day times, albeit numerous different wellsprings of salary have been grown, yet land keeps on being saddled in either structure. This is valid for India too yet with the distinction that till as of late, the state in India inferred a lot bigger level of its pay from land than from some other source. Under the old Hindu rulers, the offer which the state could take from the landowner was restricted to 1/6 of the produce paid for the most part in kind be that as it may, now and again, in real money. The early Muslim rulers rolled out no improvement in the framework with the goal that the old town networks kept on working through the ages straight up to the coming of the British.

To Sher Shah, be that as it may, has a place the credit of presenting the arrangement of estimation as the premise of appraisal. He had the grounds grouped, standard yields evaluated, and income fixed at 1/3 of the normal on all classes of land. Sher Shah's changes turned into the premise of Akbar's arrangement with the distinction that he continued to change over the grain rates into money rates dependent on the normal costs of 19 years winning before the repayment. With the decay of the Moghul control, there appeared changed rulers in changed pieces of India with pretty much over the top cases. In the general confusion, which prevailed in the 18th century, no ruler was safe in his position, and everyone was in need of resources to fight his wars. Understandably, there were frequent cases of excessive demands. Instead of trying to remove this injustice and oppression, the British found it convenient to claim the same unjust rights on the ground of precedent. Thus were introduced in different provinces of India different systems of land revenue—all so designed as to collect “the largest amount of money in the quickest possible time.”

4.2 AGRARIAN CO NDITIONS- REGIONAL VARIATIONS - PERMANENT SETTLEMENT OF BENGAL

Regional identities were already fairly formed in different parts of what we now know as India even before colonialism. These regions were defined by their territoriality, geographical boundaries, agro-ecological settings and administrative control by the state. Through the interaction between the physiography and social processes, regional identities got crystallised towards the end of 18th century. Within each region, unique configuration of social classes, caste groups, production technology, commodity movement, labour circulation, state formations and cultural exchanges developed. For example, in some regions, crops such as cotton, tobacco and sugarcane were grown fairly extensively even before the advent of British rule, since they commanded a higher price compared to that of food grains (Raj, 1985). As Dharma Kumar has shown, the system of wage labour existed even before the colonial rule, with the big peasants cultivating their holdings based on wage labour drawn from the “menial castes”, estimated at between a fifth to a quarter of the rural population at that time (Kumar, 1965). Various forms of agricultural labour prevailed in South India ranging from free wage labour to absolute and complete slavery. Clearly, there were sharp differences between regions in these key features. Colonialism encountered these and selectively conquered and integrated regions into its fold. While doing so, the structure of the society that underlay the regional systems were also largely reconstituted. The changes were brought in through a) changes in land tenure and creation of private property on land; b) introduction of new technologies such as railways; c) opening up new markets; and d) public investment in irrigation. The impact of these varied across regions and different social classes responded to it differently. For instance, the regional distribution of public investment in irrigation was markedly uneven, with the “canal colonies” of Punjab receiving substantially higher amounts compared to the Eastern UP (Bharadwaj, 1982). Ludden describes that from here onwards two contradictory movements are visible, especially in the rural areas: first, that which selectively integrates different regions to the global economy through commodity chains and markets (what has been termed as the "commercialisation of agriculture"), thereby strengthening regional identities; and second, that integrates these by drawing them together into one national fabric and national identity, thereby breaking down regionalism. This dual process is also visible in the snapshot picture of regions around 1930, developed by Daniel Thorner (Thorner, 1996). Considering the importance of this classic work, I feel Thorner’s atlas of the ecological and agrarian regions of India could be the starting point of the study of agrarian regions in India.

Though he primarily demarcated agrarian regions in terms of "topography, water supply, crop system, land system and general economic development", Thorner was quick to point out that the relationships among people, resources, the market and the state are at the core of the "agrarian problem". Physical space provides the terra firma in which these relationships are built and changed over time. Thorner also insightfully points out that by comparing these regions, defined as physical spaces, over time with the original snapshot, we could get an idea how the dynamics of change has operated within each region. In Section 3, we will adopt this comparative method. In the post independence period, the developmental state undertook the mission of balanced regional development. Public investment was seen as one of the principal vehicle for homogenisation of regions and transforming the rural areas. The state also passed legislations for changing outmoded rural institutions such as land tenurial relations (land reforms) and committed itself to re-structuring rural society on new principles ("community development"). The growing consolidation of the national market and the rising power of the national capitalist class were the key drivers in homogenisation. Processes of democratisation and social movements from the margins for equality and rights overturned old hierarchies and thus also strived towards a more inclusive society. But, interestingly, the same set of factors can also be seen in specific regional contexts, working in the opposite direction, contributing creating more regional differentiation. It is well-known that public investment flows often accentuated pre-existing regional differences by discriminating between regions. For example, the "tribal areas" of the North East consolidated as a region with this differential flow of public investment. Public investments in irrigation discriminated between hills and valleys, rain-fed and irrigated agriculture and hilly, rain-fed regions again emerged as pockets of backwardness. Democratisation led to identity politics and consolidation of regions around identities created on the basis of caste and community. This created region-specific dynamics of inclusion and exclusion. The need to speak of typology of regions follows from this. First, regional identities seem to survive homogenisation efforts of the developmental state. They also at times reassert strongly in the form of demand for a separate nationhood (North East) or statehood (Jharkhand, Chhattisgarh, Telangana, Vidarbha) (Tillin, 2014). Second, the pace of rural transformation is uneven across regions and the same set of factors produce different results depending on the initial conditions. Regional differences are closely linked to the processes of accumulation within each region, its natural resource endowments and the social relationships of power, domination and resistance. For policy, it is important to be tuned to these regional typologies for the obvious reason that the approach of 'one-size-fits-all' will not work. However, the reason perhaps not so obvious is that as much as policies make regions, regions make policies as well. Emergence and consolidation of new regions requires changes in policy to accommodate their needs and aspirations. New regions also force old policies to be imagined in different ways. For example, when public procurement and price support policies are extended outside the Green Revolution areas (Punjab) to rainfed areas (Madhya Pradesh), this necessarily implies that the policy has to be re-imagined to suit the new context. Moreover, the dynamics of transformation of regional typologies show operation of the underlying power structure and social relations which contribute to making and unmaking of policies. Hence, policy change can be seen as an outcome of these forces acting together and acquiring strong political articulation.

Further, while there are some observable differences in regional characteristics, many of these seem to be moving in tandem. Since available data is organised in terms of administrative units like districts, we take these as our basis for calculations as well. Scanning the data on 613 districts for which information is available from different sources, we find that 59 of these (9 per cent) are highly urbanised and hence do not give a clear idea of the processes of rural change. In the remaining 554 "rural" districts (with rural population >60%), we observe some common features:

•Districts with a higher irrigation percentage have high land productivity, high share of urban population, higher proportion of the work force engaged in non-farm occupations, high proportion of non-food crops in their cropping system, higher female literacy and lower share of SC+ST population in total population.

•Districts with higher share of rural work force in total (i.e., with less non-farm employment) are associated with those with less irrigation, lower land productivity, low female literacy and a higher concentration of SC+ST in total population.

•Districts with relatively greater incidence of SC+ST population are associated with those which have lower urbanisation, less irrigation, lower land productivity, less diversified cropping pattern and somewhat lower female literacy. A spatial mapping of the districts would reveal their spread across regions. Districts with more urbanisation and greater diversity in employment are more likely to be found in the northwest, south and some parts of western India. Districts with less urbanisation, lesser diversity in employment, lower land productivity and less irrigation are clustered in the central, east and north east regions. Within these, the tribal regions with low irrigation and land productivity are concentrated in central and eastern regions.

3.AGRARIAN REGIONS:ACOMPARATIVE PICTURE We now compare the performance of different regions within India in terms of agricultural development. We have the long period dataset compiled by GS Bhalla and G Singh (2012). In this dataset, the original district boundaries as at early 1960s are kept constant and the current districts are re-configured to these original districts. The dataset estimates triennium averages of crop area, irriaged area, value of production, agricultural workers and inputs (fertilisers, pumpsets and tractors) over the period spanning 1962-65 to 2005-08. The value output calculations are made taking into account the area and production of 35 major crops at constant 1990-93 prices. This methodology has the advantage of allowing overtime comparisons in agricultural growth across districts and states in India. However, it has several limitations. First, it takes into account only 35 major field crops (covering roughly 90-95% of the gross cropped area) and hence is likely to be biased against districts which have sizeable area under tree crops and plantations. Second, this dataset excludes some districts, most notable being the north east states other than Assam. Third, it does not take into account the value of livestock production, which is increasingly becoming an important source of value in rural India. Fourth, the use of constant price ignores the effect of relative price movements, which again could be a major contributor to growth in many parts of India (the paper will discuss more on this later). Even with all these limitations, this dataset still remains an important source for over time comparison of agricultural growth in India. In this paper, we have tried to identify agrarian regions, broadly defined as groups of districts sharing common topographic, agro-climatic, social and economic characteristics. For the purpose of identifying regions, we have made use of the classification of states into NSS regions (NSSO, 2012), without strictly adhering to the NSS grouping of districts1. This breaking up the states into 54 relatively homogenous groups of districts helps arrive at some aggregate features of the development process at a considerably higher level than that of the district. Annexure 1 gives the details of the regions with region codes (derived from not strictly comparable to the NSS region codes) and the current districts included in each region.

The Permanent Settlement was formulated and enforced by Lord Cornwallis, the governor general of the Fort William of Calcutta (Kolkata) in 1793 which had devastating impacts on the economic life of Bangla. The Permanent Settlement was, however, a landmark towards Company's political domination over the economy of Bangla by which the land 'revenue' i.e. land-rent1 to be paid by the 'revenue farmers' i.e. land-rent collectors were permanently fixed. The peasant economy of Bangla (the colonial term is 'Bengal') was directly affected by the political change for the first time during the colonial period. In fact, the mercantile plundering since the Palashi (the colonial term is 'Plassey) and thereafter, the enforcement of the Permanent Settlement with the sole interest of 'revenue' (henceforth land-rent) had shattered the peasant economy of Bangla in many regards. As Sirajul Islam (1992) observed, though the people of Bangla were though rarely fortunate to manage their political affairs by themselves, in the sphere of economic life they had always been original and autonomous in their thought and activities. Particularly, peasant economy and the agrarian relations in the countryside tended to continue more or less unaffected and unchanged until Bangla was enslaved by the British East India Company. At that point what makes the Company's mastery unique? Why breaking changes happened in the labourer economy and in the agrarian structure during Company's occupation? Answers can be found in the way that, in contrast to every single past system, Company's mastery in Bangla got from completely trade interests. That politico-trade mastery, in the long run, caused to destroying reshuffling in agrarian relations. Furthermore, in genuine judgment, the Permanent Settlement was only an instrument of Company's exploitative authority over the land the board, and along these lines, over the labourer economy of Bangla.

It is doubtful that why the Permanent Settlement was upheld? The provincial subservient view is that the Permanent Settlement was a kind hearted settlement for industrialist change in agribusiness. To cite Sirajul Islam,

Monetarily it was normal that the perpetual settlement would support the speculation of capital in land and, in this way, the development of a white collar class; that it would prompt progressively permissive and accommodating treatment of the occupants by the proprietors, and would along these lines advance general thriving.

But how far this was true? Needless to say, the Company enforced the Permanent Settlement for the sake of their interest. The period from Palashi to the Permanent Settlement was an era of mercantile plundering of the Company’s servants which besides ruining the economy of the country spoiled the economy of the Company. Presumably, it is not the ruining of the country that made the colonial authority to find out a way of recovery but the wreck of the Company. According to Sirajul Islam (1992), in digging out the causes of the crisis the rulers discovered the fault not in the policies of the new regime, but in the imagined weakness of the land control system. The Permanent Settlement was, however, a settlement for the land rent collecting agents i.e. the zamindars (the colonial term is ‘revenue farmers’) for being the permanent pillar of the British political supremacy in Bangla. And, the political ambition of the Permanent Settlement was, however, successful. As history attests, the sycophant ‘revenue farmers’ were devoted for holding up the British domination until the eventual years.

PROVISIONS

The Governor General in Council, in virtue of the powers vested in him by the Hon’ble Court of Directors in their letter by the Tartar under date the 19th September 1792, and in conformity to his determination communicated to the Hon’ble Court in the despatches to them by the Talbot of the 6th instant, now resolves to issue the following Proclamation:

Proclamation for the Zamindars & Company:

For the zamindars, independent talukdars and the actual proprietors of land paying revenue to Government in the Provinces of Bengal, Bihar and Orissa.

Article 2: The Marquis Cornwallis, Knight of the most Noble order of the Garter, Governor General in Council, now notifies to all zamindars, independent talukdars and other actual proprietors of land paying revenue to the government in the Provinces of Bengal, Bihar and Orissa, that he has been empowered by the Hon’ble Court of Directors for the affairs of the East India Company to declare the Jumma, which has been or may be assessed upon their land under the regulations above fixed for ever.

Article 3: Under the regulation above mentioned, that at the expiration of the term of the settlement no alternation with be made in the assessment which they have drawn in to pay yet that they and their beneficiaries and legal successors will be permitted to hold their home at such evaluation for ever

.Article 5: The terrains of the appraisal at which they might be moved for ever.

Article 10: The accompanying guidelines are recommended regarding the change of the appraisal on the grounds of zamindars, free talukdars and other real owners of land, whose land are or might be held Khas or let in structure in case of their being discarded by open deal, or moved by any private demonstration of the owners or of their joint property, and a division of the land occurring among the proprietors.

The Proclamation of the Permanent Settlement is imitated in Regulation 1 of 1793. It might be perused in two sections: first, acknowledgment of the norm of the zamindars as coordinated by the resolution, and second, confinement of the general population interest for ever to the sums then fixed.

The British presented the Permanent (zamindari) settlement in Bengal in 1793 and in this manner introduced another social plan. Land income gathering middle people under the Mughal agrarian framework were perceived as proprietors with full restrictive rights, though the genuine tillers were diminished to the status of occupants by the new settlement. The Permanent Settlement of 1793 joined the Zamindari framework in the legitimate structure.

Above all, the zamindars were made liable for gathering the necessary income on the particular understanding that paying little respect to dry season, flood, starvation or some other characteristic disaster, they would store in interminability a fixed income, the measure of which was either 10/11th of the ebb and flow all out instalment of the cultivator or 9/10th of the total compensation, which in its turn was figured as the "gross estimation of horticultural yield short coursing capital cost." The law made mandatory the instalment of a segment of the income consistently and those neglecting to do so were detained and their bequests connected.

There was a further understanding, that in the event of default, their property would be sold; this deal would occur under the supposed 'Dusk Law', an unfeeling law requesting full instalment of income before nightfall on a specific date.

Even in the initial hardly any long periods of the settlement of 1793, there were cases of move of trade fortunes to arrive purchases.8The understood view that the guidelines of the settlement of 1793, corrected every once in a while, by vesting the purported property directly on the land in the zamindars, step by step wrecked the laborers' spot on the land, and along these lines empowered the zamindars to expand lease in the manner they satisfied, is deluding. Be that as it may, a lot of disarray and vulnerability exasperated by net maltreatment by the zamindars of their new powers in connection to their raiyats after 1793 portrayed the lease relations for long.

This happened halfway in light of the fact that the zamindars confronting an enormous increment in the income request and normally excited about increasing their rental salary, just infrequently prevailing with regards to expanding rent in the allowable manners. Their challenges were to be sure overpowering following the settlement of 1793 due to the long spell of low rural costs (1794-98), prompting huge scale avoidance of lease instalments.

These incorporated a lot of physical pressure, and zamindars were supported in this by the new Regulations (VII of 1799 and V of 1812), which enabled them to annihilate the harvests and different properties of the defaulting raiyats and additionally to constrain the participation of such defaulters at the zamindar's income court, apparently regarding the settlement of lease questions, however really at whatever point the zamindars needed.

he awful piece of the story, in any case, is that the successors didn't pursue the originator's high expectations.

The hypothesis that the zamindars must be given wide controls over their tenantry, on the grounds that else they couldn't be relied upon to pay the administration income reliably, was presented. More extensive forces were given to them by Regulation VII of 1799, the famous Haftam, and Regulation V of 1812, the Pancham, which darkened the Statute Book all through the remainder of the Company's period.

The zamindar had never had it so great when the subletting right of the predominant residency holder was lawfully perceived by the Patni Regulation (8 of 1819). The Patnidar having the biggest number of residency holders delighted in every one of the privileges of the zamindar transferable and heritable with forever fixed rent.

After a progression of analyses in land income assortment, the British presented the Permanent Settlement of 1793, which allowed new property rights to zamindars as a by-product of brief and normal income instalment, which were fixed in interminability. Numerous zamindars had been previous income authorities, others were built up Rajas. The settlement ensured a steady income pay supported against dangers and limited assortment costs for the state. Duties regarding rent assortment and land improvement and the executives were given over to the zamindars, who were relied upon to build up their domain in a manner like the English refined men ranchers. It was felt that since income instalments were fixed, the motivators for zamindars to amplify their own pay from the land would prompt improvement in rural generation and augmentation of development. Be that as it may, the zamindars neglected to satisfy hopes, finding elective methods for balancing out and expanding their earnings by moving and isolating rights. Middle residencies were in this way made as a method for rearranging the executives, moving obligations to subordinate residency holders.

Further subletting of residencies made chains of go-betweens, an enormous class of lease beneficiaries between the zamindar the cultivator, all asserting a lot of the horticultural excess. This procedure was called subinfeudation's illicit techniques clearly would in general abatement throughout the years and during the second 50% of the 19th century and later, one notification an expanding reliance on legitimate strategies, however the old oppressive zamindars barely vanished. Then again the administration, guaranteed of the security of income, chose in 1859 to pull back the exceptional forces which it gave the zamindars in 1799 and 1812 assuming the duties of the raiyats and the zamindars' lease assortment challenges at the time.

