



**Induction Training Programme
for
IAS Probationers (2016 Batch)**

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**Andhra Pradesh Human Resource Development Institute
(Government of Andhra Pradesh)**

Presentation on

**POLITICAL ECONOMY OF HUMAN DISASTERS:
ECONOMIC IMPACT OF THE BRITISH RULE IN INDIA**

By

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What is Political Economy?

A Study of - Production & Trade
and their Relations with
Law, Custom & Govt.

as well as with Distribution
of National Income & Wealth

What is Disaster?

Italian - Dis - astro

'...serious disruption of the functioning of a Community or Society involving loss of resources - human, material, economic, environmental or otherwise'.



BRITISH ECONOMIC POLICIES



- LAND REVENUE POLICY
- AGRARIAN POLICY
- COMMERCIAL POLICY
- INDUSTRIAL POLICY
- FOREST POLICY
- COMMUNICATION

DRAIN OF WEALTH

ON SOCIAL FRONT

- Racial Violence
- Loot, Massacres, Bloodshed
- Transportation
- Dehumanisation
- Psychological Damage
- Undermining of Social Traditions,
Property Rights & Authority Structures

All in the interests of Colonialism to dole out the British Private Enterprise at the Indian Public Risk

=> We Paid for our own Oppression





1600 – 1757

- trading company
- ban on Indian imports

1757 – 1813

- Monopoly trade
- forcible measures

1813 – 1880

- free trade policy
- reproductive economy

1880 – 1947

- growth of industries



LAND REVENUE POLICY

1765 – Dewani Rights

- Control over the revenues of Bengal, Bihar & Orissa
 - Rs.8.18 mln in 1764
 - Rs.23.4 mln in 1772

1773 – *Ijaradari* System

- auctioned the right to collect revenues
 - did not succeed



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1793 – Permanent Settlement

- Regulation - I of Cornwallis Code
- in Bengal & Bihar
- extended to
 - Orissa, Avadh, Varanasi,
Central India,
Parts of Madras

Presidency



OBJECTIVES

1) To Create Political Allies

2) Financial Security

⇒ Stability of income

⇒ Maximize... income

⇒ Procedure... much simpler/cheaper

3) To increase agricultural production



Two Special Features

I. Zamindari Rights

- conversion of zamindars into land lords
- hereditary but transferable
- cultivators – low status

II. Fixed Land Revenue

- 10 / 11



RYOTWARI SETTLEMENT

- **South and South-Western India**
- **Land revenue settlement directly with the actual cultivator**
- **Officials associated**
 - Alexander Reed**
 - Thomas Munro**
 - Lionel Place**



Features :

- Cultivator-recognized as the owner
 - subject to the payment of land revenue.
- Not made permanent.
- Revised periodically after 20 to 30 years.



Defects :

- Not a system of peasant ownership

⇒ large number of Zamindars were replaced by one giant Zamindar (the state)

⇒ Government openly claimed...
Land revenue – was rent
not a tax

- High land revenue



- 
- **Right to enhance the land revenue at will**



- **Peasant**
 - had to pay revenue even when produce was partially or wholly destroyed by drought or floods

MAHALWARI SETTLEMENT

Introduced in

Gangetic valley

North-Western Provinces

(NWFP)

Punjab

Parts of Central India





Features

- To be made - village-by-village/
estate by estate (mahal)
- Net-produce – should be the basis
for settlement
- Net-produce =
Gross produce – expenses of
cultivation
- can be made with Zamindars or
individual proprietors

IMPACT OF LAND REVENUE POLICY



- 1. Creation of private property in land**
- 2. Stability & continuity of Indian village shaken**
- 3. Entire structure of rural society – began to breakup**
- 4. Shift in objective of production from “for consumption” to “for market”**
=>Commercialization of agriculture

AGRARIAN POLICY

COMMERCIALIAZTION OF AGRICULTURE



◆ Common Usage

- cultivating for the market
- introduction of capital in agriculture

◆ Capitalist Context

- led to 'agrarian revolution'
 - mass production
 - modern machinery
 - industrial revolution
- not so destructive
- necessary & inevitable



◆ Colonial Context

- no agrarian revolution
- stagnation / deterioration

◆ MECHANISM

Creation of Market

- for Land
- for Capital
- for Labour
- for Credit

CREATION OF MARKET FOR LAND



✓ Land Revenue Policy

- Land – commodity
- shift in objective
due to -

1. International Developments
opening up of Suez canal (1869)
Industrial Revolution in Europe
=> demand for raw material ↑
2. “Reproductive Economy”
3. Means of Transport

