

Chapter 12

INDIA ENTERS THE THIRD WORLD

The great interest of India was to be agricultural rather than manufacturing and mechanical.

THOMAS BAZLEY, President of
Manchester Chamber of Commerce, 1862

For 2½ centuries after da Gama, Europeans were effectively excluded from the Indian subcontinent. Their superior ships and naval artillery enabled them to gain control of the Indian Ocean, but on land they were allowed to trade at but a few posts along the coast, where they were tolerated only on good behavior. The volume of trade during these early centuries was meager because the West produced little of interest to Asians, while the exports of Asia were mostly luxuries that few in the West could afford. Trade with Asia prior to the mid-nineteenth century was not of the mass variety, as was the trade with the Americas. England in 1751 imported three fourths as much from the single sugar island of Jamaica as from the whole of Asia.

This political and economic independence of India rapidly dissolved during the nineteenth century. Military conquest transformed the Mogul Empire into a British possession. At the same time India was integrated into the international market economy as completely as the Americas and Africa had been in earlier centuries. Thanks to the Industrial Revolution the West now was able to flood India with cheap machine-made goods, thereby disrupting the traditional native crafts. And European consumers who formerly could not afford Indian exports now imported vast quantities of tea, while their industries absorbed equally vast quantities of jute, cotton, indigo, hides and oilseeds. Indian

manpower also was exploited, as millions of coolies, under conditions reminiscent of the earlier African slave trade, were set to work in plantations and mines in Southeast Asia, Fiji, East Africa and the Caribbean.

In this manner, India entered the Third World in the nineteenth century. The nature and results of this process of subordination and integration are the subjects of this chapter.

☞ *I. Conquest of India*

One background factor explaining the sudden shift in balance of power on the Indian subcontinent was the omnipresent caste system, which focused attention on local affairs rather than national ones. Being born in a particular caste determined one's upbringing in infancy and childhood; the choice of mate in marriage; the work one could legitimately undertake; the appropriate religious ceremonies; the place of residence; and the manner of dressing, eating and most other details of daily living. Caste took care of virtually everything at the village level, so that government above the village was regarded as a superfluous and predatory excrescence generally imposed by outsiders. All this was quite different from China, where the imperial bureaucracy provided society with strong political cohesion. Whereas in China the peasants revolted periodically to replace a "bad" government with a "good" one of the same substance, in India the peasants sought to be rid of government altogether, since their castes performed most of its functions. The amorphous Indian society obviously was more vulnerable to foreign intrusion and manipulation than the highly organized imperial structure of China.

The inherent vulnerability of Indian society greatly increased during the eighteenth century, when the Mogul Dynasty was deteriorating at the same time that the European powers were becoming economically and militarily more aggressive and powerful. Here again there is a striking contrast with China, where the Manchu Ch'ing Dynasty took power in 1644 and maintained effective control until the nineteenth century. The Mogul Dynasty of India preceded the Manchu Dynasty by a century, and reached its height under Emperor Akbar, who followed a policy of religious toleration and light taxation. After his death in 1605 his successors were less capable and less enlightened. This was especially true of Aurangzeb, the last great Mogul Emperor, who came to the throne in 1658. A Muslim fanatic whose religious persecutions alienated his predominantly Hindu subjects, Aurangzeb was forced to wage continual warfare, which in turn led to heavier taxes and to further popular disaffection.

With his death in 1707 the Mogul Empire began to fall apart. There was no settled rule of succession, so that for two years his sons disputed

the throne. Between 1712 and 1719 five puppet emperors ruled at Delhi. Under these circumstances the provincial governors began to assert their independence and to establish hereditary local dynasties, such as those of Hyder Ali of Mysore and of the Nizam of Hyderabad. The reins of power slipped away from the Delhi emperors to the provincial potentates and to the Marathas, who represented Hindu nationalism in a vague and incipient sense. The Marathas gained control over a large central area from the western coast to within two hundred miles of Calcutta on the eastern coast. This Maratha Empire, with its capital at Poona, was the only indigenous dynamic political force in India in the mid-eighteenth century.

The Maratha leaders understandably concentrated on taking over the Mogul heritage, but in doing so they overlooked the mortal danger posed by the British merchants in Bombay, Madras and Calcutta. These merchants promptly exploited the endless opportunities for divide and rule presented by the imperial disintegration. They played off Hindus against Muslims, and rival provincial governors against each other and against the Mogul emperors. They were assisted in this strategy by a powerful new Indian capitalist class, which was closely associated with the European merchants and had derived great profits from trade with them.

Prior to the appearance of the Europeans the economy of India had been little affected by foreign trade, which was relatively slight and peripheral. But by the eighteenth century the commodities of trade had shifted from a few luxury items to articles of mass trade such as indigo, mustard seed, hemp, saltpeter, calicoes and muslins. These products of the rich Ganges Valley were funneled down to the ports of Bengal through the agency of the Marwari merchants. With their offices all over North India, the Marwaris soon became millionaires, corresponding to the comprador class of China in the late nineteenth century. Like their Chinese counterparts, the Indian capitalists were dependent upon foreign interests, with whom they collaborated closely, as against the Mogul Dynasty, which they hated as intensely as the compradors did their Manchu Dynasty. India was much more vulnerable than China to Western penetration because the Indian national economy and imperial administration were not as developed and integrated as the Chinese.

The combination of flabby social structure, imperial disintegration and collaborationist native merchants gave the British East India Company the opportunity to dominate the subcontinent where for centuries it had operated only on sufferance. Originally company agents had sailed to India, purchased cargoes and returned home. They soon realized that more profits could be made if they resided for lengthy periods in India, bought goods when prices were the most favorable and stored them till

the ships arrived from Britain. This led to the building of permanent warehouses and quarters for the company agents or "factors," the compounds coming to be known as "factories." As anarchy spread in India, fortifications were built around the factories, and Indian guards or *sepoys* were employed to man the fortifications.

