

British Economic Policies

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impact of the land revenue policies :

Disastrously affected the communal character of the village, its self-sufficient economy and communal social life. Land all over the country was now made saleable, mortgageable, and alienable. Now a peasant could borrow money on the security of his land or even sell part of it and pay his land revenue.

A fundamental change in the existing land systems of the country was brought by the British by making land a commodity.

The stability, continuity and the entire structure of rural society began to break up.

Introduction of capitalist relations interacting with growing poverty and the pressure of population led to the fragmentation and sub-division of land.

Industrialization was accompanied with agricultural revolution the world over. In India, on the other hand, the surplus of agricultural production was exported instead of feeding the growing industries, capitalism could not grow and it was paralyzed even in its infancy which resulted in the impoverishment of the rural population. The need for money led the peasants into the clutches of money-lenders. Zamindars too were ruined because of heavy fixation of taxes.

Commercialization of Agriculture

One of the consequences of the introduction of the system of new land relations and revenue payment in the form of fixed money payment was that the old objective of village agriculture, namely production for village use, was replaced by that for market. The production and produce were now determined by the new objective, that of sale, and, hence, changed their character.

Under the new system, the peasant produced mainly for the market, which, with the steady improvement of means of transport and expanding operations of trading capital under the British rule, became available to him.

He did so with a view to realizing maximum cash, primarily to pay the land revenue to the state which was fixed fairly high and, in course of time, to meet the claim of the money lender in whose hands he progressively fell due to numerous causes.

This led to the emergence of the phenomenon of what is known as the commercialization of agriculture. This also led to the practice of growing specialized crops by the peasants.

The land in groups of villages was solely used, because of its special suitability, for the cultivation of a single agricultural crop such as cotton, jute, wheat, sugarcane and oil-seeds.

It was this same ease of communication that was bringing about another important change in Indian agriculture. This change might be called, for want of a better term, the commercialization of agriculture. Broadly speaking, the change might be described as a change from cultivation for home consumption to cultivation for the market. The spread of transport facilities, when it began to break down the compact character of the village, affected also its agricultural economy.

The change was seen in a gradual extension of the area of some industrial crops under cultivation and a specialization in crops grown in different districts. The first impetus towards this tendency of commercialization was noticed when money economy was introduced into the village in the shape of cash assessments; but the effect of this could not go far until communications were improved.

Then slowly rents in kind went out of fashion and cash rentals were introduced. The effect of this, combined with the assessments, was to compel the cultivator to sell a part of his produce immediately after harvest; and as, generally, the interest of the moneylender became due also at about the same time, the part of the produce that he disposed of at this time was a large part of his total crop.

With the rise of modern industries in England, the necessity of raw materials for these industries grew. The British government in India pursued economic policies which expanded the area of growth of such raw materials as needed by the British industries. It thereby accelerated the commercialization and specialization of Indian agriculture.

The commercialization of agriculture and progressed most in those tracts where the crops were largely grown for export out of the country. This was so in the Burma rice area, the Punjab wheat area, the jute area of Eastern Bengal and the Khandesh, Gujarat and Berar cotton tracts. Through the operations of exporters, an efficient market organization for moving the crops quickly to the ports had come into existence.

A very large portion of the total crop now came into the market instead of being retained at home. Naturally, the movement was not marked in crops in which there was either a large internal or external trade, but even when, as in the case of the millet crops, the internal trade was not important, a large proportion still came into the market as a result of certain circumstances.

These circumstances were the payment of government assessments and the interest of the moneylender. To pay these two dues the cultivators had to rush into the markets just after harvest, and to sell a large part of their produce at whatever price it fetched. Most of the poor cultivators had to buy back after about six months part of the crop they had sold away at harvest time.

From the standpoint of the growth of a single national Indian or world economy, this was a step forward in spite of the annihilation of self-sufficient village communities and economic misery consequent on this destruction through the capitalist transformation of the Indian economy.

It contributed towards building the material foundation, namely, the economic welding together of India and of India with the world, for the national consolidation of the Indian people and the international economic unification of the world.

The commercialization of agriculture was a step forward also from the point of view of production. These changes were, firstly, a commercialization of agriculture-by itself quite a beneficial movement. For it brought about a slightly better distribution of the crops and increased the profits of cultivation.

Diversion of the village agriculture production, from serving the personal needs of the peasant and village requirements to catering for the Indian and world market, not only led to commercialization and specialization of crops but also disrupted the ancient unity of agriculture and industry in the traditional Indian village.

