

# ECONOMIC CONSEQUENCES – VARIOUS DIMENSIONS/FORMS OF EXPLOITATION

## Impact of land revenue systems introduced by British rule in India

- The revenue demand being high and harsh led to economic hardship of cultivator and added to the existing poverty i.e. exploitation by the Government
  - i. The land settlements introduced market economy and did away with customary rights.
  - ii. Cash payment of revenue encouraged money-lending activity.
  - iii. Money lenders were protected by British Rule and the legal system and had support of authorities. They charged exorbitant rate of interest i.e. exploitation by money lenders.
  - iv. It sharpened economic disparity and social differentiation. Rich had access to the courts to defend their property. However, poor hardly had any redressal mechanism.
  - v. It led to commercialization of agriculture. This was followed by introduction of methods to compel/lure the cultivators to grow commercial crops desired by the rulers.
  - vi. Forcible growing of commercial crops proved hazardous for the peasants because they had to buy food grains at high prices and sell cash crops at low prices.
  - vii. The stability of the Indian Villages was shaken and the entire setup of the rural society began to collapse.

## Impact of colonial rule on agriculture

- The new agrarian system introduced the British and the policies pursued by them created stagnant agriculture, indebted peasantry, rise in landless labouring class, famines and epidemics. The basic policy of the British was to extract land revenue irrespective of the economic condition and paying capacity of the peasantry. The distress sale of land to pay land revenue was not discouraged as it was a direct consequence of British land revenue policies.
- Unlike the land revenue during pre-colonial period when demand varied according to the crop cultivated. The land revenue under the British was a true tax on land. Therefore although the revenue collections went up, the prices of food grains declined, the rural indebtedness increased and the rural economy was depressed. Moreover the commercialization of agriculture led to transformation of economy into supplier of raw materials. The main commercial products, were jute, sugarcane, tea, indigo, silk, rice etc. The growth of opium and tea was encouraged to meet the British financial interest.
- The direct appropriation of the agricultural surplus was

the sole goal of the British rule. It almost dictated, directed and controlled the agricultural system of India and did not shy away from its maximum possible exploitation. The direct consequences of colonial rule on agriculture led to impoverishment of the peasantry, stagnation of the rural economy, scarcity, famine and epidemic.

## Impact of commercialization of agriculture on Indian Economy

- It is a paradox that the commercialization of agriculture and increase in foreign demand for Indian agricultural produce did not lead to the development of Indian agriculture. It was precisely because of colonialism that the Commercialisation of agriculture emerged as an artificial forced process which could not lead to a genuine growth in agriculture. The impact of the Commercialisation was quite far reaching. It led to a scarcity of food because the increasing demand for cash crops like cotton, jute, indigo and opium etc. was met by substitution of commercial crops for traditional food crops. One major cause of the famine in 1866 in Bengal and Orissa was that the best land was cultivating indigo instead of rice. Yet another impact was a differentiation among the farmers. Although a small section of the farmers, who had the resources, prospered by shifting completely to the cultivation of commercial crops, the poor farmer suffered great losses as he had to now depend on a market for his own food requirements. The farmer came to attach greater importance to market demands and prices than to his own immediate needs. Commercialization of agriculture during colonial period proved to be disadvantageous for the country because it was unplanned and was undertaken to serve the colonial masters. It was for certain ruinous for Indian economy.

## Famines-Understanding them

- The agrarian system as evolved by the British had a built-in system of destruction of agriculture. Apart from the traditional reasons of famine like monsoon failure, natural calamities etc. the economic policy of British created a situation that scarcity of food and recurrent famines became very frequency in India. The magnitude of famines that visited India during the colonial rule throws sufficient light on the fact that these famines were man made phenomenon.
- The policy of maximizing land revenue altered the composition of landed society. Many old zamindars could not compete in the race. The peasants were literally robbed by new zamindars. This reckless process, which continued till the permanent settlement, resulted

frequently in famines, loss of human life and large areas of land were rendered as waste. From 1765 to 1793 the revenue demand of the company nearly doubled.