With their fortified factories and sepoy troops the British merchants steadily extended their control over the surrounding regions and eventually over the entire country. Typical was the process of establishing the first territorial foothold in Bengal. The local *nawab* or governor was beset by three challenges to his authority: by the Marathas, who were attacking from the West; by domestic enemies led by the fabulously wealthy Marwari merchant, Jagat Seth; and by the East India Company, which was strengthening the fortifications of its Calcutta factory. The *nawab* ordered the company to stop the construction work, and on refusal, attacked and seized the factory and the city of Calcutta. Robert Clive marched from Madras with relief forces, and the ensuing Battle of Plassey proved to be what Indian historians term "a transaction, not a battle."¹ Jagat Seth had bought the allegiance of the *nawab's* general, who crossed over to the British side.

For his betrayal the general was made the new *nawab* of Bengal. In practice he became the helpless puppet of the company, whose greedy officials squeezed every kind of concession from him. The Mogul Emperor now attempted to intervene but his forces were defeated and he was forced to grant to the company the *diwani*, or the right of revenue collection. For a decade the company used this authority to fleece the local population mercilessly. In addition to tax extortion, the company compelled Indian artisans to work for subsistence wages in producing goods that company agents bought at set low prices and then sold for much higher prices. Still another source of plunder was the control of domestic trade by company agents, who refused to pay the substantial internal duties and thus drove out of business the native merchants, who were required to pay.

"To engineer a revolution," state two English historians, "had been revealed as the most paying game in the world. A gold-lust unequalled since the hysteria that took hold of the Spaniards of Cortes' and Pizarro's age filled the English mind. Bengal in particular was not to know peace again until it had been bled white."² Richard Beecher, a servant of the company, wrote to his superiors in London on May 24, 1769, as follows: "It must give pain to an Englishman to have reason to think that since the accession of the Company to the Diwani the condition of the people of this country has been worse than it was before. . . . This fine country, which flourished under the most despotic and arbitrary government, is verging towards ruin."³

The British Parliament was moved by such reports of oppression and suffering. It passed various regulatory measures, including Pitt's India Act of 1784, which allowed the company to continue trading but placed political activities under the supervision of a Board of Control in Britain. The Act also stipulated that "schemes of conquest and extension of dominion in India" were "repugnant to the wish, the honour and policy" of the nation.

Despite this official opposition to further aggrandizement, company officials continued to extend their operations. The reason was simply that each new province yielded another flood of riches for the company and its agents. And the London government was seriously handicapped in enforcing its orders because it took a year or more to transmit messages by sailing ship between Britain and India. Thus the company officials eliminated their rivals in India one after the other.

First they defeated the French during the Seven Years' War, which was fought in India as well as in Europe and America. Taking advantage of the superiority of the British navy, Robert Clive moved his forces at will from one part of India to another, and at the same time severed the communications of the French factories with each other and with France. The end came with the surrender in 1761 of the main French base at Pondichéry. By the 1763 Treaty of Paris the French were allowed to retain their factories, but only for trading purposes. They were forbidden to erect fortifications or pursue political ambitions.

The next British advance was made during the American Revolution, when three native rulers took advantage of Britain's preoccupation in the New World to attempt to drive her out of India. The governor-general, Warren Hastings, managed to hold out and eventually to take the offensive. By 1800 only the British and the Marathas were left, and during the following years the British gradually prevailed because of dissension within the Maratha ranks. By 1818 the Maratha capital of Poona had been taken and the British company had become "the paramount power" in India.

After having established themselves in the heart of the subcontinent, the British began pushing northward in search of natural frontiers. To the northeast, in Himalayan Nepal, they defeated the Gurkhas, who henceforth served the British as loyal soldiers outside India as well as within. Likewise to the northwest, the British were able after several campaigns to defeat the proud Sikhs of the Punjab. By the mid-nineteenth century the British had become the rulers of all India, from the Indus to the Brahmaputra and from the Himalayas to Cape Camorin. A few major kingdoms still survived, including Kashmir, Hyderabad, Baroda and Travancore, but they were now isolated from each other and powerless against the might of Britain.

II. *British Control Techniques*

It has been commonly assumed that, in contrast to China, few peasant revolts occurred in India to challenge British authority. This alleged Indian passivity is usually attributed to the caste system, with its hierarchical divisions among villagers; to the collaborationism of the landlords and the princes, who fared well under British rule; and to the pacifying influence of Gandhi on the peasantry. A British anthropologist, Kathleen Gough, has reviewed this traditional assumption and reached the conclusion that "peasant revolts have in fact been common both during and since the British period, every state of present day India having experienced several over the past two hundred years."⁴ Gough unearthed seventy-seven revolts, the smallest of which involved several thousand peasants. About thirty revolts involved several tens of thousands, and about twelve involved several hundreds of thousands.

These uprisings were of several varieties. Some were restorative movements seeking to drive out the British and reinstate earlier ruling families and social relationships. Others were religious or millenarian movements with prophetic leaders who looked forward to a terrestrial state of righteousness and justice. Still others were bandit groups that sought to protect the poor, or served as mercenaries for landlords and princes, or committed terrorist acts with motives of vengeance or justice. Finally there were mass insurrections for the redress of particular grievances, such as that of the Bengal indigo growers in 1866 who rose against gross oppression and exploitation on English plantations.