In addition to the two reasons which prompted the farmer to produce for market, namely, to realize maximum cash for the payment of the land revenue and meet the debt claim of the moneylender in whose hands he subsequently and generally fell, there was a third reason also why he produced for sale.

The progressive improvement of the means of transport by the government made it possible for him to purchase the manufactured cloth and other necessary articles from the market organized at a village or district fair. Formerly, as a rule, he produced his own cloth and he village artisans met his other needs in return for a part of the annual produce.

Now, he bought most of these things from the market. This was also one of the principal causes of the decline of village artisan and other village industries.

The commercialization of village agriculture together with the decay of village industries due to the influx of the manufactured and later, cheap machine-made goods of Britain and subsequently of other countries and even of Indian industries, seriously affected the balanced village economy.

Decline of Town Handicrafts

The effect of the British rule on the town handicrafts is very succinctly summarized by D.R. Gadgil in the following words : “The only dramatic event in this economic transition is perhaps, the decline of the old handicrafts. The collapse of these was indeed sudden and complete. “The rule of the East India Company proved disastrous to the handicrafts industry in India for a number of reasons:

The first reason was that it destroyed the native states, which were the greatest customers and patrons of this industry.

Secondly, the East India company, which was the successor of these States, could have given impetus to the industries, but, being a foreign company under the control and direction of a foreign power, it adopted measures under the pressure of the British government which proved detrimental to the manufacturing interests of India.

Thirdly, being a trading company, it wanted to produce things cheaply and sell them profitably in other market. The heavy duties levied on Indian goods in England further necessitated the lowering of the cost of the goods which it bought to maintain the level of profit. To attain this purpose, it monopolized weavers and other handicraftsmen, and compelled them to produce things at a stipulated price. Having also political power, it could bring political pressure on them to submit to its demands. The Company prevented handicraftsmen from selling their products to Indian or other foreign merchants at a higher price thus reducing them to the position of virtual slaves.

Fourthly, it imposed customs and adopted transit measures in Indian which created such unfavourable conditions for the Indian merchants that they could not carry on internal trade effectively.

The oppressive methods adopted by the agents and merchants of the Company, assisted by the regulations passed by it like the Act of 1793 in Bengal, had a very disastrous effect on the life of the handicraftsmen and the condition of their work. Thousands of families of weavers began to abandon their profession. Thus the new rulers who replaced who replaced the native states reduced the handicraftsmen almost to a condition of slavery and put obstacles in the way of a free existence of the industry. As a result of this, the industry suffered both in extent and efficiency, and a growing number of families of the towns handicraftsmen started abandoning their profession.

Thus, industry after industry began to collapse during this period on account of a series of measures adopted by the foreign government to suit the requirements of the British industries. From the time England acquired political power in India, she destroyed Indian industries principally by means of:

1. The forcing of British Free Trade on India.
2. Imposing heavy duties on Indian manufactures in England.
3. The export of raw products from India.
4. The transit and Customs duties.
5. Granting special privileges to the British in India.
6. Building railways in India.
7. Compelling Indian artisans to divulge their trade secrets.
8. Holding of exhibitions.

Historical Significance of Decline handicrafts :-

The decline and decay of the urban handicrafts and the capture of their market by the cheap products of modern foreign and subsequently also Indian industries, along with the crippling of the village artisan industry, steadily transformed India into an industrial market for these goods.

The exchange spread from village to village, between villages and towns, between Indian as a whole and the outside world and as not merely restricted to the class of luxury goods or goods of military importance but extended to articles to daily human consumption. Exchange relations enveloped and permeated the entire Indian society. This contributed to the economic unification of India.

It is true that the destruction of urban handicrafts involved untold misery for the operators of these industries, specially because no parallel and sufficient industrial development took place in India itself which could provide work for the ruined handicraftsmen. It is true that this caused a suffocating over-pressure on India's agriculture resulting in the steady impoverishment of the rural population.

But while feeling sad about these agonies of the people and the ruin of old industries, we should recognize the vital historical fact that the destruction of the pre-capitalist urban handicrafts and the village artisan industry of India brought about by the forces of modern industries and trade, made way for the transformation of India into a single economic whole.

It objectively unified the entire people and not a section within the web of a system of exchange relations. It thus contributed to the building of the material basis for the growth of a common and joint economic existence for the Indian people, for the economic integration of the Indian people into a nation.

The mass of ruined handicraftsmen, in part, took to modern Indian industries, and became factory and transport workers, but, in the absence of sufficient growth of these industries, the main, took to agriculture and became tenants or land labourers. They had rarely sufficient capital to purchase land and become free peasant proprietors. Thus the class of Indian handicraftsmen, a class based on medieval handicrafts, steadily dissolved itself into and increased the class of the modern proletariat, of tenants and land labourers.