In their proof before the Indigo Commission, the Christian preachers, who realized a lot of the rustic life in Bengal, ascribed the development of free propensities somewhat to the repercussions of the Santhal uprising (1855) and the Mutiny (1857). Despite the aim of the creators of the Permanent Settlement to give similarly lasting security for the actual cultivators, statements concerning rents and the raiyat cultivators were lacking or non-existent. During the 19th century, this inadequacy turned out to be incredibly evident. In 1859, the Bengal Rent Act characterized the privilege of inhabitancy as 12 years' nonstop ownership of the land by a raiyat.

Defects in the Act

In the nonattendance of town records, the raiyats had incredible trouble in demonstrating ownership of every one of their fields for a long time ceaselessly. It had been the zamindars' training to change the fields in the ownership of raiyats before 12 years had terminated so as to keep them from getting inhabitance right or rents for times of under 12 years.

There is no immediate proof to show that the Act of 1859 was intended to turn away an 'agrarian revolution'. Under the Act of 1859, the raiyats were separated into three classes:

(I) raiyats who held land at 'fixed paces' of lease,

(II) (ii) raiyats who were entitled reasonable and fair paces of lease, and

(III) (iii) raiyats holding land at rates settled upon by the contracting parties.

(IV) The Rent Act of 1859 was the first immediate mediation of the administration in quite a while for the raiyat. It tried to energize him to the reason for horticultural improvement by endeavoring a reasonable conveyance of farming benefits among landowners and workers. The administration was really alive to the results of the extended approach of laissez faire. Act X of 1859 for all intents and purposes canceled the qualification between the status of Khudkasht and Paikasht raiyats, a differentiation dependent on conditions no longer relevant to the modified situation expedited by harmony, great administration and improvement in commerce.

Act X of 1859 had decimated the warm connection between the proprietor and the tenant. Even the Rent Act neglected to change over the inhabitance raiyats into provincial entrepreneurs. On 29 April 1859, the Bengal Rent Act, otherwise called Act X of 1859, was set up as a Bill.

The Act, be that as it may, was insufficient for adapting to the new issues emerging out of the changing agrarian relations in Pubna. A new period of the revolt started as the grower improved leases after the death of the Rent Act of 1859. In a couple of locales, outstandingly Jessore and Pabna, the workers propelled a lease strike against the grower zamindars. The Bengal zamindars who had at first upheld the revolt "began promptly to decelerate on their impact course".

Typically, the zamindars and the moneylenders were not on edge to give their favors to the lease strikers.

The lease unsettling influences, however restricted in a couple of territories, proceeded with unabated after 1860 and snowballed into an uprising in Pabna in 1873, where an agrarian class was shaped and raiyats wouldn't pay lease to the zamindars. Somewhere in the range of 1870 and 1885, lease aggravations happened in Dacca, Mymensing, Tripura, Backarganj, Faridpur, Bograh and Rajshahi. In area, riots happened in 1873 when the Natore state was separated and acquired by five zamindars, who endeavoured to upgrade the rents. These mobs were the main purpose behind the Agrarian Disputes Act, which was expected to meet caught agrarian unsettling influences by moving in extraordinary areas and for a restricted period the ward of the common courts to income officials. The Act was an impermanent measure, intended to be enhanced later by perpetual enactment and was never really placed into force. In 1876, a Bill was presented by which it was proposed to set out the standards for fixing rents. This was dropped and in 1878 a commission which had arranged a Bill for the acknowledgment of undistributed overdue debts of lease prescribed to the administration that it was alluring to attempt a total correction of the occupancy law.

The administration of India concurred, and a commission was designated which introduced a draft Bill and a report in 1880.The Tenancy Act which brought about 1885 depended on this Bill. It corrected the deformities in the law identifying with inhabitancy rights by stipulating that a raiyat who had been in control of any land for a long time either himself, or through legacy, would turn into a settled raiyat of the town with inhabitancy rights on the land he previously had and would quickly gain those rights in any new land which he took into cultivation.

The right of a raiyat was made a secured enthusiasm for the occasion of his superior landlord auctioning off his bequest. He was likewise given the privilege of selling his holding and subletting it for not over nine years. It was additionally set out that raiyats ought not be expelled for defaulting on lease, however their holding must be sold at the common court. The Act of 1885 was not expected to adjust the premise of landowner inhabitant relations. The three essential gatherings concerned – the legislature, the owners and raiyats – assumed that the Permanent Settlement would stay perpetual. The fundamental motivation behind the lawmakers was to put one specific class of raiyats – the inhabitancy raiyats – in a similarly solid position, getting a charge out of security of residency and paying close to a sensibly moderate lease. The genuine favorable position which they got from the Act was the careful opening of the entryway to their securing of the privilege of occupancy. It can be said that the jotedar as a classification began to rise on an enormous scale simply after the requirement of the Tenancy Act of 1885, when the proprietors got the privilege to discharge the inhabitant and the occupant got the privilege to move his property.

At the point when the deal and acquisition of inhabitancy right got conceivable, this new rich class began to develop with a similar speed as the pauperisation of the developing workers. This new class, helped by the commercialisation of agribusiness as dealers and moneylenders bolstered by the Tenancy Act and the new legitimate framework began to purchase up land. As the 1885 Act couldn't take care of the issue of under-raiyats, the last turned out to be increasingly more restless. The Bengal Tenancy Act was more broad than any earlier enactment in characterizing the privileges of raiyats and sanctioned the exchange of holding. It was altered in 1928 and 1938. The progressions included making the raiyat and under-raiyat (sublet from raiyat) possessions unreservedly transferable, in spite of the fact that the landowners were given pre-emption rights; inhabitancy rights for under-raiyats for tenure more than 12 years; limits not to surpass 33% of the gross produce. However, the enactment invigorated deals and the privileges of raiyats to inhabitancy and 'reasonable' rents became attractive resources. The buyers were well-to-do raiyats and non-farming elites, who at that point sublet the land to the real cultivators. The Bengal Tenancy Act had restricted the degree to which rents could be improved to not multiple anas in a rupee (i.e., 12.5 percent) for verified classes of raiyats. This left an escape clause for proprietors trying to expand their salary over this rate. By obtaining the raiyat rights, the proprietors could then make a subordinate tenure outside the domain of occupancy enactment, i.e., an offer contract. The status of tenant farmers was, best case scenario questionable inside the lawful system of occupancy enactment and the High Court decisions. Condition 3(3) of the 1885 Act had characterized the classification of occupants to whom the arrangement applied. Tenant farmers may or probably won't fall into this class, contingent upon whether it could be contended that they "hold the land" and "convey a portion of the produce on accounts of its use and occupation".

Chief Provisions of the 1928 Act

The additional rights given to occupancy raiyats were:

(1) Holdings were declared to be transferable in whole or part, subject to a transfer fee amounting to 20 per cent of the sale price or five times the rent. The landlord was given a right of pre-emption on payment of the sale price plus 10 per cent as compensation to the purchaser. He also retained the right to levy a fee for the subdivision of holdings in the case of part transfer, because the Act did not make it incumbent on the landlord to divide the holding in such cases.

(2) In order to prevent land from passing to mortgagees for indefinite periods, occupancy raiyats were allowed to give usufructuary mortgages only for a period of 15 years.

(3) Occupancy raiyats were given full rights on trees.

(4) The right to commute rent in kind into a cash rent was abolished mainly on the ground of the agitation against the proposal of the John Kerr committee to give occupancy rights to a certain class of bargadars whose rent might then be commuted to the detriment of many middle-class people.As the 1885 Act could solve the problems of under-raiyats who became more and more restless, the

need for another amendment became apparent to protect their rights. The Act of 1928 considerably "strengthened the rights of under-raiyats". The Act of 1885 vested the right of occupancy by custom, but by the 1928 Act the same persons were given the full rights of occupancy raiyats, except transferability and the right to be deemed "propertied" interests against the superior landlords of the raiyats. It also recognised those second class under-raiyats who had their homestead on their land or were occupying the land for 12 years continuously or had been admitted in a document by their landlords to have a permanent and heritable right. They could be evicted if they failed to pray their rent or misused the land. The third class could be evicted on the additional ground that the landlord wanted the land for his own cultivation. The Act of 1928 did not help the bargadars at all, and by 1940 conditions became such that the Land Revenue Commission had to observe, "free transferability had tended and must tend to facilitate the transfer of raiyati lands into the hands of mahajans and non-agriculturists with the result that the number of rack rented bargadars and under-raiyats is growing by leaps and bounds.

Two Developments

The rising agricultural prices since about 1855 and population growth also enabled the zamindars partly to do without the old methods. The right of zamindars to increase rent on the ground of rising prices, which Act X of 1859 allowed, could not be immediately effective. Zamindars often failed to furnish before the court a convincing evidence of a rise in prices or of the precise extent of the rise. The Bengal Tenancy Act of 1885, by providing for acceptance by court as valid evidence of the price data compiled by district officers, partly helped the zamindars.

Even then, local officers only warily allowed an increase in rent on this ground alone, feeling that only a small group of peasants profited by the price rise. This attitude changed with the big spurt in the prices since 1905 and zamindars secured a considerable increase in rent. A change was formalised by the revised Bengal Tenancy Act of 1928. Zamindars gained far more in those regions where a sudden influx of immigrant peasants abruptly increased the demand for land than in those where populations increased through a natural process. There were several forms of mortgaging land in Bengal with sum khalasi(non-complete usufructuary mortgage) –the cultivator handed over land in return for a sum of money or advance of grain; when the loan was repaid with interest, the land was returned, the mortgager having benefited from the income arising out of cultivating the land. Khas khalasi (complete usufructuary mortgage) was similar, except that the produce of the land constituted payment of the debt.

The 1929 Bengal Tenancy (Amendment) Act made all forms of possessory mortgages illegal, but khas khalasi continued to be popular. The ambiguity of the status of sharecroppers was thus resolved by 1929. They were definitely not tenants, and were excluded from acquiring occupancy rights by commuting their rents to cash rents. This negatively affected the sharecroppers. For example, in Murshidabad during the cadastral survey of the district in 1907-20, sharecroppers had been recorded as tenants. After the change in policy during the settlement operations of 1924-32, sharecroppers in Murshidabad were not even recorded as tenants or given khatians (record of right). The constitutional reforms promised by the Government of India Act, 1935, stimulated the peasant movement. Franchise was extended to tenants paying a small rent. For the first time they became an important political factor. The election manifesto (1936) of the Nikhil Banga Krishak Praja Samiti contained two radical points:

(1) Thorough overhauling of the Bengal Tenancy Act in the interest of the agriculturists, ensuring the vesting of proprietary rights in the tillers of the soil and including (i) the abolition of the zamindars’right of nazar and salami and the right of pre-emption, (ii) the tenants’ right of mutation of name without additional payment, and (iii) reduction of rent.

(2) Adequate and effective measures against illegal exactions by the zamindars, moneylenders and their representatives. There was no direct demand for the abolition of the Permanent Settlement. After the

election of 1937, Fazlul Haque formed a coalition ministry with the Muslim League as his principal partner. This ministry remained in office –with changes in its composition –from April 1937 to March 1943.

Check your progress –

1. What are the defects of the Permanent Settlement?

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2. What are the chief provisions of 1928?

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4.3 SUBSERVIENT INTERPRETATIONS OF THE PERMANENT SETTLEMENT AND THE REALITY

The rustic agrarian structure experienced little changes considerably after the foundation of the Company's mastery until the implementation of the Permanent Settlement in 1793. Clearly, pulverizing changes in the agrarian structure were occurring after the Permanent Settlement. Be that as it may, the greater part of the authentic works, apparently attributable to pioneer grant and provincial source materials have invested a lot of energy examining the benevolent job of its creator. In any case, if Cornwallis was truly of that sort of view, why the land-lease was fixed by an outrageous overestimation? Why the income sell law (prevalently known as 'sun-set law') became effective and misdirected the conventional enormous zamindars from their zamindari rights? Why land was cultivated out to the most noteworthy offering theorists who had no past association with land control, and as indicated by Islam (1992), were given the permit to crush the ryots?

Improvement of land-lease was the fundamental reason for the Permanent Settlement which was promptly clarified by the underwriting of the staggering 'sun-set law'. In any case, in the above citation, we can see that Company's power is being recognized as 'government' and 'state'. In any case, at the hour of the implementation of Permanent Settlement (1793), the Company was not in a status of the genuine administration of Bangla. Here, the land-lease to be gathered by the Governor-General-in-Council of the Fort William of Calcutta is perceived as 'open income'. In any case, there is a calculated issue. In Bangla language, 'income' signifies rajaswa which are gathered by the administration of the state. What's more, the general thought of 'open income' is that a genuine administration of the state is qualified for gather it and to spend for open help. In any case, as Sirajul Islam himself perceived, the so called power still lay in the Mughal ruler5. At that point why the land-lease gathered by pilgrim occupiers perceived as 'open income'? Along these lines, pilgrim subservience and, in this way, applied Catch 22s are winning the historical backdrop of perpetual settlement.

Temperament

The Permanent Settlement is often fantasized as colonial wisdom for capitalist transformation in agriculture. Sirajul Islam (1992) is of the view that the Company's Bengal expert wanted the traditional agrarian relations to be changed for a more dynamic system which would take the country to the path of capitalist transformation with its happy consequences on the rulers as well as on the ruled. But, as a matter of fact, the capitalist transformation did not occur. Why? Again, Sirajul Islam found its reasons in the inability of the zamindars of Bangla to lead a capitalist transformation. But, in my view, somewhat desire for agrarian capitalism might be in the spirit of the Permanent Settlement but not in its code. Rather, the sole interest of the Permanent Settlement was to enhance land-rent. If Lord Cornwallis was really looking for capitalist development in agriculture and agrarian relations through the Permanent Settlement, at least, there could be no 'sun-set law'. However, in view of the Company's interest, it might be a 'reform, which was also auspicious for the banians (local merchants and creditors). But, what did it bring for the peasants and ryot? As historical evidence attests, it brought nothing but shattering changes for them. Nevertheless, the overall changes in the period were significant for the development of the region on modern lines. In this context, it would not be misleading to refer that colonial process of development as pauperization. 6 And, the rural proletarianization was primarily the outcome of that pauperization.

It is undeniable that there was a growth in agriculture after the Permanent Settlement. But the growth was only in the size of land in cultivation, not in the mood of the production. To be noted that, in the early nineteenth century, the expansion of land in cultivation had occurred due to the growth of population. By 1792 it was officially estimated that due to lack of husbandmen, about one-third of the fertile land of Bangla fell out of cultivation7 which, in turn, resuming to be cultivated by the increasing population. So, the due expansion of land in cultivation did not essentially mean any capitalist or commercial transformation in agriculture. It is interesting to note that there is no evidence of commercial farm-house in Bangla during the post-permanent settlement period. Ironically, the zamindari estates were being considered by the colonial authority as ‘revenue farm’ and the zamindars as ‘revenue farmer’. So, theoretically, it is unrealistic to expect any capitalist transformation in agriculture from a system where crop-farmers were deceived of property rights and were subjected to the ‘revenue farmers’.

In principles, the Permanent Settlement did not differ with the periodical settlements such as the ‘yearly settlement’, ‘the five years settlement’ and the ‘ten years settlement’. In fact, the very permanent settlement was merely a conversion of the ‘ten years settlement’. Theoretically, if there were any higher thought behind the Permanent Settlement than those behind the periodical settlements the existing ‘ten years settlement’ could not get the autostatus of Permanent Settlement, as it happened. It means, in principle, the Permanent Settlement was not different from the haphazard periodical settlements. However, the tendency of handing over the land ownership to the wealthiest banians derived entirely from their increasing demand of land-rent. It imposed the burden of unfavourable and unaffordable rent on the shoulders of the zamindars by extreme overestimation of land. In most cases, the traditional zamindars became unable to pay the permanently fixed over rent, and eventually were left out of their property rights by the ironic ‘sun-set-law’. Thereby, property rights were handed over to the highest bidding speculators, the wealthiest banians, who had no previous connection with land control and were given the license to squeeze the raiyats.’ Moreover, the necessary economic flexibility, which is must for any capitalist transformation, did not exist throughout the period. Rather, the colonial intervention had stopped the normal process of the overall capitalist development, because, the banian capital had been shifted from economic activities to land control. M.R. Tarafdar has rightly pointed out that the Permanent Settlement of 1793 was a sort of aristocratic feudalism. The British associates, Bengali dalal (speculator), fariah (middlemen) or the banians could be attentive to trade, commerce and even industries at last; but being under the mechanism of the Permanent Settlement, they tilted to the acquisition of landed property. Thereby, the probability of building up of a commerce-industry based social class by the formation of capital for trade.

4.4 CONSEQUENCES OF PERIODIC SETTLEMENTS

Under the Permanent Settlement, the pre-British landed authorities were replaced by the new banian zamindars, hitherto unknown and unrelated with the agrarian system. On the other hand, it imposed the burden of unfavourable and unaffordable land-rent on the shoulders of the zamindars and also neglected the benign role of the pre-British landed authority. The newly born urban-oriented banian zamindars soon became absentees in their zamindari and turned into a parasitic rentier class. It is widely held that the propitious outputs of the Permanent Settlement were gained by the bhadralok while the peasants fell in a process of proletarianization. Now the question is - who were the bhadralook? The Bengali word bhadralok literally referring to as "well-mannered person" used to denote the new class of 'gentlefolk' who arose in Bangla during the colonial period. Mukherjee (1977) suggests that neither ‘bhadralok’ nor ‘babu’ describes straightforward communal or caste categories. These terms reflected, instead, the social realities of colonial Bengal, the peculiar configuration that excluded, for a variety of historical reasons, the vast majority of Bengali Muslims and low-caste Hindus from the benefits of land ownership and the particular privileges it provided. The two biggest factors that led to the rise of the bhadralok were the huge fortunes many banians made from aiding the English East India Company's trade, and English education. And finally, many of them owned zamindari under the joint venture of the Permanent Settlement and the revenue-sell law. Thus, under the Permanent Settlement, while the 'microscopic' bhadralok found occasions of making fortunes and thereby upgrading their status, the peasants were fell in a process of proletarianization.