Despite the frequency and scope of the Indian uprisings, the fact remains that they were not as massive and well organized as those in China. One reason for the difference was the political, linguistic and cultural fragmentation among India's people, so that revolts tended to be uncoordinated and localized. Also, the British government and army were more efficient and better prepared for suppressing uprisings than the Manchu regime in China. These inhibiting factors were evident during the greatest outbreak against British rule, the "mutiny" of 1857-58. It began as an uprising of Hindu and Muslim soldiers against prolonged campaigning, inadequate pay and the greasing of cartridges with cow and pig fat, which was offensive to both Hindus and Muslims. The revolt was backed by conservative elements that were disturbed by Westernization measures such as the building of railways and telegraph lines, the opening of modern schools, the proselytizing of Christian missionaries, the legalization of remarriage by widows and the prohibition of practices such as infanticide and the cremation of widows on the funeral pyres of their husbands. Mass support for the uprising

came from millions of impoverished peasants, ruined artisans, exploited plantation and factory workers, and hill tribes people antagonized by tax levies and land seizures.

The rebellion came closer to success than is generally recognized, raging over a five-hundred-thousand-square-mile region for several months. Ultimately it failed because it did not spread throughout the country and was not coordinated. North India was most solidly behind the uprising, but even there most of the princes, wealthy merchants, moneylenders and tax farmers supported the British. The sepoys were divided, half rebelling, a quarter deserting and a quarter obeying their British officers. The rebellion consequently flared up at different times in scattered regions, giving the British respite to recover from the initial surprise and then to overcome the rebel strongholds one by one.

After the fighting was over, restoration of company rule was out of the question, so the government faced the problem of administering India. A variety of control techniques were evolved to buttress British rule and forestall a repetition of the mutiny trauma. The India Act of 1858 and the Indian Councils Act of 1861 defined the nature of the new administration by the Crown. At the head was the Secretary of State for India, who was a member of the cabinet in London. The top official in India was the governor-general, or viceroy, acting as the direct representative of the Crown. The viceroy was assisted by an appointed executive council of five members, none of them Indian till 1909. For legislative purposes six to twelve additional members were appointed to the executive council, and this enlarged body functioned as a legislative council. Its measures, however, were subject to veto by the viceroy and the Secretary of State. Three Indians were appointed to the first legislative council in 1861, and their numbers were gradually increased in later years.

Beneath these top officials was the famous Indian civil service, which collected the revenues, maintained law and order and supervised the judicial system. Almost all its members until 1919 were British graduates of Oxford or Cambridge. The civil service in turn supervised a subordinate provincial service that was exclusively Indian in personnel. A similar two-level system prevailed for the police. The central all-Indian force consisted entirely of Britishers, while the provincial police were recruited from the local populations. The efficiency of British rule is evident in the fact that in 1900 there were a total of 4,000 British civilian administrators in the country compared to 500,000 Indians.

This administrative apparatus was backed by the Indian army, which in 1910 comprised 69,000 Britishers and 130,000 Indians. Some key branches of the armed forces, such as the artillery, were entirely British. The Indian recruits were mostly from what were considered the more "martial" peoples, such as the Sikhs and Pathans of the Northwest and

the Gurkhas of Nepal. Also, they tended to be "yeomen peasants" or middle peasants, which the British believed to be more sturdy and reliable. This Indian army consumed a far larger proportion of national revenues than did the military establishments of other countries with much higher per-capita incomes. The following table gives the proportion of Indian military expenditures in early 1920s compared to those of other countries:

| Country | Total Revenue | Total Expenditure | Defence Expenditure | 4 as. per cent of 3 | 4 as. per cent of 2 |
|-----------------------|---------------|-------------------|---------------------|---------------------|---------------------|
| (1) | (2) | (3) | (4) | | |
| (Figures in millions) | | | | | |
| India (rupees) | 1332.2 | 1423.9 | 919.0 | 70.7 | 63.8 |
| U.K. (£) | 1426.9 | 1195.4 | 642.0 | 45.0 | 53.7 |
| Australia (£) | 61.78 | 64.60 | 31.20 | 50.0 | 48.3 |
| Canada (£) | 89.38 | 74.19 | 17.9 | 20.0 | 24.2 |
| S. Africa (£) | 29.67 | 25.69 | 13.4 | 45.2 | 52.2 |
| Spain (pesetas) | 1976.66 | 2550.79 | 450.36 | 22.8 | 17.6 |
| France (francs) | 22450.9 | 24932.0 | 5027.0 | 22.4 | 20.0 |
| Italy (lire) | 17603.0 | 20454.8 | 3553.77 | 20.0 | 17.3 |
| U.S.A. (dollars) | 3345.18 | 3143.41 | 1201.44 | 35.9 | 38.2 |
| Japan (yen) | 1319.20 | 1399.29 | 646.40 | 49.0 | 46.2 |

Source: K. T. Shah and K. H. Khambata, *Wealth and Taxable Capacity of India* (London and Bombay, 1924), p. 267. Cited by F. Clairmonte, *Economic Liberalism and Underdevelopment* (London: Asia Publishing House, 1960), p. 83.

Not only was the Indian army extravagantly expensive for such a poverty-stricken country, but also it was employed to a considerable degree for non-Indian purposes. Just as the British earlier had used the plunder they obtained from individual Indian states for the conquest of additional states, so now they used this Indian-financed army for territorial aggrandizement outside India. Between 1838 and 1920 the Indian army was used on nineteen occasions for expeditions against neighboring countries such as Afghanistan, Burma, Malay, Siam and Tibet, as well as for extensive campaigning in the Middle East during World War I.