- The agrarian system as evolved by the British had a built-in system of destruction of traditional agriculture. Further introduction of commercial agriculture on large scale had its own consequences. It is evident from the famines of 1870s and late 1890s and epidemics and slow growth of population. In the old order the cultivators produced grains for self consumption. They used to keep sufficient amount of food grains for facing eventualities like famines, droughts etc. However, under the new system the cultivator was required to pay the rent in cash. Therefore, it became obligatory for the cultivator to sell off his produce in the market and did not have any buffer stock. In fact they repurchased food grains for self consumptions. So in case of crop failure the poor cultivator had to suffer untold miseries.
- Although British invested in the transportation and communication system it developed the network in selected areas that served their interest. Lack of the means of transportation and communication obstructed the free and quick movement of food articles from one region to another at the time of famine. Contrary to this the produce from the food gain rich area was collected and exported by British without keeping buffer stocks of food grains for India. Moreover, the food grains were exported even when there was shortage of food in India.
- The administration also failed to check hoarding done by the business community to earn profit. This further aggravated the famine conditions. Agriculture required investments. Poor peasantry could not do it. Since the government and the landlords showed very little interest in public works, agriculture remained backward in the country. The impoverishment of the peasantry was a glaring fact during the British rule over India. The agrarian policies pursued by the British increased the number of landless labourers, the pressure of population on backward village economy and the profitable plantation economy filled the pockets of the British. The magnitude of rural poverty was graphically described by the saying that the Indian is born in debt, he lives in debt and he dies in debt.
- Due to recurrent famine and huge loss of life due to hunger the British government came under pressure in England. The devastating effects of 1876-78 famine compelled the British Government to do something substantial to check the recurrence of famines in India. The first Famine Commission was set up in 1878 under the chairmanship of Sir Richard Strachey. The commission recommended State interference in food trade in the event of famine. India witnessed another major famine in 1896-97, therefore, the Second Famine Commission was constituted in

1897 under the chairmanship of Sir James Lyall. This commission recommended the development of irrigation facilities. The Third Famine Commission was set up in 1901. This commission recommended that the official machinery dealing with a famine must work around the year so that the scarcity of food grains could be controlled well in time.

- Though the three Famine Commissions were constituted but the British Government was never serious in dealing with the welfare plans for the masses. Famines continued to occur and the Famine of Bengal 1943 was the most horrifying. This was the one of the worst gift of the British rule to India.

### **Introduction and expansion of transportation and communication facilities in India**

- British control over the large geographical area of Indian sub-continent necessitated broad and swift network of transportation and communication facilities. Therefore viable and economic means of transportation and communication in the form of Railways, telegraph etc. available in the age was introduced in the 1850's by colonial rulers in India. The choice of the region for introduction and expansion of transport and communication networks by British in India speaks about their objective and motives.
- Western scholars have termed these developments as significant contribution made by British to the economic progress of India. But since all the benefits went to colonial rulers it indicates that they were used as tools of exploration rather than that of economic progress of India. Contrary to the beliefs of Western scholars that the Railways helped in fighting famine and food scarcities, the expanding railway network actually added to such events and led to impoverishment of Indians.
- Trade and commerce grew with the advent of railway but it benefitted the British rather than the native. Railways were used for movement of resources like raw materials and movement/mobilization of troops. But the railway policy of the Government discriminated against Indian enterprise. Railway freight rates encouraged foreign imports at the cost of trade in domestic products. It was more difficult and costlier to distribute Indian goods than to distribute imported goods. No doubt the use of railways for movement of population, in later period added speed to the mobility of people but welfare or progress of the Indians was not in the agenda of the colonial rulers. The growth of towns, port development etc. owes a lot to the advent of railways.
- It is an established fact that during the British rule railways did not make much headway towards the economic development of the country. As a matter of fact, the British never wanted railways to act as an agent of economic progress. The motive behind railway construction was never industrial and economic development of the country. The motive

was to open up India more completely, so that the far flung areas should be easily accessible, which in turn would make it easy for the British to exploit the resources of the country in a better way for their own interests. Following reasons explain why the British accepted the scheme of railway construction in India. These throw light on their real motives also.