Historian Sirajul Islam has properly seen that if the Permanent Settlement had made classes of residency holders in the middle of the riyats and zamindars the arrangement of tenure laws had made separation and landlessness in the labourer society. Be that as it may, the ascent of proja or labourer property through the progressive Rent Act of 1859, Bengal Tenancy Act of 1885, Tenancy Amendment Act of 1928 and the Amendment Act of 1938 presented new components in the hierarchical structure of customary worker cultivating. It is generally acknowledged that the Acts were acquainted with furnish the working class with land inhabitancies right. Be that as it may, it was not the case that all cultivators obtained the legitimate status of inhabitancies raiyat. Since, the Acts were intended to suit the political weights, applied by a financially ascendant upper stratum inside the peasantry'. Before the Permanent Settlement, land couldn't be purchased and sold at labourer levels. In any case, in the wake of making a theoretical land showcase under the Permanent Settlement, the arrangement of occupancy enactments by sanctioning the transferability of land, in fact, gave workers just the selling privileges of their territories, which inside a brief span made them landless for eternity. In this way, in genuine judgment, the tenure demonstrations gave laborers the privilege not to have land however to seize them. It kept an eye on the grouping of landed property in the hands of the individuals who were socially and monetarily amazing. Nonetheless, the land was presently 'common'' landed property' as in Marx utilized the term in his investigate of Guizot. The rustic culture was separated into landed jotedars at the top and landless bargadars at the base and a large group of halfway enthusiasm for between. Therefore, under the activity of the different tenure enactments, the worker society was separated to such an extent that an enormous segment of the laborers got landless.

Barga system

Because of land fixation on one hand and outright landlessness on the other, there additionally built up an agrarian work showcase. Notwithstanding, an impressive number of minimal workers and craftsmen’s, being denied of their occupations went into the work market and clung to another class known as 'day-worker' and, subsequently had another corrupted status in the general public than before which unfavourably influenced their public activity. A fabulous increment happened between the 1880s and 1940s, and on a preservationist gauge, somewhere in the range of 7 million workers and craftsmen’s had joined the positions of the pay worker by the centre of the twentieth century. Thus, they experienced different difficulties in connection to access and investment opposite societal position. Then again, numerous individuals who became landless or profoundly minimized held land at barga (share-trimming) terms and subsequently was retained into another class known as bargadars or adhiars (tenant farmers). Bhaduri recommends that the agrarian economy was constrained by few huge landowners who by taking a lot of the harvest from their tenant farmers, and by loaning at high paces of intrigue, kept the last having no elective wellspring of credit, in a condition of perpetual obligation and subordination. Maybe, the between generational transmission of neediness could be followed back to this time of auxiliary changes in agrarian relations.

Decline of social capital

The pre-colonial structure though exploitative was, somewhat, economic reality and social order of the day. Peasants were familiar with the traditional structure and fairly seemed as ‘non-complaining’ against that. Shirin Akhtar (1982) observed that the continuation of the zamindari in the same family for generations had naturally fostered closer ties between the hereditary zamindars and their projas who lived in the same village and ploughed the same land for years. Those traditional zamindars were replaced by new banian zamindars hitherto unknown and unrelated to the agrarian system. The Permanent Settlement thus neglected the benign role of the pre-British landed authority. For instance, zamindars' initiatives for building roads, bridges, serais, pathsalas, tols and resolving the problems of law and order in their realm, and even repairing the loss of property through theft and robbery began to disappear and, thereby, ruining the constructive forces of the village economy. The old networks of mutual support and the social capital were shattered. On the other hand, zamindars' governing authorities were eliminated under the Permanent Settlement which led to a multitude of structural tensions.

Decline in rural productivity

From the ancient period down to the so far industrial advent in the British era, Bangla was the general storehouse of folk or rural crafts and cottage industry. The villages, inhabited by peasants, artisans, goldsmiths, blacksmiths, carpenters, potters, fishermen, baniks and beparis (traders), traditional healers and so forth, were by and large self-contained while the inhabitants were bound together by the enduring institutions of kinship. If we look at the economic growth of the seventeenth century Bangla, it can be seen that the possibility of capital formation was not least. Irfan Habib says, "Though our evidence is not as firm as we should like it to be, there are some grounds for holding that the techniques in textile crafts were not absolutely stagnant."

The luxurious style of living, the pageantry and majesty of the considerable zamindars boosted indigenous arts and crafts. Forster noted that the private wealth was usually expended on the spot where it had been acquired, and though severity and oppression might have been exercised in the accumulation, yet, by its quick circulation, through luxury expenditure the country at large was improved and embellished, without any decrease of the general currency. Thereby fine quality cotton textiles, exquisite silks, jewellery, decorative swords and weapons etc. were produced by the indigenous entrepreneurs. Huge quantities of muslins, mulmuls and cosses were exported from Bangla to the markets of Europe. By collapsing the pre-British landed authority and, on the other hand, by creating absentee zamindars the above-mentioned arts and crafts were brutally declined.

It may be pointed out that most of the newly born zamindars left the village for cities and entered into politics and non-commercial professions. The rent, paid by the peasants was thus spent in cities. One immediate impact of it was that the wealth of villages was being drained to cities, thereby, wrecking the village economy. Moreover, zamindars' spending on luxury articles, social and religious ceremonies which had a positive effect on the economic life of the rural community was also reduced significantly.

4.5 LETS SUM UP

The first settlement made by the British was in Bengal. After a fruitless attempt at farming the revenues, Lord Cornwallis introduced in 1793 the Permanent settlement under which the state demand was fixed at 90% of the rental. The sum so fixed was unalterable for ever. A similar settlement was later introduced in North Madras and the district of Benares where a class of Zamindars similar to that of Bengal existed.

To demand 90% of the rental was certainly exorbitant. In the words of Dr. Mukerjee, the company based their revenue demand on their own needs and not on the facts of actual Zamindari receipts or rents of these days. However, the landlord had his compensation in as much as his revenue was fixed for ever. He now knew the exact amount to a pie which he was to pay as revenue. But the ryots—the actual tillers—were not protected. They were often ousted by the Zamindar who hoped to get a higher rent from another tenant. All he had to do was to allow the revenue to fall into arrears, have his estate auctioned, and then buy it under a false name. Consequently, a large number of estates were advertised for sale at auction for arrears of revenue. Many ascribed it to the 'stupidity and rascality' of the ryots in not paying the rents. Laws were, therefore, passed which made the ryots liable to personal arrest and imprisonment. This secured to the govt. "the realisation of its own revenue and enabled the zamindars to squeeze the last pie from their tenants".

No wonder, rents reached sky high. This may be seen form the fact that, in 1793, revenue was fixed at 90% of the rental; by the end of the 19th Century, rents had risen to such an extent that revenue came to a mere 28% of the rental. This is an index both of the prosperity of the Zamindar as well as the injustice done to other parts of India where assessments were much heavier.

4.6 KEYWORDS

Bargadar - means a person who under the system generally known as adhi, barga, or bhag cultivates the land of another person on condition of delivering a share of produce of such land to that person.
Jotdar - "wealthy peasants" who comprised one layer of social strata in agrarian Bengal during Company rule in India.

Bhadralok – gentleman

Serai – Hotel sort of.

4.7 QUESTION FOR REVIEW

1. What is Permanent Settlement of Bengal?

2. Write about the consequences of Permanent Settlement.

4.8 SUGGESTED READINGS

Islam, Sirajul, 1987. "The Problem of the Madhyasvatvas in Nineteenth Century Bengal", Journal of the Asiatic Society of Bangladesh.

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Jahangir, B. K., 1979. Differentiation, Polarisation and Confrontation in Rural Bangladesh, CSS. - Report of the Land Revenue Commission Bengal, Alipore, Volume I.

Schendel W. and Faraizi, A. H. 1984, Rural Labourers in Bengal 1880 to 1980, Rotterdam.

4.9 ANSWERS To CHECK YOUR PROGRESS

1. Hint – 4.2

2. Hint – 4.2

UNIT 5 – RYOTWARI AND CULTIVATION OF CROPS

STRUCTURE

5.0 OBJECTIVE

To know about the ryotwari system

To know about the Mahalwari system

5.1 INTRODUCTION

Ryotwari :

- Peasants were the owners of their land
- Peasants were directly responsible to give revenue
- It was implemented in 51% of the British areas
- It was started in 1792 by Col. Read
- Thomas Munroe improvised this system in 1820

- Major fault in this system was the excessive land tax

Mahalwari :

- The principle of group lagaan was implemented
- Unit of land tax was known as 'Mahal'
- Under this 'Mahal', one or more villages could join
- It was implemented in the areas of Punjab, UP and central Province
- It was implemented on 30% area
- It was started by Holt Mckenzi
- The rate of land under this system was very high
- Only cash was accepted under this system

5.2 RYOTWARI

Ryotwari System-Early History

Before the finish of the nineteenth century the breaking points of the Permanent Settlement had gotten outstanding to in the official circles. A significant constraint was that it left the state with no alternative to build incomes. When normal fighting requested more noteworthy stockpile of assets, this was an especially significant issue. A few authorities imagined that in 1793 the zamindars had got off very gently. At any rate, in many spots a previous class of landholders like Bengal zamindars were hard to discover. Likewise, Ricardian lease speculations and a newly discovered love for yeomen ranchers among the authorities following the Scottish illumination delivered a stamped doubt of the zamindars as a useless mediator bunch denying the express its real portion of farming excess. The authorities had been chipping away at different frameworks of surveying and gathering income. Ryotwari Settlement, which came into power in Bombay and Madras Presidencies from 1820s onwards, rose against this verifiable foundation.

Ryotwari framework was begun by Alexander Reed in Baramahal in 1892 and proceeded by Thomas Munro in after he assumed responsibility for income organization in the Ceded Districts. It was presented in Baramahal somewhere in the range of 1792 and 1798; in Coimbatore in 1799; in certain areas surrendered to the Company by the Nizam of Hyderabad in 1800 (Bellary, Anantpur, Cudappah, Kurnool) and in the Carnatic locale in 1801 (North and South Arcot, Nellore, Chittur, Madura and so forth). Rather than zamindars, Munro gathered income legitimately from towns and in this manner continued to evaluate every individual ryotor cultivator. Accordingly singular exclusive directly in land was vested on laborers. A differentiation, in any case, was made among open and private proprietorship. The state itself was characterized as the incomparable proprietor, and individual laborers as landowners who acquired the title by paying yearly money rents to the administration. At first ryotwari was conceived as a field framework. An administration official reviewed each field and fixed its income. On the off chance that the cultivator was content with the terms, he embraced to develop it. On the off chance that no cultivator was discovered the land was left neglected. Obviously nitty gritty reviews were required to make the framework work. The surveyor needed to by and by visit every single field, make right gauges of the nature of the dirt and territory of the field, and fix the income at a rate that would be pleasant to the worker. This, obviously, was the hypothesis. By and by, the evaluations were regularly mystery and turned out to be so preposterously high that they made the undertaking of assortment a significant weight to the state. The framework was nearly surrendered not long after Munro left for London in 1807.

Ryotwari System-Madras

Things started to change once Munro returned as Governor of Madras in 1820. Munro progressed ground-breaking contentions for his framework. He said this was the first Indian land residency and most appropriate the Indian conditions. All the more critically, the perpetually money starved Madras government received the framework for monetary reasons. There was no zamindar class in this framework to guarantee a portion of the agrarian excess. The state was allowed to hold whatever it constrained the laborers to pay. Subsequently Ryotwari was currently reached out to the greater part of the Madras Presidency, yet in a progressively harsh structure. While the prior adaptation depended essentially on nitty gritty reviews, presently the framework was presented in numerous areas with no studies. The income sum was fixed subjectively, as a rule with a reference to what the individual had paid in before times. This technique for appraisal was known as 'put-out' framework. The land income was fixed generally at a large portion of the gross produce on un-flooded 'dry' grounds and three-fifths on watered 'wet' lands. The frequency of the land income shifted gigantically from locale to area, and even from town to town. Also the previous opportunity of the laborer to decline to develop a land in the event that he didn't concur with evaluations rates was never again accessible. Torment was unreservedly utilized to constrain reluctant workers to pay incomes. There is no uncertainty that the effect of the framework on the provincial economy of Madras was particularly negative. The developing laborers were logically devastated and progressively obligated. They had no assets left for putting resources into development of horticulture. The land showcase turned out to be for all intents and purposes non-existent on the grounds that obtaining lands implied accommodation to extortionate income requests.

The framework neglected to expel the middle people too. Since the privileges of miravirsen station benefits of Brahmans were perceived, the customary town structure was not really adjusted, and in places even fortified. The mirasidars in truth easily made it to the lower levels of the income organization and some even purchased prolific and very much inundated agrarian tracts following their official arrangements. This thus brought about expanding pay off and defilement at the lower levels of income administration and more noteworthy pressure and mistreatment of the normal working class. All in all the re-meaning of property rights under the ryotwari framework reinforced the intensity of provincial magnates. In Tirunelveli, for example, the mirasidars controlled the framework to change over their aggregate rights into singular property rights. The Madras government indicated no enthusiasm for protecting the privileges of the customary occupants. The circumstance was the same in Tanjavoor or Tiruchirapalli, in spite of the fact that in South

Notes

Arcot and Chingelput regions real cultivators progressively tested the customary privileges of the mirasidars. In the Andhra areas too there was expanding separation among the lower class and the moderate strata by and large progressed admirably. The state of the little laborers for the most part deteriorated, aside from in little pockets.

Ryotwari System-Bombay

Ryotwari framework in Bombay Presidency started in Gujarat after its extension in 1803. At first, genetic authorities called Desais and the town headmen (Patel) were drafted in by the British land income specialists. The game plan neglected to fulfill the British and by 1813 or somewhere in the vicinity, they started to gather land income legitimately from the laborers. At the point when the Peshwa's regions were vanquished in 1818, a similar framework was presented there under the supervision of Mountstuart Elphinstone, a devotee of Munro. Notwithstanding, soon the maltreatment that hampered the framework in Madras showed up in Bombay too. The authorities regularly forced exceptionally high appraisal rates and the gatherers attempted to expand income as frequently as possible. Ryotwari framework was presented in Bombay in two stages. The primary stage was the beginning of a study for arrangement and evaluation of grounds by an authority called R K Pringle. His study was evidently founded on Ricardian hypotheses of appraisal. Be that as it may, his counts were seen as brimming with blunders and the evaluation excessively high. At the point when the Government attempted to gather the rates fixed by Pringle in Pune region, numerous cultivators fled and brought shelter into the region of Nizam of Hyderabad. The Pringle plot was supplanted around 1835 by a transformed framework concocted by two authorities called Wingate and Goldsmid. This framework attempted to peg appraisals at a reasonable level. The real rates were resolved based on nature of the dirt and area of the land. This new settlement, made based on a multiyear game plan, secured the vast majority of the Deccan by 1847. The effect of the ryotwari framework on the agrarian relations in the Deccan, particularly against the foundation of the Deccan mobs of 1875, has been the subject of some discussion. A few students of history accept that these settlements caused no major interruption in the rustic culture. The facts demonstrate that they diminished the town headmen to the status of a paid government worker however the decrease in his power had started before the British principle and the last just let it proceed. The framework didn't completely uproot the customary town elites either. In Gujarat the privileges of go-between residency holders, for example, Taluqdars were perceived. In any case, in focal Deccan an influence vacuum was made and Marwari moneylenders and Gujarati banias moved in with sad ramifications for the workers. Different students of history imagine that the ryotwari framework caused a significant social change by undermining the authority of the town headmen, which thusly came about into a significant status insurgency in the Maharashtra towns. This discontent eventually prompted the Decan riots. It might be contended that the results of the ryotwari settlement demonstrated to be less sensational than those of the Permanent Settlement. There is little ground, nonetheless, to preclude the basic reordering from securing the conventional agrarian relations started by these new settlements. In numerous regions real developing workers verified the title of ryots. Simultaneously, it was additionally feasible for non-developing proprietors to enter their names as ryots in numerous regions.

However, in central Deccan a power vacuum was created and Marwari moneylenders and Gujarati banias moved in with disastrous consequences for the peasants. Other historians think that the ryotwari system caused a major social upheaval by undermining the authority of the village headmen, which in turn resulted into a major status revolution in the Maharashtra villages. This discontent ultimately led to the Decan riots. It may be argued that the consequences of the ryotwari settlement proved to be less dramatic than those of the Permanent Settlement. There is little ground, however, to deny the fundamental reordering of the traditional agrarian relations initiated by these new settlements. In many areas actual cultivating peasants secured the title of ryots. At the same time, it was also possible for non-cultivating landlords to enter their names as ryots in many areas. It was observed particularly in well-irrigated districts where many ‘ryots’ possessed thousands of acres. This in turn created differentiation within the peasantry in terms of wealth and status. Initially the moneylenders were not interested in capturing the cultivator's lands on account of high taxes. However, after the introduction of revised rates under Wingate and Goldsmid scheme, land acquired a sale value and the buyer could expect to make a profit out of landownership. It is at this point that moneylenders began to seize the land of their peasant debtors and either evicted them or turned them into tenants. This process caused acute social tension and was one of the major factors behind the Deccan riots of 1875.

5.3 MAHALWARI SYSTEM

The third main revenue settlement, the Mahalwari settlement was introduced in the North Western Provinces, parts of central India and the Punjab in 1822. This was well after the Permanent Settlement and marginally later than the ryotwari settlement.