They became integral parts of the new classes in India which arose on the basis of the new capitalist economic relations which developed in India during the British rule. They became a part of the capitalist socio-economic structure of Indian society however insufficiently developed.

They became parts of the new classes which were nationally unified and had to confront problems which transcended a mere town but were national in scope. The new class of land labourers or industrial workers or tenants or peasant proprietors had a community of interests and common problems which could not exist among Indian handicraftsmen in pre-British India.

The ruined handicraftsmen now achieved the status of being members of classes which were component parts of the Indian nation and existed as national units with common interests and problems. This was a distinct historical advance.

Decline of Village Artisan Industries

Village artisan industries constituted the industrial part of the balanced and predominantly self-sufficient village economy of the pre-British village providing almost all its industrial requirements. It was the industrial pillar of the economic autarchy of the village, the other pillar being the self-sufficient village agriculture. Further, the division of labour had not reached an advanced stage as is seen from the fact that most of the artisans were part time cultivators, cultivating the patch of land assigned to them by the village just as the cultivators.

Within the artisan industry itself, there was very limited division of labour and very little specialization, thus keeping the artisan's technical skill at a low level. External competition also was absent since the village was almost an independent economic unit. This not only led to the absence of incentive to the artisan to improve technique and skill but also prevented the growth of localization of industry in India.

Causes of their Decline

The influx of cheap British and non-British machine made goods into India was the fundamental cause of the decline of village artisan industry.

The introduction of railways and, later of buses, made it easy for goods to reach the villages. The railways and steamships had made it possible for European power manufacturers to offer the Indian farmers much better terms than the Indian village craftsmen could give.

The steady growth of modern industries in India itself, during the second half of the nineteenth century and thereafter, accelerated this decline. A brief survey of the process of this decline is made next.

Gradual decline of Village Industries

The process of the decline of village handicrafts, through universal, was, due to social, economic and local reasons, uneven:

The handlooms industry in the village was adversely affected by the influx of cheap machine made cloth and rapidly declined after 1850. Subsequently the decline was partly though not effectively retarded by propaganda in its favour, by Indian leaders such as Gandhi and organizations like the All-India Spinners Association.

The economic position of the village carpenter deteriorated in proportion to the introduction of machinery in rural production. The adoption of such new devices as the iron plough and the iron cane-crushing machine seriously affected him. A section of the ruined carpenters were incorporated in the furniture making and such other industries which sprang up in the towns.

A section of the village blacksmiths, however, migrated to the towns and was employed in modern engineering workshops, in iron foundries and such other enterprises. The village tanner was, perhaps, the worst sufferer from the economic transformation of the countryside. In the pre-British period, he got carcasses of animals gratis from his fellow villagers. After India was linked with the world market and tanning industries developed in India, the owners of dead animals found it very profitable to sell the hides to the representatives of these industries, Indian and foreign. While the new town tanning Industries absorbed a small section of the ruined village tanners, a big proportion of them were constrained to be land labourers.

The import of cheap aniline dyes seriously affected the village dyeing industry and almost ruined the village dyer. By the end of the nineteenth century, this village artisan industry was irretrievably damaged.

The increasing substitution of kerosene in place of oil for lighting purposes by the villagers seriously affected the village oilman. The growth of the oil-pressing industries in towns which produced oil for culinary purposes, however, had no tangible effect on his trade.

The various famines which broke out also contributed to the decline of village artisan industries. During the period of famine, poor artisans, specially weavers, were constrained to seek relief by taking to other forms of work.

Consequences

The progressive ruination of the village industries disrupted the unity of agriculture and industry on which the village economy was based. It made the village dependent for industrial goods on the outside world. The

village no longer remained the almost autonomous economic unit it once was. It became a dependent part of the national and even world economy.

The introduction of capitalist land relations and new land laws such as making the individual peasant the unit of land revenue collection, was not sufficient to break up the economic autarchy of the village. The undermining of its industrial pillar, the village artisan industries, was also necessary. The combined action of both these factors dealt a serious blow to the self-sufficient village.

The progressive ruination of the artisans drove large and larger numbers of them to abandon their crafts which they had plied for generations. A section gravitated to cities and became factory or workshop employees or joined oil, sugar, tanning, furniture making and such industries. A section with some means bought land in the village and became peasant proprietors. Those without means became land labourers or even paupers. This resulted in overpressure on agriculture.