- Industrial Revolution in England led to establishment of a number of large industries, especially cotton textiles. The wheels of these industries were fed by the raw materials supplies from English Colonies. India was an important source of supply of raw cotton to the British industries. Cotton was supplied from the remote areas and used to cover long distances by bullock carts and other slow mode of transportation. The movement of cotton in the process led to deterioration of the quality of the cotton that usually caught dirt.
- Another essential requirement of the Industrial Revolution in England was necessity of large market for its machine manufactured goods. For that it was essential that the country should be opened up. Far flung areas should be made accessible by easy and cheap means of transportation. Railway served the purpose.
- Moreover, it was necessary for the British to connect different corners of the country so as to mobilize troops and military stores whenever required. No other means of transportation than the railways could make served their purpose.
- *The capital of the British found new means of investment that assured guaranteed returns. The investment was made to be the prerogative of the British.* In short the Britishers had their own selfish interest in introduction and expansion of railways and communication means in India. The military and trade considerations compelled them to do so. They were never interested in industrialization of India.

### Economic Drain or Theory OF Drain of Wealth

- The drain theory, as formulated by the nationalists, referred to the process by which, a significant part of India's national wealth, was being exported to England for which India got no economic returns. In other words, India was made to pay an indirect tribute to the English nation. Dadabhai Naoroji in his paper entitled "England's debt to India" was the first nationalist to put forward the Economic Drain theory wherein it was stated that the British were extracting wealth from India as the price of their rule in India. In fact out of the revenues raised in India nearly one fourth went out of the country and added to the resources of England. Consequently India was being continuously bled.
- This "Economic Drain" was peculiar to British rule. Even the worst of previous Indian governments had spent the revenue they extracted from the people inside the country. Whether they spent it on irrigation canals and trunk roads, or on palaces, temples and mosques,

or on wars and conquests, or even on personal luxury, it ultimately encouraged Indian trade and industry or gave employment to Indians. This was so because even foreign conquerors, for example the Mughals, soon settled in India and made it their home. But the British remained perpetual foreigners.

- The drain was a continuous process that multiplied with the passage of time and manifested in different variety and forms. It began with the dual government in Bengal. The East India Company at the time kept aside a portion of the Indian revenue for their commercial investments. The situation got worsened as the British rule progressed in India. The drain of Indian wealth took many forms. The drain took the form of an excess of exports over imports. Another important constituent of the drain was the remittance to England of a part of their salaries, incomes and savings by English, civil military, railway employees lawyers and doctors. It also included the payment of the pensions and furlough allowances to the English officials in England by the Government of India.
- Apart from this a large volume of the drain from India after 1858 was in the form of the Home Charges of the Government of India. The Home Charges referred to the expenditure incurred in England by the Secretary of State on behalf of the Indian Government. Another major source of the drain was the profits of-private foreign capital invested in trade or industry in India. This especially included the investment in Railways in India.
- Moreover, cost of most of battles fought by the British in India against the Indian rulers was borne by the Indians.
- The drain was evils of all evils. It was impoverishing the country. Dadabhai Naoroji declared it as the real, the principal and even the sole cause of the sufferings and the poverty of India. *It was estimated that* nearly one half of India's net annual revenue flowed out of the country. Transfer of national wealth abroad had an important impact on the income and employment within the country.
- Needless to say, this drain of India's wealth to England, in the form of salaries to British officers posted in India, home-charges and the profits made on the British capital invested in India, benefited England and diminished the sources for investment in India. Britain did not any longer have to send bullion to India to balance the accounts. Instead bullion was now sent out from India either to China or to Britain. External drain, however, was only one element of British exploitation of India, linked, with other sources of exploitation like heavy taxation and an unfavourable trade.
- Contrary to the elementary principle of economic development that the surplus is generated for investment, the British siphoned off or drained the surplus and deliberately pushed India on the path of underdevelopment that finally culminated into

ruination of the economy. The British benefited immensely from the plunder and exploitation of India. Lord Curzon wrote:

- India is the pivot of our Empire... If the Empire loses any other part of its Dominion we can survive, but if we lose Indian the sun of our Empire will have set.