The North Western Provinces were acquired between 1801 and 1803 by both cession and outright military conquest. Initially the government wanted to make a permanent settlement with the zamindars. If zamindars were not found, preference was to be given to muqaddams, pradhans or any respectable ryot in the village. However, the revenue demand was jacked up abnormally between 1803 and 1817-18. As a result, by 1820, many of the traditional magnate class of upper India had either lost their position or shrunk in importance. Many of them resisted the sharp hike in revenue and were driven off their lands by the administration. Yet others could not pay the increased amount and had their lands sold off by the government. It became increasingly necessary therefore to recruit the village headmen in the revenue bureaucracy. In the records the fiscal unit was called a 'mahal' and village-wise assessment thus acquired the name mahalwari settlement. Plenty of scope, however, remained for an individual to hold a number of villages. Faced with increasing expenditure, the government subsequently dropped the idea of a permanent settlement.

The first systematic attempt to settle the revenue under this particular scheme was made by Holt Mackenzie who was a sectary to the Government, serving in the territorial department. He gave the final shape to Regulation 7 of 1822, that is, the rules governing the Mahalwari settlement. His primary idea was that zamindars and taluqdars were the real owners of the land and surveys should be carried out to fix the rights and obligations of zamindars, cultivators and others. Accordingly surveys were ordered to fix rates of rent and modes of payment prevalent in each field of every village. The surveys were inaccurate and the collectors often tended to push up the dues. In reality the rates proved to be too high and they ruined the village communities instead of encouraging them. By 1833 plans for detailed surveys were given up in favour of a rough estimate of how much a village can give to the state. These calculations were based on what the tenant had paid to the owners in the recent past. The aggregative calculation for the entire mahal was made on this basis, and half of it fixed as government due. All these involved guesswork on a large scale and they always tended to make estimates on the higher side.

A most obvious effect of the mahalwari settlement was that it reduce the area under the control of taluqdars. The government favoured the village zamindars as against the taluqdars, but only as an agent to extract the maximum revenue. The latter was released from the pressures of the taluqdars only to be subjected to greater pressure from the government. Eventually the village zamindar too suffered ruin. Lands went increasingly into the hands of the money lenders and merchants. This happened particularly in the more commercialized districts where the landholders suffered most severely from business collapse and export depression after 1833. On the whole the mahalwari settlement brought impoverishment and dispossession to the cultivating communities in North India during the 1830s and 1840s and certainly contributed to the discontent that eventually found expression in the revolt of 1857.

Salient features of the Land Revenue Settlements

There were three main features of the land revenue settlements introduced by the British in three different regions of India. The first related to magnitude of surplus appropriation. By means of the land tax and rent appropriated by the British bourgeois through the colonial state and its intermediaries, (the native landlords and usurers), out went not only the entire amount of surplus labour but also a part of the necessary labour of the peasants. The peasant was not only ground down to the barest minimum of means of subsistence, but at times denied even that. This appropriation of the entire surplus produce and/or labour as well as parts of the necessary produce and/or labour was a common feature of all the three revenue settlements. The second common feature relates to the nature of rent paid by the direct producers. The rent that the producers paid to the landlords and/or the colonial state was not the typical capitalist rent which represents an excess over profit. It was a typical fruitless feudal rent. There was no question of profit when even parts of necessary produce or labour were taken away. This revenue regime was thus no less feudal a system than its predecessors. It contributed little or nothing to the productive potential of the land or the producers. The third feature relates to the method of revenue collection. The appropriation of the revenue or rent by the colonial state or the landlords was in the main coercive. It was forcefully taken away and extra-economic compulsions always played their parts. This element of force or coercion in the process of revenue or rent collection was intensified as time passed.

Overall Impact of the Revenue Settlements

In this new climate, the business of money-lending experienced a phenomenal growth. Huge revenue demands were placed by the colonial state on the zamindars, individual peasants or the owners of the mahals. In order to meet the exorbitant revenue demands, the peasants were forced to borrow money from the moneylenders or usurers who made it comparatively easy for the peasants and landlords to pay the revenue within the specified date. They were always there with the requisite cash. In many cases usurers themselves were landlords. In colonial India, usury

History of India 17 capital sided with the colonial power and serviced the mechanism of tribute extraction. Together the colonial tribute extraction mechanism and usury capital also caused the disintegration of the small peasant economy and ruined the artisans. There was no way to escape the control of the money lenders. Whenever the peasant and the landlord required ready money, they had nobody to turn to except the money lender. The peasant would rather get into debts by mortgaging his lands than part with it altogether. Between losing his lands for good to the colonial government and mortgaging it to the moneylender with a hope that it could be redeemed someday, the peasant typically preferred the latter. But once he borrowed money, he was in debt. Once he became indebted, it was virtually impossible for him to get out of it, because it would not be possible for him to pay off the debt. It was not the principal alone, but also the interest that they had now to repay. The moneylenders often forged the signatures of illiterate peasants who often did not understand the contents of the agreements they themselves signed or rather gave a thumb impression to.

The result was that after a point of time the peasant had to part with his land, because he could not pay off his loans. Moneylenders themselves often became zamindars as they were the new owners of these formerly mortgaged lands. There was thus the parasitical growth of usury in the Indian countryside. It led often to debt bondage. Beside bonded labour, a new type of serf labour also arose in the countryside. Following the increasing penetration of commodity-money relations into the countryside, ownership of lands was transferred in larger numbers than before from the peasants to the usurers-cum-traders and landlords rolled into one. When peasants lost their mortgages, they were not immediately driven out of those lands, but engaged as sharecroppers into those very lands. They were in effect tilling the land that once belonged to them but which they knew was no longer theirs. The usurer-landlord took away all surplus product and some of the necessary product, without virtually making any investment. The sharecropper was for all practical purposes little better off than a bonded labour. The type of parasitic landlordism which created him flourished throughout India after the introduction of these three land revenue settlements.

Comparison between all the three land revenue systems -

The essential strategy for surplus extraction all through India had come to be the toll of land income for the sake of the sovereign principle. The wellspring of the vanquishers 'benefits, lay not in trade yet in land income. Amplification of land income was vital for the expansion of the profits. As an outcome a few trials have been propelled by English men in the field of land settlement to gather income however much as could reasonably be expected. In that procedure they presented three significant land settlements, for example the Permanent Zamindari in Bengal, the Ryotwari in Bombay and Madras, and the Mahalwari in North India. The correlation of all the settlement was made based on its regional limit, its evaluation technique and its effect on society and social request.

The prompt outcome of execution of the Permanent Settlement was both unexpected and emotional, and one which no one had obviously anticipated. By guaranteeing that zamindars' territories were held in interminability and with a fixed taxation rate, they became alluring items. What's more, the administration charge request was rigid and the British East India Company's gatherers wouldn't consider times of dry spell, flood or other catastrophic event. The expense request was higher than that in England at the time. Thus, numerous zamindars promptly fell into overdue debts. The Company's strategy of closeout of any zamindari lands considered to be financially past due made a business opportunity for land which recently didn't exist. A considerable lot of the new buyers of this land were Indian authorities inside the East India Company's administration. These civil servants were undeniably set to buy lands which they knew to be under evaluated, and in this way productive. Moreover, their situation as authorities gave them chance to rapidly procure the riches important to buy land through gift and debasement. They could likewise control the framework to bring to deal land that they explicitly needed.

History specialist Bernhard Cohn and others have contended that the Permanent Settlement drove right off the bat to a commercialization of land which recently didn't exist in Bengal. Furthermore, besides, as a result of this, it prompted an adjustment in the social foundation of the decision class from "ancestries and nearby boss" to "under government workers and their relatives, and to traders and financiers". The new proprietors were diverse in their standpoint; "regularly they were truant landowners who dealt with their property through chiefs and who had little connection to their territory". The Company trusted that the zamindari class would not exclusively be an income producing instrument however fill in as go-betweens for the political strength of their standard, safeguarding neighborhood custom and shielding provincial life from the perhaps voracious impacts of its own agents. Nonetheless, this worked in the two different ways; zamindars turned into a preservationist intrigue gathering. There was a propensity of Company authorities and Indian landowners to drive their occupants into estate style cultivating of money crops like indigo and cotton as opposed to rice and wheat. This was a reason for huge numbers of the most noticeably terrible starvations of the nineteenth century.

Moreover, zamindars inevitably became non-attendant proprietors, with all that suggests for disregard of speculation on the land. When the striking highlights of the Settlement were imitated all over India,the political structure was changed for eternity. The restriction of the state request empowered the zamindars to amass capital which consumed in cultivating rural undertaking, enterprises, open and private foundations, and in supporting the poor in the hour of trouble. The capital amassed by the zamindars was broadly circulated and advanced prosperity everything being equal. The landowner class held a lot more prominent power than they had under the Mughals, where they were dependent upon oversight by a prepared organization with the ability to interchange their residency. The Ryotwari framework established in certain pieces of British India by 1820 was one of the two primary frameworks used to gather incomes from the cultivators straightforwardly. Notwithstanding, the measure of incomes included undifferentiated land assessments and rents, gathered at the same time. Where the land income was forced legitimately on the ryots - the individual cultivators who really worked the land - the arrangement of appraisal was known as ryotwari. Where the land income was forced in a roundabout way - through understandings made with Zamindars- - the arrangement of appraisal was known as zamindari. In

Bombay, Madras, Assam and Burma the Zamindar as a rule didn't have a place of broker between the legislature and the rancher. John Stuart Mill in 1857 clarified the ryotwari land residency systemas 'the System where each enrolled holder of land is perceived as its owner, and pays lease straightforwardly to the Government'. He is at freedom to sublet his property, or to move it by blessing, deal, or home loan. He can't be launched out by Government insofar as he pays the fixed appraisal, and has the alternative every year of expanding or lessening his holding, or of completely forsaking it. In negative seasons reductions of evaluation are allowed for whole or halfway loss of produce. The appraisal is fixed in cash, and doesn't change from year to year, in those situations where water is drawn from a Government wellspring of water system to change over dry land into wet, or into two-crop land, when an additional lease is paid to Government for the water so appropriated; nor is any option made to the evaluation for upgrades affected at the Raiyat's own cost.

The Raiyat under this framework is for all intents and purposes a Proprietor on a straightforward and flawless title, and has every one of the advantages of an unending lease without its obligations, in light of the fact that he can whenever hurl his territories, yet can't be catapulted insofar as he takes care of his obligations; he gets help with troublesome seasons, and is unreliable for the installment of his neighbors. The Annual Settlements under Raiyatwari are frequently misjudged, and it is important to clarify that they are rendered fundamental by the privilege agreed to the Raiyat of decreasing or stretching out his development from year to year. Their item is to decide the amount of the appraisal due on his holding the Raiyat will pay, and not to reassess the land.

In these situations where no change happens in the Raiyats holding a crisp Potta or rent isn't given, and such gatherings are not the slightest bit influenced by the Annual Settlement, which they are not required to visit. John Stuart Mill, Examiner of the India Office, "Come back to an Order of the House of Commons (June 9, 1857), appearing under what residencies, and subject to what Land Tax, lands are held under the few Presidencies of India.11The Ryotwari framework is related with the name of Sir Thomas Munro, who was selected Governor of Madras in May 1820.Subsequently, the ryotwari framework was reached out to the

Mumbai zone under the supervision of Thomas Reid.Munro continuously diminished the pace of tax collection from one half to 33% of the gross produce, and, after its all said and done an over the top expense. The duty did not depend on genuine incomes from the produce of the land, however rather on a gauge of the capability of the dirt; at times over half of the gross income was requested.

In Northern India, Sir Edward Colebrooke and progressive Governor-Generals had beseeched the Court of Directors of the British East India Company, futile, to recover the vow given by the British Government, and to forever settle the land-charge, in order to make it workable for the individuals to aggregate riches and improve their very own condition. "Half the gross produce of the dirt is requested by Government, and this, which is about the normal rate any place there is anything but a Permanent Settlement, is unfortunately an excessive amount to leave a satisfactory arrangement for the present". To present the Ryotwari framework, the pioneers of the organization, as ahead of schedule as the beginning of the nineteenth century, were at that point unfalteringly arranged and the neighborhood boss were for the most part killed or decreased to irrelevance, to the benefit of the raiyats. The administration lean towards the new framework because of a few reasons. Basically, the raiyatwari framework was more down to earth than regulation.

James Mill assumed an ace job in the organization of new land income system. He was from 1819 until1830 quickly liable for drafting the income dispatches to India for following liberal land income assessment. Utilitarians any expectations of introducing a near society, in view of individual rights in the dirt, depended as much upon the income appraisal, and the enlistment of landholdings which went with it, as upon the superstructure of legal cods and foundation. Conceivable model here are the talukdars of northern India, whose past power over the income settlements of numerous towns was often put aside by mahalwari courses of action.

Permanent zamindari settlements were made in Bengal, Bihar, Orissa, Banares division of U.P. This settlement was further extended in 1800 to Northern Carnatic (north-eastern part of Madras) and North-Western

Provinces (eastern U.P.). It roughly covered 19 percent of total area of British India. The Mahalwari ensure was introduced in major portion of U.P., the Central Provinces, the Punjab (with variations) and the central providences;-while in Oudh villages are placed under taluqdar or middlemen with whom the government deals directly. This system covered nearly 30 percent of the British controlling area. The Ryotwari settlements were made in major portions of Bombay, Madras and Sindh Province. The principles of this system are also applied to Assam and Burma. A few hilly tracts in Bengal and the coast strip of Orissa have been temporally settled. This system covered roughly 51 percent of the total British Indian territory.

One fifth of the total area of the British India has been permanently settled, viz.,about 5/6 of Bengal and Bihar, 1/8 of Assam, 1/10 of U.P., ¼ of Madras. Of the total land revenue 53 p.c. comes from the first two classes of land, and 47 p.c. from Ryotwaritracts. All these major areas were subdivided into many tracts for the better management of land assessment. The three settlements region has been distributed under the in charge of several British officials and native landlord to look after the function of Land Revenue System. For example; initially Bengal territory were distributed among several zamindars that not only played the impotent role in land assessment process but also in local administration. The twelve major zamindars of Bengalwere;1. Burdwan Raj, 2. Rajshahi Raj, 3. Dinajpur Raj, 4. Nadia Raj, 5. Birbhum Raj, 6. Bishnapur Raj, 7. Eusufpur Raj, 8.Rajnagar Raj, 9. Lashkarpur, Raj, 10. Idrikpur Raj, 11. Roushanabad Raj, 12. Jahangirpur Raj.And many other small zamindars were controlling the whole regions The Madras territories weresub divided into several tracts of nellore, Trichinoply ,Coimbatore, Tanjore, Arcot etc. The Mahalwari settlement region like Central Province was distributed through several divisions of Meerut, Agra, Rohilkhand, Allahabad, Bundelkhand, Varanasi, Gorakhpur, Lucknow, Faizabad, Kumaun etc.

Again all these significant Division and Raj were further offer out among neighborhood boss and owners who regulated the arrangement of assessment assortment from towns or peasants. The significant of landowner bunch in land settlement region are:

(a)Under perpetual settlement the Zamindars were perceived as owners of the dirt with privileges of free inherited progression, deal and home loan, yet subject to the loss of their property on inability to the income on a fixed date.

(B)Settlement constrained for ever the state request to a fixed income and certain obligations or administrations. A portion of these administrations were a while later (1870) proceeded into stops.

(C) System stipulated that the Zamindar should safe-monitor the privileges of their occupants by giving those pattas or records expressing the territory and lease of their separate property.

(D) The Zamindars were made 'subject to such rules as may be established by the legislature for verifying the rights and benefits of the inhabitants in their separate residency and for securing them against undue or mistreatment'. All abwabs, or cesses demanded by the Zamindars notwithstanding the lease, were cancelled. The travel obligations and street and ship tolls were taken over by the administration, however the market instruments and benefits from fisheries, trees and waste land were left altogether to the Zamindars.

(E) The talukdars of Bengal were raised to the situation of zamindars and permitted to pay fixed income straightforwardly to the legislature.

(F) In Madras and Orissa numerous negligible tributary boss have been denied of their decision powers and decreased to rank of zamindars, subject to the instalment of fixed income. Essentially the zamindari framework was purported maker of private property in land.

Under the town settlement (Mahalwari) the income is agreed to a restricted period (30 years in U.P. also, 20 years in Punjab and C.P.), with the whole assemblage of townspeople who were together and independently liable for the income of the entire town. Their head called the Lambardar, consent to the arrangement with the legislature to pay the income for the benefit of the locals. The appraisal of the income by the town board is administered by the settlement official of the administration, and the town maps and records of rights are painstakingly safeguarded and raised to date. The administration request is assessed by a cautious estimation of the estimation of the land, the cost of the yields, and the recorded real produce of the field. In the Mahalwari settlement, the administration manages the go betweens, regardless of whether people or gathering of residents, who were considered answerable for the income. Almost 50% of the region consequently settled is developed by these agents themselves, and the other half by mediocre occupants subject to the brokers. The net resource is taken to be the monetary lease which the genuine cultivators pays to the prevalent owners, where there is subletting. In different spots, the net resources is landed at by deducting from the accept cost of the yields the estimated expense of generation, and minimal extra for his sumptuous. In the region of Oudh, the administration settled the income of a gathering of towns with a Talukdar or boss. These Talukdars contrast from the Zamindars of Bengal in two regards: (1) the settlement with the previous is impermanent, and they have no total directly over their domains, for example, the Bengal Zamindars have.

Under the Ryotwari settlement the administration manages the cultivators and perceives no go between. Every town is painstakingly studied, and each cultivator's holding or plot of land in it was checked and separately numbered. Town maps with precise limit lines, grouping of the dirt, and the names of the inhabitants, are deliberately aggregated and protected, and the income was evaluated on every tenant. This privilege of inhabitancy can be acquired and moved by the workers; subsequently there was some measure of sub-letting even in the Ryotwari territories. In different regards the strategy for evaluation was equivalent to in the Mahalwari settlement.