In addition to the bureaucracy and the army, the British used the surviving Indian princes for control purposes, particularly since most of them had opposed the mutiny. Lord Canning, the first viceroy after the

mutiny, declared in 1860: "If we could keep up a number of Native States without political power, but as royal instruments, we should exist in India as long as our naval supremacy was maintained."⁵ In line with this strategy the British abandoned the former company "doctrine of lapse," whereby a state came under company control if there were no natural heirs. This had been deeply resented, so Queen Victoria officially promised no further annexations of princely states. Even in the case of gross misrule, the British pressed for reform or, in a few cases, deposed the culpable ruler, but never annexed his state. Thus the British purposefully froze a crazy-quilt pattern of some 550 native states, some quite large with tens of millions of subjects, and some too small to appear on a map. The success of this divide-and-rule policy is evident in the following statement of the Maharajah of Mysore at a 1938 conference: "If we are to exist as a class, it is our duty to strengthen the hold of the Government."⁶

The divide-and-rule strategy was used also to keep Hindus and Muslims apart. Viceroy Lord Minto introduced this policy by creating a system of separate electorates for Muslims and Hindus. Muslims could be represented only by Muslims, elected only by Muslim voters, and no Muslims could represent a Hindu constituency or vice versa. By this arrangement the two religious communities became separate and conflicting political entities because they were forced to judge all issues from a sectarian perspective. The wife of Lord Minto noted with glee that her husband had by this act ensured for a long time British rule in India. Her elation was quite justified, for separate electorates proved to be the precursor of the two-nation theory that ultimately resulted in the costly and tragic division of the peninsula into two sovereign states.

Another effective instrument for control was the educational system, though in the long run it challenged as well as buttressed British rule. For about half a century after their conquest of India the British made no effort to impose their culture upon the country. They were too busy working out administrative, financial and judicial arrangements. In 1823 a Committee on Public Instruction was appointed, but it split into two factions, the "Anglicists" and the "Orientalists." The latter favored a traditional type of education based on Sanskrit, Arabic and Persian, while the former preferred instruction in the English language and embracing Western science and thought. The deadlock was broken in 1835 by the new committee president, Thomas Babington Macaulay, who prepared a famous "Minute on Education," which concluded, "English is better worth knowing than Sanscrit or Arabic . . . it is impossible for us, with our limited means, to attempt to educate the body of the people. We must at present do our best to form a class who may be interpreters between us and millions whom we govern; a class of persons, Indian in

blood and color, but English in taste, in opinions, in morals, and in intellect." 7

Macaulay's recommendation was adopted and implemented. During the following decades a national system of education was evolved, consisting of universities, training colleges for teachers and vernacular elementary schools for the masses. Between 1885 and 1900 the number of students in colleges and universities rose from 11,000 to 23,000, and those in secondary schools from 429,000 to 633,000. Also, the introduction of the printing press greatly stimulated intellectual life. Sanskrit works became public property rather than the jealously guarded monopoly of Brahmins. And newspapers were published in the various modern Indian languages as well as in English.

These developments affected the intellectual and political climate of India profoundly. English-type education created a new class of Indians familiar with foreign languages and cultures, and committed to liberal and rational ideologies. It also provided for the first time a common language and a common cultural background for the new educated elite in all parts of India. Hitherto they had been separated by linguistic and cultural differences, but these were now overcome by English language, literature and thought. The new all-Indian unity in turn had political repercussions. It stimulated national self-consciousness and eventually a demand for self-government.

The English had introduced their language and culture in India in order to train a class that would help them govern the country. They attained this objective, but in doing so they began the undermining of their authority, for it was this Western-educated class that used European ideology to attack British rule and to organize a nationalist movement that eventually culminated in an independent India.

Indian nationalism was the product not only of English education but also of English economic exploitation (which will be considered in the following sections) and of English racism. The mutiny engendered much of the racism, as the British feared another uprising and therefore advanced racist rationalizations in defense of their rule and repression. Also, more English women went to India after the mutiny, so that "native" wives or mistresses no longer were the acceptable norm. The superiority complex of the British was manifest in all fields—in social life, where Indians were excluded from certain hotels, clubs and parks; and in the army and bureaucracy, where Indians could not rise above certain ranks regardless of their qualifications. Lord Kitchener, commander-in-chief in India, was forthright in justifying this discrimination: "It is this consciousness of the inherent superiority of the European which has won for us India. However well educated and clever a native may be, and however brave he may have proved himself, I believe that no rank

we can bestow on him would cause him to be considered an equal of the British officer." ⁸

Viceroy Lord Curzon was equally bigoted regarding appointments to the bureaucracy. "The highest ranks of civil employment in India," he wrote to a colleague in 1900, "must be held by Englishmen, for the reason that they possess, partly by heredity, partly by upbringing, and partly by education, the knowledge of the principles of Government, the habits of mind, and the vigour of character, which are essential for the task. . . ." ⁹ Such blatant and all-pervasive racism contributed decisively to arousing nationalist sentiments among educated Indians who otherwise might have accepted the security and material rewards afforded by British rule. "As a result of this doctrine of prestige and race superiority," concludes an Indian diplomat-historian, K. M. Panikkar, "the Europeans in India, however long they lived there, remained strangers in the country. An unbridgeable chasm existed between them and the people, which was true till the very end of British rule in India." ¹⁰

III. *India's Traditional Economy*

When British officials debated the type of educational system to establish in India, Charles Grant, a director of the East India Company, declared that an English-type education would "also serve the original design with which we visited India . . . the extension of our commerce. . . . Wherever, we may venture to say, our principles and language are introduced, our commerce will follow." ¹¹ His analysis was perceptive and fully justified. The new schools and civil service and military forces did "serve the original design," which was economic penetration, and which had consequences for India that are being felt to the present day. To understand the nature and results of the British impact, it is necessary first to examine the character of the traditional Indian economy.

The village had been the basic unit of the Indian economy for millennia, as it had been in most of the world in the pre-industrial period. Within the village it was not the individual who mattered, but rather the joint family and the caste. This group form of organization was a source of social stability but also of national weakness. Loyalty to the family, to the caste and to the village was the primary consideration, and this prevented the development of national spirit.

The land was regarded as the property of the sovereign, who was entitled to a share of the gross produce or its equivalent. This constituted the land tax, which was the main source of state revenue and the main burden of the cultivator. The share paid to the state varied from period to period from a sixth to a third or even half. Usually the responsibility for making this payment, whether in produce or in money,

was collective, resting upon the village as a unit. The peasant had hereditary right to the use of the land so long as he paid his share of the taxes.