Indian was transformed, from being a country of combined agriculture and manufactures, into an agriculture colony of British manufacturing capitalism. This was due to the fact that modern industries which could incorporate the ruined artisans did not develop at the same rate at which the handicrafts were ruined. A section of the ruined artisans sent their sons to schools who, after receiving a limited education, became teachers or clerks.

Nevertheless, due to slow industrial expansion in India, the village artisan population in spite of its diminishing number formed a very large proportion of the total industrial population of the country.

The self-sufficient village was an obstacle to the growth of national consciousness and the development of a common national life. The progressive dissolution of the village artisan industries by undermining the economic foundations of the autarchic village paved the way forth is consummation.

Historically, the self-sufficient village economy had to be a causality before the single national economy of the Indian people could come into being. Similarly, the self-sufficient, almost closed existence of the village community had to be shattered before the entire Indian people could be welded into a nation and live a common and historically higher social, political, economic and cultural existence.

The artisans who left their village and became city workers, became members of the working class which, transcending all local and provincial limitations, began to organize on national lines. The ex-artisans developed wider consciousness of being members of the Indian working class. They developed a national outlook also.

Even the artisans who still survived, were different from those in the pre-British period. While the latter were almost village servants catering mainly to the village needs, the former produced for the market. As such, they were affected by the movement of world prices and other forces. Hence, they organized themselves for economic self-defence on a national basis, building such organizations as the All-India Spinners Association. Thus the village artisan developed a wider outlook and knowledge. He showed more initiative and individuality than the artisan of the self sufficient village.

Deindustrialization

At the outset, it may be described as the reverse process of industrialization.

After the English victory at the battle of Plassey and the assumption of the Diwani of Bengal the pressure on the East Indian Company to finance its investment in Bengal decreased. The company progressively abandoned free competition to secure its goods in the local markets. The producers of these goods were forced to supply their produce to the company at low prices arbitrarily fixed by the company. The East India Company bought the maximum quantity of Indian manufactured goods at the cheapest possible price so that

substantial profits can be made by selling these goods in Britain and other foreign countries. This process led to an adverse impact on the traditional Indian-export industry, especially the cotton textile manufacturers.

Causes of De-industrialization

Some parliamentary measures had an adverse effect on the Indian industries.

British textile manufacturers at home had begun to force the British Government to impose restrictive import tariffs and bans on the import of fine Indian textiles. In 1720, the British manufacturing interest had successfully prohibited the importation of Indian silks and printed calicoes into Britain. In 1813, the Parliament again imposed an increased consolidated duty on home consumption of Calicoes and Muslins.

The commercial policy of the East India Company after 1813 was guided by the needs of British industry. Agricultural India was to be made an economic colony of industrial England. A policy of free trade and unrestricted entry of British goods came to be followed. Indian handicrafts were exposed to the fierce competition and faced extinction.

The British government also tried to enlarge the market by following a policy of fresh conquests and direct occupation of protected states like Awadh.

Many British officers, political leaders and businessmen advocated reduction in land revenue so that the Indian peasant might be in a better position to buy foreign manufactures. Modernization of India was advocated so that more and more Indians might develop a taste for western goods.

Prohibitive import duties and development of machine industries led to the decline of Indian exports to foreign countries.

Causes and Impact of Ruination of Town Handicrafts

Destruction of native states, which were the greatest customers and patrons of these industries led to the decline of handicrafts. The immediate effect of this was the stoppage of the production of the highest class of goods such as would be required only by the princes and the highest nobles on the big state occasions. Industries which supplied the goods needed for the military and other purposes of these states were also affected.

Emergence of new classes with different tastes like the businessmen, the Europeanized officials, the successful moneylenders led to lack of patronage.

The railway helped in the penetration of the British manufactured goods to the remotest corners of the land which resulted in the permanent dominance of British goods in the Indian market.

Handicrafts industry could not withstand the pressure of political and historico-economic forces. By 1880, its death knell was sounded.

Consequences of Deindustrialization

Poverty increase due to unemployment after closure of most of the Indian industries.

Pressure on agriculture increased.

- Disguised unemployment increased
- Small hold of land
- Stagnation in agriculture, production because new or modern technologies could not be used in small holding.

The balance between agricultural and industrial economy was disturbed and India became a purely an agricultural economy.

Loss of skill and craftsmanship which was also a loss of culture and heritage and this loss was inseparable.

Ruining of ruling allies of Indians, who were biggest consumer of manufactured items. The new ruling allies had different taste. They preferred English goods.

Dadabhai Naoroji and the Drain of Wealth Theory

Dadabhai Naoroji voiced the drain theory in the Parliament of Britain, in the public speeches delivered in Britain, and also, in correspondence with some British officials.