The Zamindari and Ryotwari regions varied in the example of their subsequent advancement. One significant determinant was speculation. In zamindari zone, the administration left the duty of making venture to the zamindars. In Ryotwari zones, they certainly or expressly accepted this accountability. Maybe there was a component of count too behind this dialog. Assessments being fixed always in the zamindari territories; the government could not plan to recuperate comes back to expanded resource estimation of the land as expenses. In Ryotwari the street stayed open. This was one reason, yet maybe by all account not the only one, why water system improvement struck a more noteworthy degree in the Ryotwari zones. Further, income cultivating had just debilitated the official data gathering framework in the towns on the eve of the Permanent settlement. Subsequently, zamindari regions proceeded for long to stay measurable back gaps.

In the perpetual settlement territory, the evaluation was all in all domain, yet it was for a time of years in particular. On the off chance that the towns in the home had protected their constitution and were not assemblages of agreement occupants, a "sub-settlement" would be made, which fixed what the town was to pay to the proprietor; just that all things considered it would be fixed at a higher figure to take into consideration the overlord's benefit. In the event that where the talukdari or twofold residency was discovered, the towns held the settlement direct, yet the talukdari stipend was demonstrated by for making the appraisal such a great amount of higher as to incorporate the sum. This was payable through the fortune and was not gathered by the overlord. Under Mahalwari settlement the town itself was proprietor, the segment on town residencies will have made the type of possession understandably; so it need here just to quickly expressed that the whole body was settled with a mutually and severally mindful unit; and that for every town or each patti or segment, a sharer of standing and decency attempted the essential risk and consented to the income arrangement for the entire body. Such an individual was called 'lambardar'. The weight of the income is dispersed among the co-sharers as indicated by the standard of sharing and constitution of the home. This procedure called the bachh. On account of the mahal settlement the evaluation depend on pretty much legitimately, on the genuine rental estimation of the grounds in the town dissimilar to perpetual settlement. There were a few contrasts as respect the method of technique in the Agra area, Oudh, Central region and Panjab, yet the fundamental rule is the equivalent, and the income is in fact said to comprise of a part (normally 50%) of the benefits (for the most part comprise of the all out lease really got) as every year got. Concerning town evaluations for the most part it will be recollected that the framework we are portraying was required by the inconceivability of rehashing the old perpetual settlement practice of simply anticipating singular amounts fixed on general thought, with no reference to the genuine valuation of the land. However, this framework bit by bit found and consummated.

Munro's Raiyatwari settlement begins with a precise study and a procedure of managing separate holding, and of laying a rate on the land instead of orchestrating an installment for the person. The raiyatwari framework doesn't affirm to decide rights in the manner that the Mahalwari system does; managing the real tenant of each field, there is no compelling reason to accomplish more than esteem and survey the field accurately. In any case, as the genuine tenant is for all intents and purposes, by and large, the proprietor, the settlement records do truly tie down rights, as it were, and a concentrate from the settlement register is as great a working title-deed as can be wished. On the off chance that there is any question about right, it is settled by the common courts; the settlement officials won't make any move past recording the individual in real control of the land. Like town settlement zone the raiyatwari area appropriately grouped the land and soil and surveyed the lease effectively. The premise of the appraisal isin hypothesis at any rate thatis not to surpass 50 percent of the net produce.

Check your progress –

1.Describe the Mahalwari system.

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2. Compare the different land revenue systems.

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5.4 INCREASE IN THE CULTIVATION OF EXPORT CROPS

During the pre-British era, a major part of India's population was dependent on agriculture. The farming technologies and irrigation facilities were not satisfactory. However, agriculture in villages was self-sustaining and independent.

The village communities either purchased or consumed the raw materials and articles directly. Consequently, starvations and famines were rare if not frequent. Of course, agricultural practices remained primitive, but the villages functioned independently and were self-sufficient. All of this went for a toss when the Britishers set feet on the Indian subcontinent.

The Colonial Saga

Britishers were keen on establishing a monopoly in India. They saw India as a means to drive their home country towards a state of unmatched power. Colonisers drew out every ounce of Indian resource and every drop of Indian blood for their selfish motives. Such was the state of exploitation.

During the British rule also the Indian economy remained agrarian. Rough estimates claim that about 85% of the economy derived their livelihood directly or indirectly from agriculture. Though, unlike the pre-colonial India, the feature of self-sufficiency vanished in the colonial state. This led to various famines which the colonizers paid no heed to provided it didn't affect their profit margins. Effectively, the agricultural sector continued to experience deterioration and stagnation, particularly marked by low levels of agricultural productivity.

Stagnation of Agricultural Sector during British Rule

Agricultural Sector

The Indian agricultural sector, which supported almost the entire economy, went towards stagnation. There was a negligible introduction of reforms to ensure an increase in productivity. On the contrary, the

Britishers continued to extract profits which broke the knees of Indian agricultural sector.

The major cause of this sorry state of Indian agriculture was the various land settlement systems of the colonial government. The highlight of this was the zamindari system which was practiced in the then Bengal presidency. Under this, the majority of profits went to the zamindars instead of the cultivators, ultimately filling up the pockets of their colonial bosses.

Just like their colonial masters, the zamindars did nothing to improve the state of agriculture. They were only concerned with collecting rent despite the economic condition and the plight of the cultivators. However, the revenue settlement policy particularly fuelled this ruthless nature adopted by the zamindars. Under this, the rent can be paid until a fixed date, failing which their colonial masters would take away all their rights.

Other Factors

Agricultural technologies remained primitive with no efforts to improve conditions from the British side. Even after the introduction of fertilizer technology farmers used natural manure, which resulted in low yields. This coupled with lack of proper irrigation facilities aggravated the misery.

The motive behind agricultural activities shifted from self-sustainability to commercialization focused upon the increase of profits of colonials. As a result, there was an increase in the yield of cash crops, but it helped the farmers in no way. Farmers were now mass producing cash crops instead of food crops, which were ultimately used for the benefit of British industries. These cash crops include cotton, jute, oilseeds, sugarcane, tobacco etc.

Additionally, at the time of partition, a large portion of fertile and highly irrigated land went to Pakistan, especially the jute producing areas that went with East Pakistan (now Bangladesh). Hence, the jute industry received a heavy setback. By and large, the Britishers further added to the plight of Indian agricultural system and left with an enormous task ahead of us.

5.5 LET'S SUM UP

During the last quarter of the eighteenth century and the first quarter of the nineteenth, the British colonial officials brought about far reaching changes in all spheres of Indian life. The most sweeping of these changes were wrought in the agrarian sector. These changes were very complex in nature and often contradictory. The old feudal structure was dismantled and a semi-feudal structure was put in place. The peasant's traditional right to occupancy over land was abolished. Slowly and steadily, land became a commodity, an alienable private property. The catchword for the early British colonialists in India was plunder. They aimed at the extraction of the maximum surplus of the peasant produce. Revenue, and not the peasant's welfare, was their primary objective. They introduced three new land revenue settlements in separate regions of India under their control. Through these, India was transformed into a raw-material supplying appendage to metropolitan Britain and a market for its manufactures. The Permanent Settlement was introduced in Bengal, Bihar and Orissa in 1793.The Ryotwari settlement was introduced in the early nineteenth century mainly in Bombay and Madras Presidencies. The Mahalwari settlement which governed revenue collection in parts or central India, North Western Provinces and the Punjab was launched around the same time. These, however, differed only in form and not in content. The ultimate policy objective was the maximization of land revenue.

5.6 KEYWORDS

Ryot - an Indian peasant or tenant farmer.

Mahalwari - Mahalwari system, one of the three main revenue systems of land tenure in British India, the other two being the zamindar (landlord) and the ryotwari (individual cultivator). The word mahalwari is derived from the Hindi mahal, meaning a house or, by extension, a district.

Zamindar – Land Lord

5.7 QUESTION FOR REVIEW

1. Describe what is Ryotwari system.
2. Compare Ryotwari and Mahalwari system.

5.8 SUGGESTED READINGS

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5.9 ANSWERS To CHECK YOUR PROGRESS

1. Hint – 5.3 Mahalwari

2. Hint – 5.3 Comparison

UNIT 6 RAILWAYS AND INFLUENCE ON INDIAN ECONOMY

STRUCTURE

6.0 OBJECTIVE

To learn about the introduction of railways in India

To learn about the impact of railways on Indian economy

6.1 INTRODUCTION

Railway being an important part of service sector also contributing to nation's economic development directly as well as indirectly. ... Service sector is gradually improving its share in employment. Capacity building on existing routes will help in carrying more and more freight, also in increasing passenger travelling.

6.2 RAILWAYS

6.2.1 ECONOMIC AND POLITICAL COMPULSIONS

From its beginnings in 1853, India's railway system expanded rapidly to become, by 1910, the fourth-largest in the world. This network, which covered most of the sub-continent, radically altered India's transportation system. Vastly increasing the speed and availability of transport, it also lowered costs substantially, thereby permitting new opportunities for profit. Regional specialization began to occur and trade expanded. From a country of many segmented markets, separated from each other by the high costs of transport, India became a nation with its local centres linked by rail to each other and to the world. Railways, by establishing these links, had an impact throughout the Indian economy.

Prior to the introduction of railways, transportation, except in the Indus and Ganges valleys and in the coastal regions, was costly, undependable, and difficult. Few roads existed, and many of these had fallen into disrepair. No were there many navigation canals. In many regions commodities in bulk could be moved only by pack-bullocks. Costs per ton mile were prohibitive for all goods except those which had a high value relative to their weight. Most internal transport was slow, and rates of spoilage were high. These conditions severely limited the size of markets to small regions which tended to be self-sufficient for most basic items. They also restricted the size of manufacturing enterprises to small-scale, often cottage, industries. There were a few exceptions. Cheap river shipping permitted Bengal to export rice. The high value of handloom textiles had made India a major exporter of cloth until the early nineteenth century when protective tariffs in Britain and the competition of foreign textile mills brought this trade to an end. Similarly, the international value of cotton during the Civil War in America stimulated the export of Indian cotton in spite of the risk of spoilage and the high cost of transport. Apart from these few exceptions however, the high cost of transport usually made it unprofitable to ship goods far from the regions in which they were produced. In contrast, railways offered the possibility of greatly reduced transport costs as well as reliability and speed.

Thus, not long after railway construction began in Western countries, the Government of India together with the British government decided to encourage the building of an extensive railway system in India. The reasons for this decision have not yet been fully investigated, but they appear to have been primarily commercial and political.1 Railways, it was believed, would assist the economic development of India and provide both a market for British goods and a source of raw materials. They would also aid in the rule and protection of India by facilitating the defence of the frontier and by transporting troops within the sub-continent. Assuming that private investors would probably consider the initial rate of return too low and the risks too high to lend the large sums necessary for Indian railway construction, the Government of India offered assistance in the form of a system of subsidies known as 'the guarantee'. Under this system, which was also used in other parts of the world to build railways, if a company did not attain a minimum rate of return of 5 per cent — in some cases the rate was less — it received compensation for the difference from the Government of India. Stimulated by an assured rate of return, British investors swiftly made their capital available to the private railway companies. These companies, after securing the Government of India's approval for the placement of their lines, built and managed the lines.

All of India's early railways, including the important lines leading inland from the port cities, were built in the context of the guarantee. After 1869 government units began to build and run lines also. Princely states, provinces, and even district boards constructed some railways. And between 1869 and 1882, because it felt it could construct more cheaply, the central government itself built several lines; of these, it managed some directly and leased others to private companies. In 1879 after the government purchased the East Indian Railway, the largest of the private lines, it initiated a policy of gradually taking over ownership of the large companies when their contracts ran out; management, however, was left in private hands. After 1925, the government again changed its policy and assumed direct management of lines when the management contracts of the private companies expired. In addition, mergers occurred, sometimes between private companies with a guarantee and companies owned by the state. The result was a complex system of ownership and management. There were state lines worked by private companies, state lines worked by the state, lines owned by companies guaranteed under old contracts, lines owned by companies under new contracts, district board lines, assisted companies' lines, princely state lines worked by companies, princely state lines worked by state railway agencies, and lines owned and worked by princely states. In 1902, for example, the Indian railways were worked by thirty-three separate administrations including twenty four private companies, four government agencies, and five princely states. Together, these government units and private companies succeeded in building a vast railway network for India.

6.2.2 UNIFICATION AND SUBJUGATION OF INDIAN MARKET

The construction of rail lines was rapid. In 1860 there were 1,349 kilometres of track, but by 1870 there were 7,678 kilometres, by 1890, 25,495 kilometres, by 1920-1, 56,980 kilometres, and by 1946-7, 65,217 kilometres.1 The first lines were built inland from the major ports of Bombay (1853), Calcutta (1854), and Madras (1856). By 1867, of India's twenty largest cities (according to the Census of 1872), nineteen were on railway lines, and by 1947 all but a few districts in remote regions were served by railways. The density of rail lines grew from 35 route kilometres per 10,000 square kilometres in 1880 to 159 in 1946-7. Assuming that the sphere of the trading area extended for 32 kilometres on either side of the track, by 1946-7, 78 per cent of India's total area fell within the range of the railway system. Once in operation, the railways offered substantial advantages over more traditional modes of transport such as pack-bullocks, bullock carts, camels, boats, and human carriers. Not only were railways more readily available, faster, and more reliable, they also provided substantial reductions in cost per ton kilometre. Comparing freight charges per ton kilometre by pack-bullock and bullock-cart in the early nineteenth century with railway charges a century later, we find a massive decline. By 1930-1 freight prices by rail per ton kilometre were 94 per cent less than prices per ton kilometre for pack-bullocks in 1800-40 and 88 per cent less than charges per ton kilometre for bullock-carts in 1840—60. By reducing transport costs railways brought significant economic benefits to India. Resources that would have been used to transport goods were saved and thus freed to be used for other economic activities. The extent of these savings is difficult to assess.

Nevertheless, a rough estimate can be gained by comparing the costs of shipping by rail with the costs that would have been incurred had alternative modes of transport been used. To compare these costs, a sample year, 1900, was selected. To obtain an all-India cost for shipment by rail, the figures for the total sales (ton kilometres multiplied by price per ton kilometre) of each railway line were gathered and added together. Estimates for the cost of shipment of these same goods by non-rail were made by taking for each railway line the least expensive alternative — whether bullock-cart, pack-bullock, camel, pony, human carrier, river boat, or canal boat — and hypothetically shipping the same tons the same distance. Necessary to the use of this technique were certain assumptions which influenced the estimates of cost and thereby the estimates of total savings.

Since information for estimating the long-run cost functions for carts, boats, etc., is lacking, it was assumed that the price per ton kilometre for each alternative would have remained unaffected by changes in volume. In reality, had railways not existed, in the long run some producers of goods would probably not have paid the higher prices charged by carts and camels and would have moved their production closer to cheaper non-railway alternatives. Such adjustments would have led to lower costs for the alternatives. Moreover, the higher prices asked for transport by carts, camels, etc., would have reduced the volume shipped which would also have altered total costs. Since it is impossible to measure the magnitude of either response, it was assumed that users of transport services would want to ship the same volume of goods the same distance at the higher prices charged by the alternative means that they did at the lower prices charged by railways. It was further assumed that there would have been no additional costs for the non-rail alternatives. In fact, the economic system would have paid extra charges for the slower speed and higher spoilage rates that would have resulted from the use of boats and animal transport and for the larger storage facilities and inventories that would have been needed because of low water in the rivers in the dry season and unpassable bullock-trails in the monsoon.

Since we do not have information about storage and inventory charges, these costs have been taken to be zero. Given these assumptions, the comparison of total charges for transporting the goods shipped by rail in 1900 with the estimated charges had they been shipped by the cheapest non-rail means indicates that it would have cost approximately Rs. 1.2 billion more by non-rail. The size of this amount, equal to approximately 9 per cent of national income in 1900, suggests that railways, by reducing transport costs, brought considerable savings to the economy. Even in regions which had relatively light rail traffic and low profits, the savings in costs were significant. Using the same methods and assumptions as for all-India, we find that for the relatively unprofitable lines, those consistently earning less than 5 per cent,1 the cost of shipping goods by rail in 1900 was approximately Rs. 372 million less than it would have been by the cheapest alternative means.

This amounted to savings in transport costs equal to roughly 4 per cent of national income. It is true that estimates of savings based on counterfactual techniques, such as gauging the cost of shipping goods by alternative means, must be looked at with caution; but the results of this analysis indicate savings of such a magnitude that even if they are overestimated, the Indian economy must have received substantial economic benefits from the subsidy. Contemporary critics, while recognizing that the guarantee yielded benefits to the Indian economy, condemned the heavy costs. They rightly believed that the guarantee contributed substantially to the 'drain' of funds from the sub-continent. Certainly justified was their criticism that the companies, because they were guaranteed a set minimum rate of return on their capital, spent more for construction per track kilometre than local conditions warranted. Wasteful construction lowered companies' actual rates of return and unnecessarily increased the subsidy and the drain.

Another factor contributing to the drain was the placement of track. Had the commercial potential of a region been the primary criterion for making decisions about the location of lines, the drain would have been considerably reduced; but placement required government approval, and the Government of India followed a policy that aimed at having lines spread widely across the country. This policy was based partly on humanitarian and strategic considerations. The Government of India felt that some lines should be built to lower the risk of famine, and using its power to dictate the location of track, it approved so-called 'famine lines' which were constructed for the purpose of transporting grain to poor famine areas in time of need. The government also had military concerns. And since it viewed the railways as an instrument for aiding the military in controlling the population and for defending the frontier, it authorized lines, on which large sums were expended, to strategic points on the frontier through regions that could support only light civilian trafic. Again for strategic reasons, lines built through cities normally avoided the central business districts and passed through the outskirts. This allowed the lines to be defended from mobs more easily, but the needs of potential customers were disregarded.