Transportation and communication facilities were primitive, so the villages tended to become economically and socially self-sufficient. Each village had its potter, carpenter, blacksmith, clerk, priest, teacher and its astrologer, who indicated the auspicious time for planting, for harvesting, for marriages and other important events. These artisans and professional men served their villages on something akin to a barter basis. They were paid for their services by receiving grain from the cultivating households or by receiving tax-free village land for their own use. These hereditary and traditional divisions of occupation and function were given the stamp of obligation by the caste system. The political structure of the village consisted of an annually elected council of five or more, known to this day as the Panchayat (*pancha* meaning "five"). The Panchayat, which normally consisted of caste leaders and village elders, met periodically to dispense local justice, to collect taxes, to keep in repair the village wells, roads and irrigations systems and to see that the craftsmen and other professionals were provided for.

The village had little contact with the outside world apart from the payment of the land tax and the irregular demand for forced labor. The combination of agriculture and hand industry made each village largely independent of the rest of the country except for a few indispensables like salt and iron. Consequently, the towns that existed in traditional India were not industrial in character. Rather, they were religious centers such as Benares, Puri and Allahabad; political centers such as Poona, Tanjore and Delhi; or commercial centers such as Mirzapur on the trade route from central India to Bengal. On the other hand, India was probably the world's greatest producer of cotton textiles until the invention of machine spinning and weaving in Britain in the late eighteenth century. Four regions in India specialized in producing textiles for export: the Punjab for central Asia and the Middle East; Gujarat for the Middle East; the Coromandel coast for Southeast Asia; and Bengal for Upper India until the early eighteenth century, and thereafter for Europe. The combination of cheap labor, technical skills and locally produced raw materials gave Indian textiles such a great competitive advantage that the East India Company was able to sell them in England at a 100 percent markup on unit cost. Indeed, it was these cheap Indian imports that stimulated English manufacturers actively to seek labor-saving, cost-reducing mechanical devices, thereby contributing to the advent of the Industrial Revolution in England rather than India.

India's traditional economy and society have been frequently roman-

ticized. Group organizations such as the joint family, the caste and the village council did provide the peasants with psychological and economic security. The individual did have recognized duties, rights and status in his native village. If the central government was sufficiently strong to maintain order and avoid excessive taxes, then the peasants did lead a peaceful and contented existence. But as often as not the central government was too weak to keep order, and the villagers were mercilessly fleeced by rapacious tax collectors and by robber bands. This was the case in the seventeenth century when the Mogul Dynasty was crumbling. A Portuguese missionary, Father Sebastian Manrique, who was in India in 1629 and again in 1640-41, noticed that the land tax in Bengal was not only increased repeatedly but also collected four to six months in advance. The cause of this, he said, was the constant change of officials, who were invariably dismissed or transferred after a short term in office. "On this account they always used to collect the revenue in advance, often by force, and when the wretched people have no means of paying, they seize their wives and children, making them into slaves and selling them by auction, if they are heathens" ¹² (that is, Hindus rather than Muslims, as were the ruling Moguls).

The Mogul state had been basically parasitic even before its decline. Most of the surplus extracted from the peasantry was used to support the conspicuous consumption of the Court and the aristocracy rather than to promote any long-term economic development. The luxury expenditures of the ruling elites did promote urbanization, commerce and handicrafts. Whether this stimulus was sufficient for an eventual self-generated transition to capitalist industrialization is a question that is often debated but that is virtually unanswerable. In any case, the political takeover by the East India Company eliminated any chance that may have existed for such an independent course of development.

IV. *British Impact: Finances and Agriculture*

When the East India Company got its first foothold in Bengal, it proceeded, as we noted in Section I, to plunder ruthlessly through tax levies, exploitation of artisans and refusal to pay the internal duties required of local merchants. After the British government took over from the company, the drain continued through procedures that were institutionalized and therefore not so blatant, though just as extortionist. One was the manipulation of public finances for the benefit of the British treasury. An example was the inordinately expensive military establishment, which, as noted above, the Indian taxpayers supported even though it was frequently used for purposes having nothing to do with the defense of India. "Millions of money have been spent," re-

ported a British government commission in 1890, "on increasing the army in India, on armaments and fortifications, to provide for the security of India, not against domestic enemies, or to prevent the incursions of the warlike peoples of adjoining countries, but to maintain the supremacy of British power in the East."¹³

As serious as the misuse of military funds was the systematic debiting of India with what were in reality British expenditures. The "public debt of India" reached substantial proportions through such false debiting. Leland Jenks has summarized the nature and extent of this financial scandal:

The burdens that it was found convenient to charge to India seem preposterous. The costs of the Mutiny, the price of the transfer of the Company's rights to the Crown, the expenses of simultaneous wars in China and Abyssinia, every governmental item in London that remotely related to India down to the fees of the charwomen in India House and the expenses of ships that sailed but did not participate in hostilities and the cost of Indian regiments for six months' training at home before they sailed—all were charged to the account of the unrepresented ryot [Indian peasant]. The Sultan of Turkey visited London in 1868 in state and his official ball was arranged for at the India Office and the bill charged to India. A lunatic asylum in Ealing, gifts to members of a Zanzibar mission, the consular and diplomatic establishment of Great Britain in China and in Persia, part of the permanent expenses of the Mediterranean fleet and the entire cost of a line of telegraph from England to India had been charged before 1870 to the Indian Treasury. It is small wonder that the Indian revenues swelled from £33 millions to £52 millions a year during the first thirteen years of Crown administration, and that deficits accumulated from 1866 to 1870 amounting to £11½ millions. A Home Debt of £30,000,000 was brought into existence between 1857 and 1860 and steadily added to, while British statesmen achieved reputations for economy and financial skill through the judicious manipulation of the Indian accounts.¹⁴

For the peasantry who comprised the great majority of India's population, the greatest burdens imposed by British rule were the land-tax systems. Two types were enforced, one being the ryotwari system, which was developed in the Bombay and Madras regions, and later applied in the Northwest and Northeast. This recognized the ryot as the full owner of the plot he tilled, and he was required to pay a heavy annual rent directly to the government. By eliminating the tax farmers, this system increased the revenues reaching the central treasury. On the other hand,

the cash levies and the individual rather than communal responsibility for their payment led to the monetization of the rural economy, with dire results for the peasants, as will be noted below.