He estimated that nearly \$27 million was drained out of India to England in 1876. According to him the ultimate pinch was felt by rural India. Dada Bhai Nauroji felt that India must be politically free if the drain was to be checked.

He asserted that Self-government was the only remedy for India's woes and wrongs.

In the Calcutta Session of 1896, the Congress officially adopted the drain theory.

He stated that drain of wealth checked and retarded capital accumulation in India, thereby retarding the industrialization of India.

He stated that the drain had an immense effect on income and employment potential within India.

He highlighted that after the destruction of the handicraft industries, people were forced to fall back on a primitive system of agriculture and the overpressure on land led to emergence of a class of landless labourers.

During the freedom struggle the Drain theory became a convenient slogan for criticism of British colonial rule in India. The drain theory possessed the great political merit of easily becoming a matter of common sense. It was so simple and easy a concept that even a peasant could easily grasp it.

The constituents of drain of wealth

The drain of wealth mainly consisted of the following:

Home Charges

Home charges refer to the expenditure incurred in England by the Secretary of State on behalf of India. Before the Revolt of 1857 the Home charges varied from 10% to 13% of the average revenues of India. After the Revolt the proportion shot up to 24% in the period 1897-1901. In 1901-02, the Home charges amounted to ₹17.36 million. During 1921-22, the Home charges sharply increased to 40% of the total revenue of the Central Government.

The main constituents of Home charges were:

Dividend to the shareholders of the East India Company.

Interest on Public Debt rose abroad: The East Indian Company had piled up a public debt to dislodge Indian rulers from their Principalities. By 1900 the public debt had risen to ₹224 millions. Only part of the debt was raised for productive purposes i.e., for construction of railways, irrigation facilities and public works.

Civil and Military charges : These included payments towards pensions and furloughs of British officers in the civil and military departments in India, expenses on India Office establishment in London, payments to the British war office etc. All these charges were solely due to India's subjection to foreign rule.

Store purchase in England: The Secretary of State and the Government of India purchased stores for the Military, Civil and Marine Departments in the English market. The annual average expenditure on stores varied from 10% to 12% of the Home charges between 1861-1920.

Council Bills

Council Bills were the actual means through which money was transferred (It is not a legislation). This also caused drain of wealth.

In other words, would be British purchasers of Indian exports bought Council Bills from the Secretary of State in return for sterling (which was used to meet the Home Charges). The Council Bills were then exchanged for rupees from the Government of India's revenues. Next the rupees were used to buy Indian goods for export. Conversely, British officials and businessmen in India bought Sterling Bills in return for their profits in rupees from British owned Exchange Banks; the London branches of these banks paid in pounds for such bills with the money coming from Indian exports" purchased through-the rupees obtained through sale of Sterling Bills.

Interest on Foreign Capital Investments

Interest and profits on private foreign capital were another important leakage from the national income stream. Finance capital entered the Indian market in the 20th century.

Foreign capitalists were the least interested in industrial development of India. Rather they exploited Indian resources for their own benefit and in fact thwarted indigenous capitalist enterprise by fair and foul means.

Foreign Banking

For banking, insurance and shipping services India had to make huge payments. Apart from constituting a drain on Indian resources, unrestricted activities of these foreign companies stunted the growth of Indian enterprise in these spheres.

R.C. Dutt and the Drain theory

After Dadabhai Naoroji, R.C. Dutt vividly explained this unilateral flow of wealth from India. His in his book, Economic History of India, wrote that, "*Taxation raised by a king is like the moisture sucked up by the sun, to be returned to earth as fertilizing rain, but the moisture raised from the Indian soil now descends as fertilizing rain largely on other lands, not on India.*"

He also directed attention to the deepening internal differentiation of Indian society appearing in the abrupt articulation of local economies with the world market, accelerated urban-rural polarization, the division between intellectual and manual labour, and the toll of recurrent devastating famines.

R.C. Dutt pointed out in 1901 in his famous work, The Economic History of India, the effort of the Parliamentary Select Committee of 1812 was "to discover how they (Indian manufactures) could be replaced by British manufactures, and how British industries could be promoted at the expense of Indian industries".

Historical concept Drain of Wealth

Systematic ruthless in nature.

Proved to be an important factor for India's socio-economic ills.

Amounted to retardation which led to the fact that a nation with millions of her people fell in miserable conditions.

Resulted in the collapse of the socio-economic fabric of the country.

The historical task of reconstructing national life after the centuries of 'drain of wealth' proved to be onerous and had a debilitating effect on the development of the country.