There are other indications that the Government of India was less interested in potential earnings and volume of traffic than in other considerations. For example, some cotton-growing regions had lines built into them early, but many of these lines by-passed the major marketing and collection centres. And some of the richest cotton tracts lacked lines entirely until late in the nineteenth century. Unquestionably, government policy was responsible for the building of many miles of track in low-profit areas, track that had to be subsidized. The unprofitable lines — those earning less than 5 per cent in the years 1879 to 1900 and requiring a subsidy — accounted in 1900 for 70 per cent of the total length of track and 43 per cent of the earnings of the entire rail system. Of the earnings of these lines, 81 per cent accrued to units with a profit of less than 3.5 per cent. There can be no doubt that the subsidy and consequently the drain would have been reduced had a greater density of track been placed in regions where profits were likely to be high. Yet, had this been done, it is virtually certain that a strikingly different configuration of lines would have resulted. An indication of what this pattern of lines would have looked like can be gained by looking at the lines which showed profits greater than the 5 per cent guarantee. In the years 1879 to 1900 almost all of the lines not requiring a subsidy were located in north India in an area which included much of the Ganges valley between Bengal and Delhi, extending in the north to a point in the Punjab 105 kilometres south of Lahore, in the south to Bombay, Poona, and Nagpur, and returning to meet the Ganges at Allahabad.

Also making substantial profits were a few other lines: a line running south from Poona to Raichur, 32 kilometres of track from the Kistna river in British India to the Nizam's railway at the border of Hyderabad state, and 16 kilometres of line leading to the Kolar goldfields in Mysore. Of the total gross earnings of these lines, 31 per cent went to lines with a profit of between 5 and 7 per cent, 28 per cent to lines with a profit of between 7 and 8 per cent, and fully 41 per cent to those whose rate of profit was above 8 per cent. Most of these lines probably would have been built even if there had not been a subsidy, perhaps not as early as they were but certainly by the late nineteenth century. On the other hand, many, if not most, of the unprofitable lines depended for their very existence upon the guarantee. Those earning less than 5 per cent included some of the lines in the north-west and in the Ganges valley, most of those in the Deccan, and all of the lines in Sind and south India. Thus, although the drain was increased by the guarantee, had the guarantee not existed, it is unlikely that private capital would have invested in railways for large areas of India.

These areas would, then, have had no rail service at all. In absolute terms, the money paid out of Indian tax revenues to British investors in subsidies was substantial. Between 1849, when the guarantee was first awarded, and 1900, when the earnings of the railways as a group began to equal or exceed the guarantee, a total of Rs. 568 million was paid out. In relative terms however, this sum was minimal. In a sample of eleven years between 1860—1 and 1895—6 the amount paid out for the guarantee averaged only 0.2 per cent per year of national income; in none of the sample years did it exceed 0.3 per cent. And for this India not only received substantial savings in transport costs but a massive network of rail lines that served the whole country. A more serious criticism of the subsidy was that the expenditures for railways did not have the highest social benefits relative to costs. Tax revenues which were spent to subsidize the construction and operation of railways might instead have been expended on public projects, such as roads, navigation canals, improvements in existing waterways, irrigation, and agricultural research.

While we do not have enough information to make a comprehensive assessment of this issue, it is very likely that the capital expended on much of the railway system would have yielded higher social rates of return had it been spent on other projects. Railways, however, dominated the thinking of the day. So sure was the Government of India that railways were a necessity for the effective political and military control of India and for economic development that it did not seriously consider encouraging or undertaking many significant alternative investments. The impact of railways was felt in all sectors of the Indian economy. Both people and goods began to make extensive use of the railways. Contrary to earlier predictions that they would not travel on railways in large numbers, there was a total of 19 million passengers in 1871; in 1901,183 million;in 1929-30, 630 million; and by 1945-6 passengers buying tickets exceeded 1 billion annually. Passenger kilometres also soared, from 4.6 billion in 1882, when statistics were first collected, to 35.9 billion in 1929-30 and 67.7 billion in 1946-7. Passenger kilometres per capita stood at 18 in 1882, 108 in 1929-30, and had reached 164 by 1946-7. The total volume of ton kilometres of freight moving within the subcontinent also rose dramatically in the railway era. In 1871 the net metric tonnage of freight carried by the railways was 3.6 million; by 1901 it had risen to 42.6 million, by 1929-30 to 116 million, and by 1945-6 to 143.6 million. Net ton kilometres increased from 4 billion in 1882 to 44 billion in 1946—7, while net ton kilometres per capita went from 15 in 1882 to a high for pre-Partition India of 118 in 1941-2. Much of this increased volume was composed of goods destined for foreign markets or goods being imported into India. The reduction of shipping costs, therefore, must be counted as a major factor in changing India's position in international trade. Railways helped Indian agricultural commodities to become competitive internationally and made possible an enormous expansion in the export of products such as wheat, rice, jute, leather, oilseeds, and cotton. Before railways only a very small proportion of agricultural output normally was exported, but after railways, substantial amounts of both food and non-food crops began to be shipped overseas-as much as 13 per cent of the wheat produced and an even greater percentage of non-food crops.

The growth of exports occurred extremely rapidly. India's exports of wheat exemplify this growth. Before railways the sub-continent exported no wheat at all, but by 1886 India was supplying 23 per cent of Britain's imports of wheat. In real terms, the value of exports increased 230 per cent from 1862 - the first year for which estimates for trade excluding Burma are available-to 1928-9. The growth of exports was paralleled by a rise in imports. These were composed primarily of manufactured items, such as cotton textiles, yarn, and capital goods. From 1862 to 1928-9 the value of imports rose by 350 per cent in real terms. By the 1880s Britain had become both India's largest customer and the source of fully three-quarters of the subcontinent's imports. Railways, therefore, not only reshaped the pattern of India's foreign trade but helped tie India to the British economy. Just as railways were responsible for expanding India's overseas trade and changing its orientation, they also promoted internal trade. In so doing, they were instrumental in transforming the structure of prices in India. Before railways, inter-regional price differences were pronounced, and the local prices of grain, cotton, and other agricultural commodities fluctuated with the changes in local supply conditions, particularly rainfall.

As the railway network expanded, and with it trade in commodities, price differences between regions narrowed dramatically. The extent of this convergence for wheat and rice, two major export crops, is shown in graph 8.2 which represents a five-year moving average of the coefficient of variation (standard deviation divided by the mean) for the prices of wheat and rice in a sample of 188 districts. In the period from the middle of the early 1870s to the middle of the first decade of the twentieth century (by which time most of the sample districts had railways), as districts acquired rail service, the coefficient of variation tended to fall.

That railways constituted the determining factor in this decline is confirmed by the consistently lower price-differences in those districts with railways as compared with those without railways. A similar convergence occurred in the prices for major food crops that were not exported, such as jowar,1 and also in those for non-food crops, such as cotton. The behaviour of prices indicates that because of the falling costs of transport, markets were not only widening but were becoming national markets. The agricultural sector of the economy was deeply affected by the widening of markets. For the first time, prices in India were susceptible to any significant shift in world prices. Indian agriculture became linked to world trade cycles. As part of this linkage, farmers' decisions about which crops to plant were affected by prices set in international markets; i.e., agriculture began to become commercialized. Instead of producing solely for a local market in which prices fluctuated with local conditions of supply, agriculturalists found that they could sell their surpluses outside the local region at a relatively stable market price.

As a result, a trend toward regional specialization occurred. Acreage in many crops, such as jute, cotton, oilseeds, and groundnuts, was intensified in regions suited to their cultivation. Commercialization brought far-reaching changes to rural areas. Greater specialization and the opportunity to export agricultural commodities raised the value of farm output in districts with access to railways. This led to a greater demand for land which in turn stimulated sales of land and brought about higher land prices, rents, and taxes. The growth of exports also led to an increased flow of income into rural areas. Which classes gained from this flow of income depended on local conditions. Where credit was in short supply, moneylenders profited and enhanced their economic power by lending to cultivators who needed loans to finance the cultivation of crops for export and to pay their ever-rising taxes. Large landowners reaped advantages both from the sale of their surpluses and from their capacity to make loans, and those small landowners whose holdings were large enough to provide surplus acreage also benefited. Still another group which realized gains was that of the landless labourers in regions of low population density, such as the Central Provinces and Bihar, where real wages rose as farmers expanded acreage in labour-intensive crops.1 Much of the new flow of income to rural areas was spent on consumer goods, but some of it was saved, a fact affirmed by the large amounts of gold that began to be imported into rural regions. On the other hand, some was used to finance the expansion of acreage under the plough.

This affected employment. While we cannot form firm conclusions about the impact of railways on total agricultural employment until we know more about the specific labour requirements of the new commercial cropping patterns, it is likely that the expansion of acreage generated by railways led to a net increase in jobs in the agricultural sector. The decline in transport costs also had an impact in the non-agricultural sector. In some regions it caused output and employment in certain occupations to expand, in others to contract. The transport sector itself illustrates this simultaneous expansion and contraction. Railways required so many workers that by the late nineteenth century they constituted the largest single employer within the modern sector of the economy. By 1865, when Indian industry was still in the embryonic stage, railways employed 34,000 workers in the running of the system; in 1895,273,000 workers were employed; prior to the great depression, the number of workers had reached 790,000, a figure that was stable until the Second World War when employment rose again; by 1946—7 railway employees numbered 1,047,000. Yet, at the same time railways were creating jobs, they were the cause of the loss of jobs to many owners and operators of alternative means of long-distance transport who found themselves unable to complete with railways. Nevertheless, since cart men and boatmen continued to be needed to take goods to and from the railways, the sheer increase in the volume of goods being shipped within the sub-continent may have generated as many new jobs in the transport sector as were lost. In the manufacturing sector the effects of railways on output and employment were equally mixed. Before railways virtually no modern industry existed in India. By transporting raw materials at lower cost and carrying finished goods to internal markets, railways played a major role in the growth of India's modern industry. That this growth was extremely limited, however, is evidenced by the fact that the percentage of the total workforce employed in industry did not increase before the Second World War.

There was, nevertheless, a sizeable absolute increase. The number of workers employed in modern industry went from c. 400,000 in 1900 to c. 2 million by 1938. Whether this increase was accompanied by corresponding losses in employment in the more labour-intensive traditional manufacturing industries, whether in rural or urban areas, is an issue that is far from settled. There is no doubt that with the introduction of railways local industries which had been sheltered from competition by the high costs of transport were forced to compete with industries outside the local region. An example is the handloom industry, a major source of employment in the pre-railway era. Some argue that railways caused a decline in handlooms by making imported and Indian-made factory cloth available at prices lower than local weavers could charge. Others maintain that the market position of handloom cloth was actually strengthened by the railways due to the new availability of low-priced factory-made yarns and that the number of weavers did not decline. It is certainly possible that inputs brought in by rail assisted small-scale and cottage industries by lowering costs. If this is true, the losses in employment in traditional industries may have been small and offset by the gains in modern industries.

Check your progress –

1. What were the economic and political compulsions during the introduction of the railways?

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2. How did railways united the entire country?

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6.2 LETS SUM UP

Railways were the most important infrastructure development in India from 1850 to 1947. In terms of the economy, railways played a major role in integrating markets and increasing trade. In terms of politics, railways shaped the finances of the colonial government and the Princely States.

6.3 KEYWORDS

Train, railways, Bengal Nagpur railways, colonial era, wagon

6.4 QUESTIOND FOR REVIEW

1. Discuss about the contribution of railways to Indian economy.

2 How did railways modernise post 1900s?

6.5 SUGGESTED READINGS

The Cambridge Economic History of India by Meghnad Desai, Vol 2

Economic History of India by Tathagata Roy

6.6 ANSWERS TO CHECK YOUR PROGRESS

1. Hint 6.2, 6.2.1

2. Hint 6.2

UNIT 7 – FAMINES AND BRITISH ECONOMIC POLICIES

STRUCTURE

7.0 OBJECTIVE

To learn about the droughts and famines caused by the policies of the British

To know about the human impact in Indian history

7.1 INTRODUCTION

The word "Famine", derived from the Latin word, called, 'Fames', means 'hunger'. Southard in 'Encyclopaedia of social sciences', defines famines as "a state of extreme hunger suffered by population of a region as a result of failure of accustomed food supply". Amartya Sen, in his work, 'Poverty and Famines: essays on the entitlement and deprivation', (1985), defines famines as "a particular virulent manifestation of starvation causing wide-spread death".1 B.M. Bhatia, in his work, 'Famines in India' (1991), defines, "Famines, under modern conditions, has come to signify an abrupt sharp rise in food prices which renders food beyond the reach of the poor who suffer starvation". He further adds that in a modern famine, food may be available at all times in the market but prices are so high that the poor people cannot purchase it.

7.2 FAMINES AND BRITISH POLICIES

Life is a combination of pleasure and pains. Pleasure is a concept, which need not be explained. But the idea of pain needs some attention. Any disaster may be at the root of 'Pain.' Among the many standpoints for disaster, 'famine' is the most dreadful one. It is a 'menace to mankind.' That is why in the olden days famine and controlling of famine were the most tumultuous problems to the State. With a changeover of the conditions of the society over a period, and with stringent efforts to erase the dreary of famine, famine-creating conditions appear to have eroded. But it has not been completely extinguished and in fact with new dimensions and with new phases its prevalence is being experienced. Famine situation of Anantapur district can be given as one example. In this regard it is worthy to assess as to what the so-called concept of famine means and what are its multifarious ways. Famine is a disaster that occurs as the result primarily of drought, but it can also follow pestilence, windstorm, and human-induced catastrophes such as war and civil strife. Starvation is the result of food shortage. Famine and food emergencies are common Africa and Asia, despite many intense and continuing efforts to address the problems. Drought related famines appear to occur with cyclical frequency in many parts of Africa, both along the edges of deserts and in certain rain forest regions.

Famines rarely occur unexpectedly, food stocks are not often depleted or destroyed suddenly and simultaneously in large communities. Crops in the fields may be destroyed quickly by pests such as locusts, but grain stocks may be rendered totally unfit for human consumption, only as a result of moisture damage, infestation or contamination. Non-grain commodities are more vulnerable to damage and loss, especially those that cannot be stored without modern technology such as refrigeration. More frequently, famine is predictable, in other words, the creeping onset of crop failure or food emergency is predictable from a series of meteorologic, agricultural, political and economic indicators that may be monitored continuously. This process of famine preparedness through surveillance is a major function of the Food & Agriculture Organization (FAO) head quartered in Rome. Where international concern is not hampered by political constraints, the early warning system has begun to work relatively well in recent years, and international appeals for food assistance have been mounted successfully on many occasions. However, the bureaucracy is somewhat cumbersome, and bulk shipments by sea and by land are subject to many delays, so that international response to famine has often been a slow process. Thus, it is extremely important that: indicators of an impending famine be closely monitored and measures taken quickly if it appears that a food shortage is developing; priority be given to developing strong food and agricultural systems that provide an adequate fall-back resource in threatened areas. Famines continue to raise deep questions about the performance of economic and political institutions

Famines in British India were severe enough to have a substantial impact on the long term population growth of the country in the 19th and early 20th centuries. Indian agriculture is heavily dependent on climate a favourable southwest summer monsoon is critical in securing water for irrigating crops. Droughts, combined with policy failures, have periodically led to major famines in India, including the Bengal famine of 1770,1 the Chalisa famine, the Doji bara famine, the great famine of 1876–78, and the Bengal famine of 19432. Some commentators have identified British Government inaction as contributing factors to the severity of famines during the time India was under British rule. The 1883 Indian Famine Codes, transportation improvements, and changes following independence have been identified as furthering famine relief. In India, traditionally, agricultural labourers and rural artisans have been the primary victims of famines. In the worst famines, cultivators have also been susceptible.

One of the earliest treatises on famine relief goes back more than 2000 years. This treatise is commonly attributed to Kautilya, who recommended that a good king should build new forts and water-works and share his provisions with the people, or entrust the country to another king. Historically, Indian rulers have employed several methods of famine relief. Some of these were direct, such as initiating free distribution of food grains and throwing open grain stores and kitchens to the people. Other measures were monetary policies such as remission of revenue, remission of taxes, increase of pay to soldiers, and payment of advances. Yet other measures included construction of public works, canals, and embankments, and sinking wells. The late 18th and 19th centuries saw increase in the incidence of severe famine. These famines in British India were bad enough to have a remarkable impact on the long term population growth of the country, especially in the half century between 1871–1921

The first, the Bengal famine of 1770, is estimated to have taken the lives of nearly one-third of the population of the region about 10 million people. The impact of the famine caused East India Company revenues from Bengal to decline to £174, 300 in 1770–71. The stock price of the East India Company fell sharply as a result. The company was forced to obtain a loan of £1 million from the Bank of England to fund the annual military budget of between £60,000–1 million7. Attempts were later made to show that net revenue was unaffected by the famine, but this was possible only because the collection had been "violently kept up to its former standard”.

The 1901 Famine Commission found that twelve famines and four "severe scarcities" took place between 1765 and 1858. Researcher Brian Murton states that the famines recorded after the arrival of the English, but before the establishment of the Indian Famine Codes of the 1880s, bear a cultural bias regarding the stated causes of the famine because they "reflect the view of a handful of Englishmen. These sources, however, contain accurate recordings of weather and crop conditions. Florence Nightingale made efforts to educate British subjects about India's famines through a series of publications in the 1870s and beyond. Evidence suggests that there may have been large famines in south India every forty years in pre-colonial India, and that the frequency might have been higher after the

12th century. These famines still did not approach the incidence of famines of the 18th and 19th centuries under British rule. Causes of Famine: The famines were a product both of uneven rainfall and British economic and administrative policies.