The second tax system was introduced in the lower Ganges basin in 1793 by the "Permanent Settlement." Hitherto the tax collectors had been state officials charged with securing the state's share of the crops from a number of villages assigned to them. But now these tax collectors were transformed into English-type landlords, or zamindars, so that most of the villagers who formerly had enjoyed hereditary use of the land were reduced to the status of tenants-at-will. The new landlords were expected to collect about £3 million annually from their tenants, of which they passed on to the British authorities ten elevenths, leaving one eleventh for themselves. The "permanent" feature of this arrangement was that the annual sum transmitted by the zamindars was to remain the same indefinitely. But the zamindars, as landlords, were free to raise their rents, which they were able to do frequently because of the growing population pressure. By World War II they were collecting between £12 million and £20 million annually, while continuing to pay the original £3 million to the state.

The motive behind this strange contract was explained in 1829 by viceroy Lord William Bentinck: "If . . . security was wanting against popular tumult or revolution, I should say that the Permanent Settlement, which though a failure in many other respects and in its most important essentials, has this great advantage at least, of having created a vast body of rich landed proprietors deeply interested in the continuance of British Dominion and having complete command over the mass of the people."¹⁵ The validity of this statement was verified exactly a century later, when a zamindar addressing the Bengal Legislative Assembly in 1929 declared, "The British Government will be well advised to beware of agrarian socialism. The Permanent Settlement has proved to be a lasting barrier of the state against Bolshevism."¹⁶

The British did secure the loyalty of the zamindars, but in the process they effected a revolution in the countryside. The old communal land arrangements gave way to individual ownership, contract law, mortgage, distraint and forced sale. Formerly the land tax had been collected with considerable flexibility. Now the tax was a fixed sum and had to be paid on a set day or the property was put up for tax sale. Furthermore, these strange new laws were enforced by alien officials speaking a foreign language and usually ill acquainted with local problems and practices. Under these circumstances many of the Indian peasants lost their lands or sank hopelessly into debt. Gradually but inexorably the traditional noncommercial and self-sufficient life of the Indian village came to an end.

In order to meet their new financial obligations many of the peasants had to abandon their ancient subsistence economy and turn to the production of commodities that could be sold on the world markets. These commodities were transported to the seaports by a newly built railroad network totaling 4,000 miles by 1870, 7,000 miles by 1880 and 41,000 miles by 1939. The opening of the Suez Canal also facilitated the export of Indian raw materials by reducing the distance traversed by freighters between London and Karachi from 10,800 miles to 6,100 miles. Thus India became one of the world's important sources of raw materials. Wheat poured out of the Punjab, cotton out of Bombay and jute out of Bengal.

The same railroads that carried away the commercial crops brought back cheap, machine-made, industrial products to the villages. These undermined the position of the village artisans, as we shall note in the following section. The net effect was the monetization of the countryside. The peasants soon fell prey to usurers. Being unaccustomed to handling cash, they spent their money when high world prices provided extra income, and then had to borrow at usurious rates during the periodic slumps. The moneylender either took over the land of the bankrupt peasant, leaving him landless, or left the land in the peasant's name but took over most of the crop each year, reducing the peasant to a state of permanent debt serfdom.

The plight of the peasants was worsened by population increase engendered by greater security, health measures and famine relief arrangements made possible by railway transportation. Population rose from 255 million in 1872 to 302 million in 1921. A similar increase in the West in earlier centuries had been absorbed by new urban industries and by immigration to the Americas, Australia and New Zealand. For the displaced Indian peasants, however, there were neither factory jobs at home nor empty land overseas. A possible way out would have been improvement of agricultural techniques in order to raise productivity, as had been done in the West. But India failed to experience not only an Industrial Revolution but also an Agricultural Revolution. Indian landlords and moneylenders, in the context of the prevailing landholding and land-tax systems, could make more profit by rackrenting and usury than by investing in land improvement, fertilizers, irrigation and new seed strains.

The end result for India was that the average population increase per decade between 1901 and 1941 was 6.4 percent, while the average crop-production increase during the same period was 2.3 percent. Population consequently rose nearly three times as much as crop output. Per-capita crop production fell 20 percent during those four decades, and since cash crops were increasing more rapidly than food crops (be-

cause of greater use of irrigation), per-capita *food* crop production fell 32 percent during the same period. The condition of India's peasantry therefore worsened, as was noted in lectures at Edinburgh in 1879-80 by the outstanding authority William Wilson Hunter:

After a minute comparison of rural India at present with the facts disclosed in the manuscript records, I am compelled to the conclusion that throughout large tracts the struggle for life is harder than it was when the country passed into our hands. . . . The sad result seems to be, that whether we give over the land to a proprietary class, as in Bengal, or keep it in our hands, as in [the] Southern India [ryotwari system], the struggle for life grows harder to large sections of the people.