### Impact of British rule in India

- There is sharp differences among the Indian nationalists and the Western Scholars vis-a-vis their evaluation of the impact of British colonial rule over the economy, society and polity of India.
- According to many western writers, the British rule provided political unity and stability of governance to India. It has been maintained by the Western scholars that the British rescued India from chaos and provided political stability. Indian political unity, according to them, was a myth, an abstract concept which was concretized into a reality by the British rulers. In the absence of political unity, the eighteenth century India had very low levels of “commerce and capital accumulation” and its implication was that the British rule in India had to deal with very low level of economy. This argument of the western writers challenges the nationalist argument that India was economically very attractive and profitable for the British.
- The western writers have also suggested that the history of India revealed a very low level of agricultural productivity because it was based on a ‘non-animal powered agriculture’. According to many western historians, the absence of any worthwhile technology kept a large portion of India ‘virgin land as late as 1800’. Tobacco, potato and peanut cultivation was introduced by the British in India. Further according to them, India could not claim any great achievements in manufacturing because it lacked modern technology. Although India had some excellent craftsmen and produced textiles and a few other manufactured goods but they were the result of hard work and not of any developed technology. W.H. Moreland and many other scholars have used the evidence of early European travellers to prove that Indian technology was poor.
- Therefore, Western writers have made two points regarding the impact of British rule over India. First, on the eve of colonial expansion, the British found a highly underdeveloped India with low productivity in agriculture, very low per capita income and absence of any developed technology or tools for manufacturing. Second, the benevolent policies of the British helped in the establishment of political unity, a system of governance and it laid the foundations of economic development in India.
- Contrary to this, the Indian nationalist scholars put forward a different viewpoint and hypothesis. Dadabhai Naoroji, Romesh Chandra Dutt in the 19th century and Rajni Palme Dutt in the 20th century represented the Indian nationalist perspective. The question they raised was: why did the British East India Company gradually get involved in local wars of conquest? Why did the British Queen in 1858 take up the direct responsibility of ruling over India till 1947? If the Indian economy was really stagnant, how did it sustain the East Indian Company and its expenditure?
- According to nationalist writers the two worst aspects of British colonial rule over India were the ‘drain theory’ and the theory of ‘de-industrialisation’.
- The drain theory, referred to the process by which, a significant part of India’s national wealth, was being exported to England for which India got no economic returns. This drain of India’s wealth to England, in the form of tribute, salaries to British officers posted in India, home-charges and the profits made on the British capital invested in India etc. benefited England and diminished the sources for investment in India.
- After acquisition of dominion over India, the East India Company stopped sending bullions to India to balance their accounts. Instead bullions were sent out from India either to China or to Britain.
- It is estimated that ‘external drain’ from Bengal constituted about 3 to 4 per cent of the gross domestic material product. If expenditure on wars of the East India Company is added in this period the drain is estimated at 5 to 6 per cent of resources of the India. External drain, however, was only one element of British exploitation of India, linked, with other sources of exploitation like heavy taxation and an unfavourable trade.
- Besides the external drain theory, the nationalists argued that British rule led to the deindustrialization of India. India was an exporter of cotton manufacture and this was how the Company started its trade but gradually India became an importer of cotton manufacture and thus Indian artisans, craftsmen and important trading centres collapsed and whatever manufacturing activity existed was destroyed under the impact of imports of cotton manufacture almost exclusively from Britain. For more than seventy-five years up to 1913, India remained the major importer of cotton goods from Britain, often taking more than forty per cent of the British exports. Thus the industrialization of England was accompanied by the decline and destruction of Indian cotton manufacturer. The decay of Dacca, Surat, Murshidabad and many other flourishing towns bears testimony to de-industrialization of India.
- Although British rule was accompanied by many changes and introduction on new systems in political and economic field and social legislations, but most of the things were done in order to benefit the British rule in India and help it consolidate its position. Even western education was introduced in India with the objective of creating a group of clerks and subordinate staff who could serve the British Empire and help them to rule a vast country like India.