Colonial polices implicated include rack-renting, levies for war, free trade policies, the expansion of export agriculture, and neglect of agricultural investment. Indian exports of opium, rice, wheat, indigo, jute, and cotton were a key component of the economy of the British Empire, generating vital foreign currency, primarily from China, and stabilising low prices in the British grain market. Export crops displaced millions of acres that could have been used for domestic subsistence, and increased the vulnerability of Indians to food crises. Others dispute that exports were a major cause of the famine, pointing out that trade did have a stabilising influence on India's food consumption, albeit a small one

The famine of 1876–78, also known as the Great Famine of 1876–78, caused a large migration of agricultural labourers and artisans from southern India to British tropical colonies, where they worked as indentured labourers on plantations. The large death toll about 10.3 million offset the usual population growth in the Bombay and Madras Presidencies between the first and second censuses of British India in 1871 and 1881 respectively. The large-scale loss of life due to the series of famines between 1860 and 1877 was the cause of political controversy and discussion which led to the formation of the Indian Famine Commission. This commission would later come up with a draft version of the Indian Famine Code.

It was the Great Famine of 1876–78, however, that was the direct cause of investigations and the beginning of a process that led to the establishment of the Indian Famine code18. The next major famine was the Indian famine of 1896–97. Although this famine was preceded by a drought in the Madras Presidency, it was made more acute by the government's policy of laissez faire in the trade of grain19. For example, two of the worst famine-afflicted areas in the Madras Presidency, the districts of Ganjam and Vizagapatam, continued to export grains throughout the famine. These famines were typically followed by various infectious diseases such as bubonic plague and influenza, which attacked and killed a population already weakened by starvation.

Historical Perspective:

Historians have recognized that one of the major pre-requisites of the evolution of a civilization in any society is the surplus production of food grains and other agricultural produce. All the world's early civilizations arose in low land river valleys where temperate climate and fertile, alluvial soils increased yields above the mere subsistence level. Only when food production has surpassed levels of bare subsistence, when agriculture is no longer a people's full time occupation then the society has the time and energy to devote for the development in other fields like education, science and technology and for promotion of different welfare programmes like health, hygiene and cultural activities especially in the rural areas which characterize the growth of civilization. It is a universal fact that the development of agriculture and food production directly depends on the water resources. Without adequate water resources, food production becomes scare and hence life is insecure.

In the absence of perennial rivers, farmers totally depend upon the rainfall or irrigation facilities. Unfortunately during the last several centuries many parts of our country have been prone to severe drought and famine conditions due to several factors namely political instability, internal chaos, spreading of severe infectious diseases like plague. Cholera etc., drastic change in climatic conditions and rapid deforestation. Origin and Meaning of Famine: The origin of the word 'famine' can be traced to the Latin word 'fames' meaning hunger. 'Hunger' is an emotional word associated with fundamental bodily sensations which impel living things to seek for food in a multitude of curious ways.' In fact famine is the aftermath stage of hunger i.e., generally famine is something deeper than hunger.

Though the word 'famine' is a distressful concept but it is experienced in many ways. We have a plethora of definitions explaining the concept of famine. Encyclopedia of Social Sciences defines famine as "a state of extreme hunger suffered by the population of a region as a result of the failure of the accustomed food supply. But this definition, which strongly emphasizes the failure of food supply in a particular region as a frequent cause to famine, is of no relevance in these days because of the tremendous development of transport and trade, which opened a new vent for the inflow or outflow of food items over riding the regional obstacles.

According to Encyclopedia of Britannica famine is an "extreme and general shortage of food causing distress and death from starvation among the population of a district or country, in this definition the word starvation, which appears to be synonymous with hunger needs explanation. 'Starvation' can simply be defined as a suffering caused by lack of food. It occurs in a great variety of circumstances and has numerous causes. Sometimes starvation may be self-imposed one as in the case of "hunger strike" or political agitation etc. This type of starvation, which will artificially prevail i.e. man-made, cannot be taken as for famine, because famine suggests the action of something supra power than that of man in its origin. It has been envisaged above that famine in a region is due to scarcity of food caused by natural or man-made phenomenon resulting in human sufferings. Natural factors are droughts, floods, soil erosions, irregular monsoons and cyclones.

Man-made phenomena are lack of purchasing power due to unemployment, lack of alternative occupations lack of necessary skills, prevalence of unwanted and outdated skills. Low productivity in agriculture as well as in other areas due to underdevelopment of technology lack of infrastructure facilities, decline of cottage and small industries institutional and social barriers concentration of economic power and lack of knowledge about the available resources etc

Famines are temporary, but their effect is secular. If one is interested to state the salient features of the concept of famine, it can be said that: 1. Famine is a regional concept. Its scope is limited; 2.The effects of famine are dreadful, 3. Famine is due to shortage of food articles either created naturally or Wan t only 4. Famine mainly springs up from agricultural sector 5.Famine does not affect the highly affluent societies. It is a distressing problem for the under developed countries, 6. Famine is the result of underdevelopment of infrastructure facilities. With the development of trade and transport, the scarcity has been diminished. Famines in 19th and 20th Centauries Numerous famines occurred in India throughout the 19th century, and their victims were often counted in millions.

There is a fair amount of agreement among 19th century analysts and later economic historians concerning the proximate causes underlying these catastrophes. In most (nearly all) cases, famine followed massive crop failures resulting from drought. The immediate effect of these crop failures was not only to reduce food availability in the affected region, but also (more importantly) to shatter the rural economy. In particular, landless agricultural labourers found little employment as field activity was brought to a standstill while general impoverishment simultaneously enlarged the supply of casual labour. Food prices increased. As the less vulnerable groups strived to maintain a reasonable food consumption level (possibly by selling assets), while trade was often slow to move food to the affected area from other regions. Wages lagged behind price increases, further aggravating the plight of agricultural labourers. The operation of the so-called "moral economy" did little to mitigate their sufferings, which all too often ended only in death. Thus severe famines frequently took place even when crop failures were only localised (as well as short-lived) and food was far from wanting in the country as a whole. This recurring scenario was aptly summarised by Baird Smith's well-known statement to the effect that famines in India were "rather famines of work than of food".

The same verdict was arrived at later by successive Famine Enquiry Commissions, as well as by most independent analysts - though there has predictably been much more controversy about the persistent causes of poverty in the same period. The

Famine Commission Report of 1880 (the first major report of its kind) is worth quoting here, not least because it unwittingly provides a fine blend of class analysis and modern "entitlement theory" Another important aspect of the received analysis of 19th century famines is the view that entitlement failures occurred amidst plenty rather than in the context of a fierce battle for scarce food. There was a rather striking degree of agreement on this question in the official reports of the time, as well as among later commentators of very diverse persuasions - from Baird Smith (1861) to Ghose (1982) and including Naoroji (1900), P.C. Ray (1901), S.C. Ray (1909), Loveday (1914), Srivastava (1968), Mc Alpin (1983) and Guz (1987) among many others. The literature on 19th century famines is replete with statements such as the following: "What does a drought mean? It is not a question of food; the scarcity of food in a district affected by drought is the least of the evils with which the Government of India have to deal. There is nearly always a sufficiency of food in India to feed all the people within its limits; and owing to the development of the railway, the British Government was able, no matter what part of the country may be affected, to pour in sufficient food to maintain the people of the district".

Painstaking investigations would be required to ascertain whether or not the absence of a food availability problem during 19th century famines in India was a myth propagated by the Famine Commissions. There is, however, little indication that the myth theory should be taken very seriously. The fabrication of a myth would have triggered dissent, of which there is very little trace. Indeed, it is rather striking that commentators of all persuasions, including many radical ones, concurred with the views of the Famine Commissions on the issue of food availability; the distinction of the radical writers was not to challenge the notion of sufficiency of food, but rather to trace the lack of purchasing power of the masses to colonial exploitation.

As far as quantitative evidence is concerned, several independent rounds of food availability calculations were carried out (in 1878, 1898 and 1902); they were based on food consumption allowances which ware extremely generous by contemporary standards and yet they all arrived at the firm conclusion that a substantial surplus of food was available in India in normal years. Since multi-year storage was a widespread practice in 19th century India, and most famines were localised, the argument against the existence of a problem of physical availability of food seems convincing enough. Indicators to Identity Famine Spot: The following indicators identify famine areas: 1.Failure of crops due to unforeseen weather conditions or any natural phenomenon. 2. Incidence and pattern of rainfall. 3. Percentage of irrigated land to total area and the availability of irrigation facilities. 4. The frequency of famine or scarcity in that area and 5.Revenue remissions.

The first indicator of the impending disaster is apprehended with the failure of crops. Crop failures are due to any natural factors like drought, flood etc. There are two main types of crops in India: Kharif and Rabi. Kharif requires more rains than the Rabi. The kharif crops are such as rice; millets maize and Rabi are like wheat, barley and oats. Rice is a monsoon crop and failure or shortage of the summer monsoon. Therefore, at once reduces the yield of the rice crops and the food supply over a large part of the country. The crop failures are more in dry regions where the average annual rainfall is less than 37.5cms. Timely rainfall is more important for the success of crop production in any region. Unseasonal rainfall also proves destructive to crops cyclonic storms or depressions and hence the distribution of this rainfall is irregular, both in incidence and in duration. Two indicators are used to know the incidence of drought viz., (1) minimum rainfall of 750mm per annum and (2) any area where 30 per cent or more of the cultivated area is irrigated.

On the basis of these two indicators the Irrigation Commission (1972) identified the following districts and taluks as affected by drought. Calculated the incidence of drought, in terms of area and population, the table indicates the incidence of drought in India. reveals that the incidence of drought in Mysore is highest, in terms of area and population. The second place goes to Andhra Pradesh and followed by Tamilnadu, Maharashtra and Gujarat. The incidence in Southern

States is very high when compared to Northern States of India. According to Irrigation Commission (1972) "The hard-core areas of drought comprise about 16 per cent of the total geographical area of the country and account for over 11 per cent of its population. The available irrigational facilities in the region are also one of the indicators of the famine spot. Artificial irrigational facilities are essential for the success of crops in the areas of deficient rainfall or when rains fail to provide sufficient water for growth.

Irrigation works like projects tanks, canals and wells of the region is more important to give protection against failure of the rains. Which brings water to the fields of the farmer? According' to Irrigation Commission (1972) "while it is difficult to suggest any absolute percentage of irrigation which could be considered sufficient for drought areas. judging from the criteria followed in the past we feel that it would be safe to consider any taluk or equivalent unit, where 30 per cent or more of the cultivated area in irrigated, as having reached a stage which would enable it to sustain a reasonably stable agriculture and to be reasonably protected against drought.

The frequency of famines or scarcities is identified by the Irrigation Commission on the basis of the probability of critical rainfall shortage of 20 per cent. Using the annual and southwest monsoon rainfall data from 1901 to 1960 for about 500 stations, which are fairly representative of the drought and chronically drought affected areas. If crops were damaged or completely destroyed in any year due to natural calamities either the amount of tax is reduced or a total remission is granted. Remissions and suspensions of payment of land tax, when crops fail had long in addition to the absence or the severe deficiency of rainfall over a fairly long period. Several factors such as precipitation temperature, wind velocity, sunshine, soil texture, soil moisture and antecedent rainfall interact to out give drought situation. However, the key role is played by rainfall and the crucial variables are its distribution, its variability and its capacity to meet evapo-transpiration needs."

This is a wide and comprehensive definition of "drought." This has listed out several casual factors leading to drought situation the supreme place among them being given to rainfall. In 1874 the response from the British authorities was better and famine was completely averted. Then in 1876 a huge famine broke out in Madras. Lord Lytton's administration believed that 'market forces alone would suffice to feed the starving Indians.' The results of such thinking proved fatal (some 5.5 million starved), so this policy was abandoned. Lord Lytton established the Famine Insurance Grant, a system in which, in times of financial surplus, INR 1,500,000 would be applied to famine relief works.

The result was that the British prematurely assumed that the problem of famine had been solved forever. Future British viceroys became complacent, and this proved disastrous in 1896. About 4.5 million people were on famine relief at the peak of the famine. No doubt we had no 'famine' like those in the previous centuries even in the worst drought year but still large numbers of people suffered from hunger, malnutrition, misery and deprivation. Some States like Andhra Pradesh, Rajasthan, and Gujarat. Orissa and Karnataka had the misfortune of having successive droughts in the present century too, even after independence.

Individual desperate Cruel and deplorable cases of sale of children for a few rupees and some clothes were reported from a few districts of Andhra Pradesh and Orissa, though denied by the state governments. The Prime Minister Sri Rajiv Gandhi had visited the district Kalahandi of Orissa and some makeshift arrangements were made to give a facelift to this district and other areas visited by the Prime Minister in this state and elsewhere. But the fact of the matter is that children, old persons and infirm did die in hundreds if not in thousands, due to malnutrition and eating of harmful forest products. As for cattle, thousands died in Rajasthan alone and thousands migrated to greener pastures or even to cities including Delhi. A grim though factual picture based on field visits has been given in the magazine India Today of September 15th1987 under the heading 'The Devastating Drought.' This magazine has again highlighted this problem in its issue of 15th May 1988 captioned

"Gloom despite Boom.- "A record rabi harvest but reserves are still low. An extract is given below: Their latest estimates put the production at an all time record of 66 million tones, wheat, the main rabi crop was likely to touch a peak 47 million tones" but gloom was due to the fact that the stocks of food grains with the F.C.I. "dropped from 23 million tones to worrying 11 million tones last week.

This has compelled the government to import one million tones of wheat and one official in the Food Ministry has said. "We will import more as and when necessary. The latest news is that the government is going to import half a million tones of rice from Thailand. The question arises as to why do we have this crisis? Have our objectives of the Five Year Plans, of self-sufficiency in food grains, by removal of poverty, removal of unemployment and of provision of minimum need failed completely or partially?

It is obvious that the Green Revolution has not reached many parts of India particularly in the eastern region where productivity of rice. Its main crops are still very low. The other three objectives have met with a partial success only so far as would be clear from drinking water crisis in summer, Even in cities like Delhi, Mumbai, Bangalore, Hyderabad, Chennai etc. what to say of rural areas where millions of women and children have to go kilo meters and spend 6 to 8 hours daily in fetching drinking water, fuel and fodder for their use and cattle. Still their cattle had died by thousands and they particularly children, old and infirm have suffered untold misery. Despite huge buffer stock of food grains, millions, particularly weaker sections, like small and marginal farmers landless agricultural labourers, village artisans, tribes and urban poor do not have the purchasing power to purchase food and other necessities of life, enough for their families to have at least one square meal a day for want of adequate employment opportunities within easy reach of their homes.

This situation resulted in massive migration to towns in search of work, particularly in severe drought years adding to creation of more slums in big towns and breakdown of civic amenities quite inadequate even otherwise. Sustainable Development: However, India has made significant progress in the post-independence period through Green Revolution by tripling the food grain production, doubling the cotton and sugar production. However, adoption of intensive agricultural practices has led to problems like water logging soil salinity deficiency soil erosion etc. in large tracts. Added to this, recurrent natural disasters like droughts and floods impose serious constraints to natural resources development.

Further, the population explosion coupled with urbanization and industrialization and the resultant decrease in arable land available for agriculture have put tremendous pressures on the land and water resources as well as environment. There is no option but to produce more food and achieve necessary socio-economic development. It is important to recognize, that today's economic progress should not be at the expense of tomorrow's developmental prospects. Development must be sustainable over time. Sustainability has many dimensions ecological. Economic, Social, and cultural that has to be suitably integrated, withthe environment to develop a cost-effective, energy-efficient, environmentally benign management system. It needs application of the best in modern technologies such as Space Technology., Biotechnology, and Information Technology.

Sustainable development of natural resources relies on maintaining the fragile balance between productivity functions and conservation practices through precise identification and systematic monitoring of problem areas in various resources and developmental sectors. Further, it calls for application of alternate agricultural practices. Crop rotation, use of bio fertilizers, energy efficient farming methods and reclamation of under-utilized land, wastelands, planned exploitation of mineral and ground water resources etc. All these leads me inevitably to a brief evaluation of one of the severely' drought prone area of Andhra Pradesh. i.e., Anantapur district the area of my study concerning drought, its gaps and weaknesses. The Concept of Drought: Drought is one of the most serious natural hazards to mankind. They have been the root causes of famines in many parts of the world and more so in our country where agricultural success and prosperity are virtually dependant on the amount and distribution of rainfall. Drought is "a meteorological phenomenon and the vulnerability of any area to drought depends on the extent to which physical and climatic conditions play an adverse role in creating an unstable agriculture. Drought is actually a period of scarcity of water, which results in less production of crops. In economic sense it is a period of intense economic disaster resulting from unemployment, loss of agricultural production and acute shortage of water and pastures for animals and a decline in food cropped area.

B.Arunachalam has rightly pointed out "water is at the heart of Indian economy sustaining its teeming millions and often paralyzing the slowly turning wheels of the economy. In India agriculture is the primary sector, which depends more on rainfall for water resource supply. The success and failure of agriculture is heavily affected by the performance of monsoon. Therefore, if any drought occurred in India, history spells out that it is to a heavy extent due to shortage of rainfall. According to the Irrigation Commission (1972) "Drought is the result of an imbalance between the soil moisture and evapo-transpiration needs of an area, over a fairly long period. So as to cause damage to standing crops and a reduction in crop yield.

The basic characteristic of drought is a steady rise in temperature, According to Encyclopedia of Britannica, "Drought results from long-continuous dry weather and lack or insufficiency of rain which causes exhaustion of soil moisture. Suffering of plants from lack of water depletion of underground water supplies and reduction and eventual cessation of stream flow.30 The meteorological department has defined drought as a situation occurring in any area when the annual rainfall is less than 75 per cent of the normal31. It has defined 'moderate drought' as obtaining where the rainfall deficit is between 25 to 50 per cent. This definition attempts to quantify the degree and extent of drought. The problems posed by drought vary from area to area depending on the amount of rainfall and its variability, and also the extent to which irrigation has been developed. Assuming that, districts which receive less than 750mm of rainfall per annum are liable to drought.