In provinces where, a hundred years ago, there was plenty of land for everyone who wished to till it . . . human beings [are] so densely crowded together as to exhaust the soil, and yet fail to wring from it enough to eat. Among a people whose sole means of subsistence was agriculture . . . a landless proletariat [is] springing up, while millions more [are] clinging to their half acre of earth apiece, under a burden of rack-rent or usury. . . . More food is raised from the land than ever was raised before; but the population has increased at even a more rapid rate than the food supply. . . .¹⁷

The root cause of this mass misery, which has worsened since the days of Hunter, is *not* the conservatism of the Indian peasant, as is frequently asserted. Rather it is the nature of British land policy, which for political and financial reasons monetized Indian agriculture without making it more productive. "In retrospect, the net effect of British rule," conclude Daniel and Alice Thorner, "was to change drastically the social fabric of Indian agriculture, but to leave virtually unaffected the basic process of production and the level of technique. The upper strata of the new agrarian society benefited handsomely. The position of the cultivators deteriorated. Capital needed for the development of agriculture was siphoned off, and the level of total output tended toward stagnation."¹⁸

☞ V. *British Impact: Crafts*

Britain's official creed in the nineteenth century regarding international economic relations was free trade. Businessmen, politicians and even poets sang the praises of untrammelled global commerce, which assuredly would benefit all mankind. British policymakers did not hesi-

tate to resort to force against any foreigners who were so benighted as to erect obstacles against British imports. Lord Palmerston, for example, undercut Mohammad Ali of Egypt when he attempted to develop local industries, and likewise attempted to undermine the Zollverein when it sought to protect Germany's infant industries. But free-trade theory was conveniently forgotten in the case of Indian textile imports when they hurt the English woolen industry. Thomas Bazley, president of the Manchester Chamber of Commerce, declared in 1862, "The great interest of India was to be agricultural rather than manufacturing and mechanical."¹⁹ The Indians, needless to say, were not consulted about their "interest." Rather the British set out purposefully to implement Bazley's dictum. Being India's rulers, there was no problem about having their way, and thus India's industries were destroyed and the country became "agricultural."

The 1814 tariffs levied only 2 percent duty on British woolens and 3½ percent duty on British cotton and silk goods imported into India. Conversely, the duty on Indian raw cotton imported into Britain was nominal, but the duty on Indian cotton textiles was 70 to 80 percent. Thus in the three decades 1814 to 1844 the number of pieces of Indian cotton goods imported into Britain fell from 1.25 million to 63,000, while British cotton imports into India rose from less than 1 million yards to over 53 million yards.

The impact on India's ancient textile crafts was shattering. Robert Clive described the city of Dacca in 1757 as "extensive, populous and rich as the city of London." But Sir Charles Trevelyan testified before a Select Committee in 1840 that "it has fallen from 150,000 to 30,000, and the jungle and malaria are fast encroaching upon the town. . . . Dacca, the Manchester of India, has fallen off from a very flourishing town to a very poor and small town."²⁰ Likewise the contemporary British colonial historian, M. Martin, testified in 1840 before a Select Committee of the House of Lords that India's textile industry had been destroyed "by reason of the outcry for free trade on the part of England without permitting to India a free trade herself." "This supersession of the native for British manufacture is often quoted as a splendid example of the triumph of British skill. It is a much stronger instance of English tyranny, and how India has been impoverished by the most vexatious system of customs duties imposed for the avowed object of favouring the mother country."²¹

Another example of British government intervention in India's economy directly contrary to free-trade principle was the campaign to increase the supply of Indian raw cotton during the American Civil War. The latter conflict interfered with exports of cotton from the American South to Britain, so the Manchester manufacturers demanded an alter-

native supply of cotton. They organized the Cotton Supply Association, whose president, John Cheetham, demanded in 1863 that the British government take any necessary measures to stimulate cotton production in India. Cheetham expressed the hope for something better than "the usual stale answer, namely, that it was contrary to the rules of political economy."²² In other words, Cheetham was unwilling to accept the principle of free trade as a reason for doing nothing.

Secretary of State Sir Charles Wood opposed government intervention to increase the supply of Indian raw cotton. He reminded Manchester's spokesmen that he genuinely believed in the free-trade principle they professed and that he would not tolerate its violation: "My conviction is, that an adequate demand, evidenced by a rise in price, will produce an adequate supply. I have held those political beliefs throughout all my political life with the greatest confidence, and on former occasions they were warmly advocated by gentlemen who belong to what is called the Manchester School, and who declared that the best and kindest thing that could be done for trade and manufactures was to leave them alone, and that bounties and protection were not only hurtful to the community at large, but to the very trade itself which was protected."²³ As long as Sir Charles Wood held office he blocked government intervention to increase the supply of Indian cotton. But when he resigned in 1866 a state-subsidized program was adopted for establishing model cotton farms in India, improving the quality of Indian cotton and facilitating the marketing of the cotton in England.

With the Deccan becoming a cotton bowl, British economists urged the building of railways "which would promote the sale and transmission of the raw products" and compel the Indians "to receive their cotton in a manufactured shape."²⁴ Again British interests had their way, so that the Indian government ended up guaranteeing the construction costs and interest payments for a costly, ill-conceived, hastily planned and mostly unproductive program for road, railway, canal and port construction. In the words of Daniel Thorner, it was a case of "private enterprise at public risk."²⁵ As in all colonies and semicolonies, the railways were designed to satisfy metropolitan rather than local needs. Virtually all of the twenty-five thousand miles of railway built in India by 1900 were either for military purposes or for shipping goods to coastal ports, so that interior regions were left largely unconnected with each other.

In most Western countries an important by-product of railway building has been the stimulus afforded to capital-goods industries and technological innovation in engineering. Locomotive factories in England have been called "universities of mechanical engineering."²⁶ But no such "universities" developed in nineteenth-century India because Brit-

ish firms enjoyed a virtual monopoly in the building of the railways and the supplying of the locomotives. This was so even when German and American firms submitted lower bids and quicker delivery, and when in India itself "the skills necessary for locomotive production were developed from a very early period, and the skills were very widely distributed. . . ." ²⁷

Discrimination in behalf of British interests was not limited to transportation. Sir Rajendra Nath Mukherjee made a reputation constructing waterworks for Calcutta. But he found that, as T. C. Mookerjee and Company, he could not obtain contracts for building waterworks in the United Provinces, even though his bids were the lowest. He found it necessary "to join forces with Acquin Martin and adopt the name of Martin and Company in order to obtain the contracts." ²⁸ Likewise in the field of shipping, British companies alone obtained government subsidies and mail subventions, and similarly Indian army contracts for boots, blankets and other light equipment went exclusively to British concerns, though the commodities could have been manufactured more cheaply in India.