The British Meteorological glossary speaks that "a climate in which the rainfall is insufficient to support vegetation is termed as arid: and drought is dryness due to lack of rain32. The most important key point of all these definitions is deficiency of rainfall. There is no widely accepted definition of drought. When the shortage of moisture will affect the established economy of a region then only it can be called as drought. If this situation becomes a frequent occurrence in any area e.g., two years of poor rainfall followed by a third year without any rain at all. It is then that famine makes its appearance in the region. Thus, the most important natural cause of famine has been drought. Most of the great famines of history have been precipitated by drought India receives 3.700.400 cubic inches of rain annually on an average. But there is a variation in the seasonal and annual distribution of rainfall. Nearly 12 per cent of the country's area receives less than 71cms of rainfall and only 8 per cent of the country receives more than 254 ems. Some parts of Rajasthan get as low as 12.70cms of rain while hills of Assam 1.1et as much as 1.270ems.

This sort of deviation in rainfall is the major cause of drought in India. Not only low rainfall but also untimely distribution of high rainfall leads to droughts. Most of the rainfall says 80 per cent in generally received during the period from June to September in most parts of the country. There are 128 districts in India with 68 million hectares of land having low to medium rainfall. i.e., below 1.125mm annually and very limited irrigation facilities. Of these 128 districts, 25 districts are characterized by very poor rainfall in the range of 375-750mm per annum with an irrigated area of 5-10 per cent of the cropped area. Another 91 districts receive annual rainfall from 750mm to 1.125mm. The total net sown area in these districts is 42 million hectares of which about 5 million hectares are irrigated.

Factors Determining the Incidence of Drought: It is an important issue to determine the incidence of drought that is to determine whether any area is drought-prone or not. Various authors to determine the incidence of drought have adopted several methods. In this study three of those methods have been considered.

•Statistical techniques

•No statistical methods

•Water-budget methods Statistical techniques are mainly based on shortage of rainfall either on a weekly, monthly or yearly basis. Non-statistical technique are based on climatic data such as temperature and atmospheric humidity. Statistical and non-statistical methods indicate only the atmospheric drought being more tabulations of days receiving less than a specified amount of rain and the other climatic data do not take into account the important part played by soil moisture on which the growth and development of crops depend.

They do not give any information about soil drought as it affects crops. Soil drought begins when available moisture in the soil is diminished to the extent when crops no longer obtain moisture rapidly enough to replace transpirational loss. Thus, statistical and non-statistical methods suffer from severe limitations. Water budget method which considers rainfall, soil moisture storage and water needs of the crop day after day during the entire crop period, gives an exact picture of agricultural drought. The frequency of drought days will depend on the rainfall pattern, the moisture storage capacity of the soil, the rooting depth and evapo-transpiration rate. With the help of water-budget method, using long time meteorological data soil and crop data, drought-affected areas can be identified.

7.3 EFFECTS ON AGRARIAN PRODUCTION AND EXPORT OF RAW MATERIALS COMMERCIALIZATION OF AGRICULTURE

Commercialisation of Agriculture - Meaning:

By commercialisation of agriculture we mean production of agricultural crops for sale in the market, rather than for family consumption.

For marketization of agricultural products thus ‘surplus’ of production over consumption is required.

But agriculture at that time was merely of the subsistence type. It had not been a consequence of conscious response of peasants to the market forces.

Thus, the concept of surplus was partly irrelevant. It was the social organisation but not entrepreneurial role of the peasants that determined the marketed surplus. The decision to cultivate commercial crops was usually determined by the requirements of subsistence farming of peasants. Thus, commercial agriculture in India had not been the product of an “allocative efficiency of peasants”.

Production decision was entirely of peasants and profits (if any) from the marketed items were reaped by peasants. Under the impact of commercial revolution that began with the beginning of the Civil War (1861-1865) in North America, farmers’ products were brought into the sphere of both internal and international trade.

Farmers were forced to sell their producers to meet the revenue needs of the alien government as well as urban demand. Peasants had to cough up some surplus at least for the market since money had become indispensable to them. Thus commercialisation of agriculture was not a spontaneous one.

Commercialisation of Agriculture - Phases:

There were three major types of agricultural commercialisation in India. The first form of commercialisation was associated with plantation agriculture, especially tea plantation of the northern districts of Bengal. The second type of commercialisation came to be known as ‘subsistence commercialisation’ or the ‘jute phase’. Under this jute version of commercialisation, peasants in search of minimum subsistence level of living turned to intensive cash crops, mainly jute in the late 19th and early 20th centuries.

Sugata Bose reviews this phase in the following words: "Raising a cash-crop which promised a higher gross income seemed to the mass of small holders the better bet for assuring subsistence in the early twentieth century than growing insufficient quantities of rice." A third form of commercialisation is known as 'dependent commercialisation' or the 'indigo phase' of late 18th century and early 19th century.

The major stimulus for a wholly un-remunerative crop like indigo came from its increased demand in Europe. This phase was characterised by the intrusion of foreign capital. Managing Agency Houses—a multifaceted institutions of trade and finance created by the ex-servants of the EIC and merchants—provided the necessary capital for the expansion of indigo cultivation.

Though no neat sequencing of these phases of commercialisation is discernible, the dependent and subsistence commercialisation phases 'have been most pervasive in moulding the productive activities of the working peasantry of eastern India'.

Commercialisation of Agriculture - Causes:

The transition of India's agriculture to commercial propositions was the result of a series of developments which took place in the second half of the 19th century.

These are:

(i) The introduction of money-economy:

Firstly, the process of commercialization snow-balled with the introduction of money into the village. However, trade and money relations existed in the countryside even during the Mughal reign. As soon as the EIC desperately began to acquire more and more territories it insisted land tax to be paid in cash. The British rule introduced cash assessments in the system of land revenue.

Gradually, the former system of payment of land revenue in kind went out of fashion. This compelled the cultivator to sell a part of his produce. This was, however, not the whole problem. A new merchant class appeared in rural India who took advantage of the abysmal indebtedness of the peasantry.

The string of usurious capital was tagged by this commercial class. Thus, the impetus towards the tendency of commercialization of agriculture came from the interest of the moneylenders who ultimately became an indispensable tool of colonial exploitation. To meet their monetary liabilities farmers realised the importance of commercial crops rather than food crops.

For instance, in Berar (Vidarbha) region, the area under cotton increased from 21. 1 p.c. in 1860-61 to 35.8 p.c. in 1900-01. This then suggests that peasants must have shifted from food grain production to cotton production. Thus, the compelling circumstances for the growth in demand for commercial crops and even food crops were not determined by market incentives.

(ii) Ease of means of communication:

Secondly, the effect of monetization could not go far until internal means of transport were improved. The railway lines were built by the British rulers. The agricultural crops reached the parts of the then Madras, Calcutta, Bombay or Karachi from self-sufficient villages with the expansion of the railway lines.

“The commercialisation of agriculture had progressed most in those tracts where the crops were largely grown for export out of the country… Through the operations of exporters an efficient market organisation for moving the crops quickly to the ports had come into existence.”

The basic motive behind the tremendous spurt in the construction of the railway lines was to sub-serve the interests of the British industrialists in England. The colonial commerce brought industrial revolution there. The raw material of British cotton industry was almost entirely colonial, if not purely Indian.

With the opening of the Suez Canal in 1869, transshipment costs of agricultural crops per cubic ton were reduced by roughly 30 p.c. Indian products, as a result, were sold at cheaper rates in Europe. Thus market—mainly for cotton—widened.

As transport costs declined with the expansion of the means of transport, other agricultural crops, like rice and wheat, were added in the export list. Anyway, the ease of communications together with the introduction of money-economy brought about the movement towards commercialisation of Indian agriculture.

(iii) The US Civil War:

Thirdly, another event that sparked off the process of commercialisation in agriculture was the American Civil War (1861-65). As the U.S.A. plunged into the Civil War, it transferred the British demand for raw cotton from America to India. Besides, exports of raw cotton, other raw materials like jute, oilseeds, and food-grains experienced a jump in exports. With the conclusion of the Civil War, exports of raw cotton fell off. But this was largely compensated by a great rise in domestic demand.

The spurt in domestic demand for cotton was accentuated by a slump in cotton prices to a reasonable level and the cotton mill industry started spreading in and around cotton growing regions. The tendency towards commercialisation started gathering its momentum. It is to be remembered here that the precise pattern of commercialisation was not uniform for all types of agricultural crops.

Rather, it varied from crop to crop. It is the market for raw cotton alone which witnessed dramatic turns and twists. But so far as other agricultural crops were concerned, we see the interplay of the same forces underlying the tendency towards commercialization of agriculture. Between 1860 and 1890, markets for cotton in Bombay Presidency, jute in Bengal, sugarcane in the United Provinces, groundnut in Madras expanded. These crops are called cash crops since these crops are produced for market sales. However, the pattern of commercialisation had never been confined to cash crops alone.

Food crops also experienced marketable surplus in the process since one pulled the other. Even then, market for cash crops was on top. Between 1891 and 1946, the decadal growth rate of production of cash crops was roughly 13 p.c. as against 1 p.c. growth rate of food crops. The growing cultivation of crops for sale in the market provided boost to both

European and native entrepreneurs towards investment in areas like production, processing, and marketing. Indigo cultivation in the Northern region induced in altering patterns of land use.

Commercialisation of Agriculture - Consequences:

The opening up of national and international markets for agricultural goods of India should have served as a catalytic agent in the development of agriculture in India! But the actual results were different. It is said that trade is ‘indirect production’ and ‘efficient production’. But paradoxically, Indian agriculture lacked responsiveness to these forces of trade and commerce. Agriculture became the hand-maiden of trade.

Commercial interests became the guiding star. By the second half of the 19th century, overseas trade came under British control. So the bulk of the profits from the agricultural surplus was appropriated by the British business houses and went out of the country as ‘foreign leakage’. And, in the process, a new merchant class emerged as subsidiary and junior partners of the British mercantile capital. In the ultimate analysis, merchants became the symbol of colonial exploitation.

Commercialisation of agriculture could not bring about a change in the production organisation which can be described as small peasant farming. This production organisation remained as the foundation of the cultivation of commercial crops despite commercial revolution.

But such small peasant farming resulted in the emergence of a new group of credit financiers who enjoyed enormous power over the cultivation process and disposal of the cash crops. In other words, the growth of commercial agriculture was aided and abetted by its twin brother —the usurious capital. A chain of intermediaries—who were by nature ‘parasitic’ in relation to agriculture—gained control over production.

In the name of trade and commerce, the entire economic advantage from the monetization of rural India was reaped by merchant capital—the two wings of the same eagle— that completely devastated the peasant economy. Thus, the commercial revolution in the agricultural economy of India did not help organise agricultural production in an efficient way.

Agricultural development suffered due to the paucity of resources which the farmer required for technological improvements. The farmer, in fact, was made to bear repeatedly the burden of instability in prices. Information about high market prices of agricultural produce did not percolate down to the poor peasants. Consequently, rising prices could not benefit the small farmer. He was reduced to a mere sharecropper or sub-tenant.

It was beyond his means to make investments or carry out even crude technological changes in his farming practices. Result was the low productivity of land even in the midst of commercialization of agriculture. Possibly, whatever investment took place was in the cash crops.

On the contrary, British and Indian traders and moneylenders reaped the benefits of widely fluctuating prices of agricultural products.' Productive investment or innovation remained a very risky business. "A peasant who had managed to accumulate some funds would, therefore, have every incentive to turn towards trade, usury or renting-out of land to sub-tenants or sharecroppers, thus' parasitically shifting the whole burden of production risks instead of going in for real capitalist farming."

In the process of commercialization of agriculture in a colonial economy, the vast army of peasantry loses its independence. Even for a paltry dose of investment, the peasants take advances; coupled with this production loan, dependence on moneylenders for consumption loan 'as well as dependence on merchants for marketing their products becomes no less insignificant.

In fact, dependence on these agents was the inevitable consequence of this monetization process. And this dependence resulted in differentiation in a greater degree within the peasantry, i.e., between poor and rich peasants-landlords-moneylenders, but hardly did it contribute to real agricultural growth except in a few pockets.

That is why one is tempted to say that it was a 'forced' commercialization, rather than a natural one. "Coimbatore peasants once told a British Collector that they were growing cotton simply because they could not eat it; the grain they might have cultivated would have been consumed by themselves, whereas now they went half-fed but at least had the money with which to meet revenue needs.”

What is true is that the surpluses generated from agriculture had not been invested on land. It was beyond the means of the farmers to make use of the residual output to initiate ‘land-augmenting’ investments, e.g., irrigation. But the view that the growth of cash crop cultivation as a process of ‘forced commercialisation’ is partially valid, as suggested by B. Chodhury. The decision of peasants to grow commercial crops which they hoped that would make them free from debt was a perfectly rational one, but the dominant idea behind this was the ‘expectation of real gains from their cultivation’.

The sale of cash crops (except indigo and opium) by their growers is anample evidence that the peasants did not necessarily produce them for their creditors and hand over to them all their produce. Another outstanding effect of commercialisation was the regional specialisation of crops conferring benefits to producers of these crops. With the spread of commercialisation, agricultural production began to get localised in different regions endowed with different geographical peculiarities. For instance, the dark-coloured volcanic soil (or the regur soil) of the North-West Deccan of Bombay Presidency, presently Maharashtra, was good for cotton cultivation.

Before 1860, peasants in this region produced simultaneously both cotton and wheat, jowar and bajra mainly for meeting their own requirements. But, after 1860, as the market for cotton was stretched to England, farmers became more and more specialised in the production of this commercial crop and traded it for meeting the requirements of production of food crops. Wherever the road to commerce was open, regional specialisation crept in. This means that farmers were no longer sellers only, they were converted to buyers also.

We have already said that the process of commercial revolution resulted in the substitution of commercial crops for food crops. The effect of this development on the overall food situation of the country was a tragic one. The famine of Orissa and Bengal in 1866 bore testimony to this process of substitution of crops. The changeover to cash crops discouraged the cultivation of poor men's food crops like jowar, bajra or pulses.

It is still an open issue whether the expansion for commercial agriculture in India has taken place at the expense of food crops; but the output of commercial crops registered greater increase than those of food crops. Above all, small peasant farming remained as the foundation of the cultivation of cash crops, though one can expect the growth of large scale farming in the process of commercialization.

Rail-radiation had a stimulating effect on the exports of agricultural produce which, in turn, brought back machine-made goods. With the revolution in transport, Indian handicraft urban industries could not withstand the onslaught of foreign competition. This process has been dubbed by economic historians as 'de-industrialisation'—another price of modernisation.

Consequent upon de-industrialisation, the fall in the prices of cotton in 1860-64 brought untold misery to the weavers. As a consequence, millions of workers were uprooted from their traditional occupations. All these people them crowded into agriculture as an alternative occupation, thereby steadily adding to the deadly over-pressure on agriculture in India—a feature that still exists in our agrarian economy.

Another important aspect of commercialisation of agriculture is worth noting here. Traditional economics suggests that the value system is so deeply embedded in the minds of illiterate peasants that they become unresponsive to any kind of change; they become the slaves of traditionality. But the commercial revolution in agriculture of the 19th century has disproved this standard notion.

Check your progress –

1. Discuss about the famine of 1776.

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2. Discuss about the famine in Bengal in 1940s

7.4 LETS SUM UP

For pre-British period, serious famines were recorded in the years 1345, 1396, 1472, 1556-57, 1596, 1631 and 1661, which implied that a major famine occurred once in every fifty years. William Digby listed 14 famines from the beginning of the fourteenth to the end of the seventeenth century which gives the same frequency. Most of these famines were limited in geographical space.6 Famines pressed with increasing frequency with the advent of colonial rule. There were twelve serious famines and four severe scarcities during the period of ninety years for 1765 to 1858. Between 1860 and 1908, there were famines or severe scarcity in some region or other in 20 out of 49 years.

The history of Bengal from 1770 to 1943 is a harrowing tale of famine regime. During 1802-03 to 1902-03, there were 30 famines or severe scarcities in western India, twelve of them being severe famines. Widespread and acute crisis occurred in 1819-20, 1824-25, 1832-33, 1845-46, 1853, 1862, 1876-77, 1891-92, 1896-97 and 1899-1902. Again serious scarcities and famines were reported in 1905-06, 1911-13, 1918-19, 1920-21, 1936-38, 1939-40, 1941-43 and 1946-47. Famines had become a recurrent phenomena during the colonial rule and their frequency seems to have increased. Going by Irfan Habib's account it would appear that famines were no less frequent an occurrence in medieval India than British rule. Irfan Habib's account includes scarcities into same category as famines.

However, if a similar account is prepared for British India on a regional scale, it would be extremely difficult to find a normal year. Famines had become a regular feature of life under British rule. It will be difficult to say whether their intensity had also increased during the British rule. We do have sufficient material in the form of observations by travellers and other chroniclers to convey the horrors of earlier famines and the havoc played by them upon the society. The narratives tell a sordid tale of break up of family life, loss of agricultural capital, aimless wandering, voluntary enslavement, deaths from suicides or sheer starvation, a very high level of mortality among humans and livestock and cannibalism.

7.5 KEYWORDS

Drought, famine, food scarcity, water scarcity, skeletons, Bengal

7.6 QUESTIONS FOR REVIEW

1. Discuss about all the famines that Bengal witnessed in colonial era.

2. Elaborate about all the man made famines.

7.7 SUGGESTED READINGS

The Cambridge Economic History of India by Meghnad Desai, Vol 2

Economic History of India by Tathagoto Roy

7.8 ANSWERS TO CHECK YOUR PROGRESS

1. Hint – 7.2

2. Hint – 7.2