It does not follow from the above that all Indian crafts were ruined. Some declined, others underwent mutations, while some new ones came into existence using new factory-manufactured machines. Nevertheless, the fact remains that when India won political independence after World War II it was an underdeveloped country, and it has remained so to the present day. The only major centers of industrialization in 1914 were in Calcutta and Bombay, and most of the enterprises were British and of the "enclave" variety, so that there was little spinoff to stimulate the national economy as a whole. Most revealing is the following conclusion by Bipan Chandra:

. . . in India in 1892 after 100 years of "gestation" only 254,000 persons were involved in modern industrial production under the Factory Acts. This number increased only by 1.1 million by 1931 and by another 1,180,000 by 1951, while population went up from 236 millions in 1891 to 275.5 millions in 1931 and 357 millions in 1951, and labour force from 94 millions to 142 millions between 1891 and 1951.²⁹

This conclusion is particularly disappointing because India, in contrast to Latin America, enjoyed favorable terms of trade, which could have been utilized to develop an independent economy. B. M. Bhatia, who has shown that India's terms of trade were favorable except for the years of the First World War and the Great Depression, gives the following reasons for the failure to take advantage of the opportunity:

"Free trade and anti-national fiscal and industrial policy of the Government rather than Eastern love for gold and adverse terms of trade were responsible for keeping India underdeveloped and poor. . . ." ³⁰ Thus the substantial gains from international trade were frittered away in the payment of political and commercial charges to Britain, and in the importation of gold, since there was little local industry in which to invest. After World War I India gained some fiscal autonomy, but with the Great Depression imminent and the terms of trade becoming less favorable, the historic opportunity for India faded away.

VI. India Enters the Third World

The effect of British rule was to integrate the subcontinent into the international market economy. This is reflected in the value of cotton textile imports, which jumped from 50,000 rupees in 1814, to 5.2 million rupees in 1829, to 30 million rupees in 1890, while the value of raw cotton exports rose from 10 million rupees in 1849 to 60 million rupees in 1860, and to 410 million rupees in 1913. Likewise the quantity of other raw-material exports rose as follows:

- *jute*—from 500 tons in 1830, to 35,000 tons in 1857, to 765,000 tons in 1909.
- *wheat*—from negligible quantity in 1870 to 1.3 million tons in 1914.
- *oilseeds*—from negligible quantity in 1840, to 200,000 tons in 1867, to 1.5 million tons in 1913.
- *tea*—from 500,000 pounds in 1854, to 87 million pounds in 1885–89 (average), to 192 million pounds in 1900.
- *hides and skins*—from a value of 6.6 million rupees in 1860, to 74.5 million rupees in 1898, to 160 million rupees in 1913.

India's Foreign Trade in Crores of Rupees

| | (10 million rupees) | |
|------|---------------------|----------------|
| | <i>Imports</i> | <i>Exports</i> |
| 1841 | 10 | 14 |
| 1860 | 23 | 33 |
| 1880 | 50 | 74 |
| 1900 | 81 | 108 |
| 1913 | 191 | 249 |

Source: M. Zinkin, *Asia and the West* (London: Chatto & Windus, 1951), pp. 267–71.

* * *

If there is no question as to the fact of India's integration into the global economy, there is a good deal of dispute as to the meaning of this fact. Supporters of British rule emphasize its positive results, such as the maintenance of law and order, the construction of transportation and irrigation systems and the commercialization of agriculture leading to a vast increase of exports and a corresponding increase of imports.

These material achievements are undeniable, but the crucial issue is their economic and social repercussions. How did they affect overall economic development, and also the daily lives of the great mass of the Indian people? Law and order were preserved, but as Bipan Chandra has observed, "It all depends on what the law and order is used for. . . . In fact, law and order is a basic necessity not only for economic growth and welfare, but also for any systematized exploitation."³¹ In the case of India the record points much more to exploitation than to growth and welfare. Twenty-five thousand miles of railway were built by 1900, but under terms that were excessively onerous for the Indian treasury, and that engendered little of the spinoff that stimulated the national economies of Russia and the United States. Likewise the new irrigation networks together with the external demand for Indian raw materials made extensive cultivation by large landowners profitable, but this involved an increase in tenant cultivation and tenant rackrenting. Commercialization of agriculture similarly did not lead to superior technology and productivity. Rather it caused more intense exploitation of the peasants, who became victims of the mechanism and fluctuations of the market and of the accompanying landowners, middlemen and moneylenders.

In short, the entire infrastructure created by Britain was purposefully designed to create a dependent colonial economy rather than an independent developed economy. The role of Britain in India was not "creative destruction," as Schumpeter characterized the function of capitalism. Instead it was the preservation of selected precapitalist institutions that favored imperial interests. Barbara Ward recognized this when she stated that Britain failed in India because she did not complete the modernization process, which required "decisive land reform." But "as an alien power," explains Barbara Ward, "Britain could not adopt such a solution in India."³² The first part of this analysis is correct, but the second is not. We have seen that Britain did not hesitate to intervene vigorously to impose the ryotwari and zamindar land systems and to promote railway building and the production of raw materials needed by home industries. But government intervention was conspicuously lacking when needed for the benefit of the local population rather than of British interests. Examples of such selective nonintervention included the refusal to erect protective tariffs, to introduce progressive taxation

and to ban grain exports during periods of famine. The basic problem for India was not Britain's nonintervention or ineffective intervention, but discriminatory intervention.