CREATION OF MARKET FOR CAPITAL



crucial factor – appropriation of surplus



capital formation



↳ **Re Investment in
England not in India**



**Dumping of manu-
factured goods**

=> Market for Capital

CREATION OF MARKET FOR LABOUR



Earlier - with family labour

Land Revenue Policy - Sub-infeudation

**Decline of Handicrafts - Over crowding
of agriculture**

**Lack of alternative
employment**

Labour – bought for price

CREATION OF MARKET FOR CREDIT



Cultivator required capital (money)

to buy seeds

to buy machinery

**British never
supplied**

=> dependence on moneylenders



market for credit

**=> Shift of all good lands from
subsistence crops to
commercial crops**

IMPORTANT CROPS

- Indigo
- Tea
- Sugar
- Jute
- Cotton
- Wheat
- Opium
- Mulberry (Raw Silk)



IMPACT OF COMMERCIALIZATION OF AGRICULTURE



- ✓ Subdivision of Land & Fragmentation
- ✓ Impoverishment of the Peasantry
- ✓ Growth of Rural Indebtedness
- ✓ Polarization of Classes
- ✓ Disruption of the Self-sufficient Village Economy
- ✓ Famines
- ✓ Impact on Industries
- ✓ Decline of Handicrafts
- ✓ Stagnation & Deterioration of Agriculture



I. SUB-DIVISION OF LAND AND FRAGMENTATION

H. Mann (Surveyor)

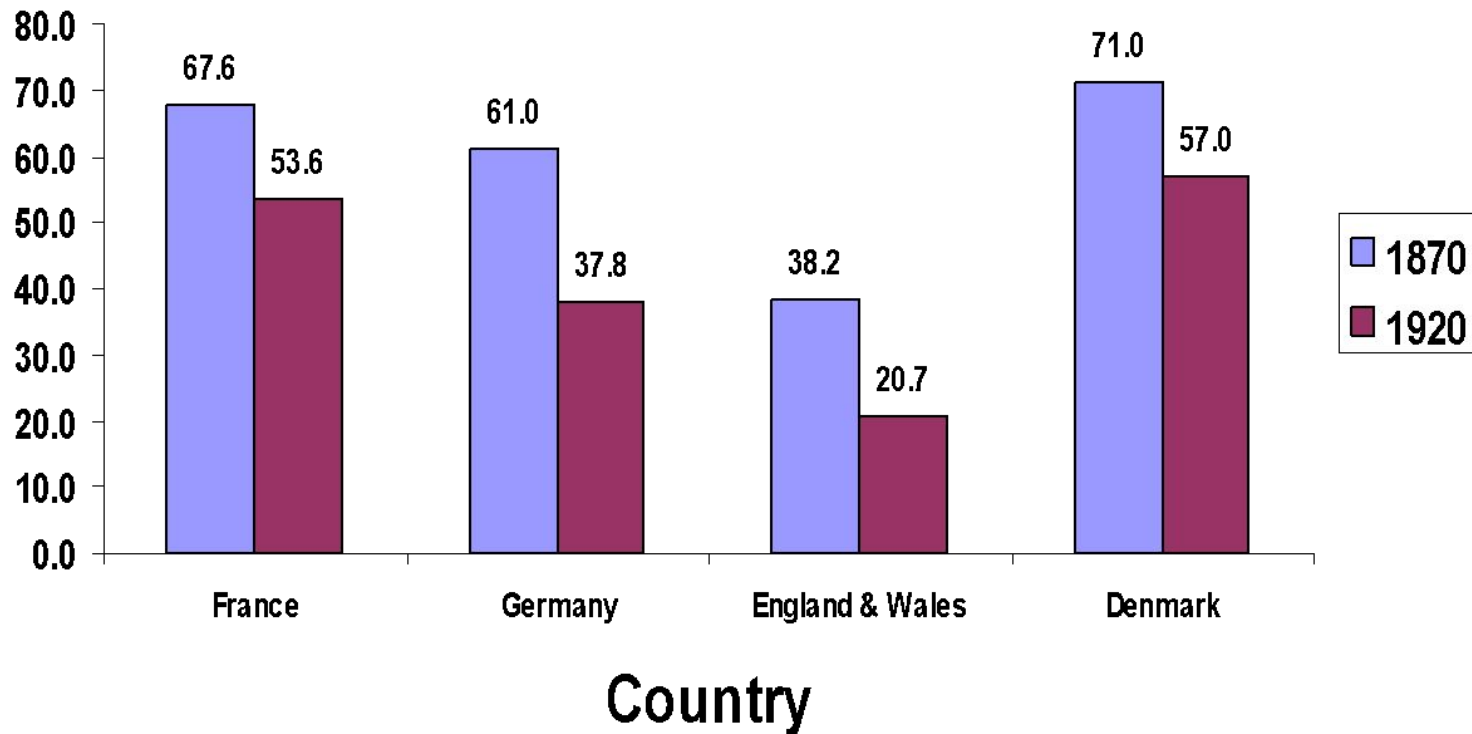
“...The average holding diminished from 40 acres in 1771 to 7 acres in 1915”.

Provinces	Land Holding (in acres)
United Provinces	2.5
Central Provinces	8.5
Bengal, Bihar & Orissa	3.1
Assam	3.0
Punjab	9.2
Bombay	12.2
Madras	4.5

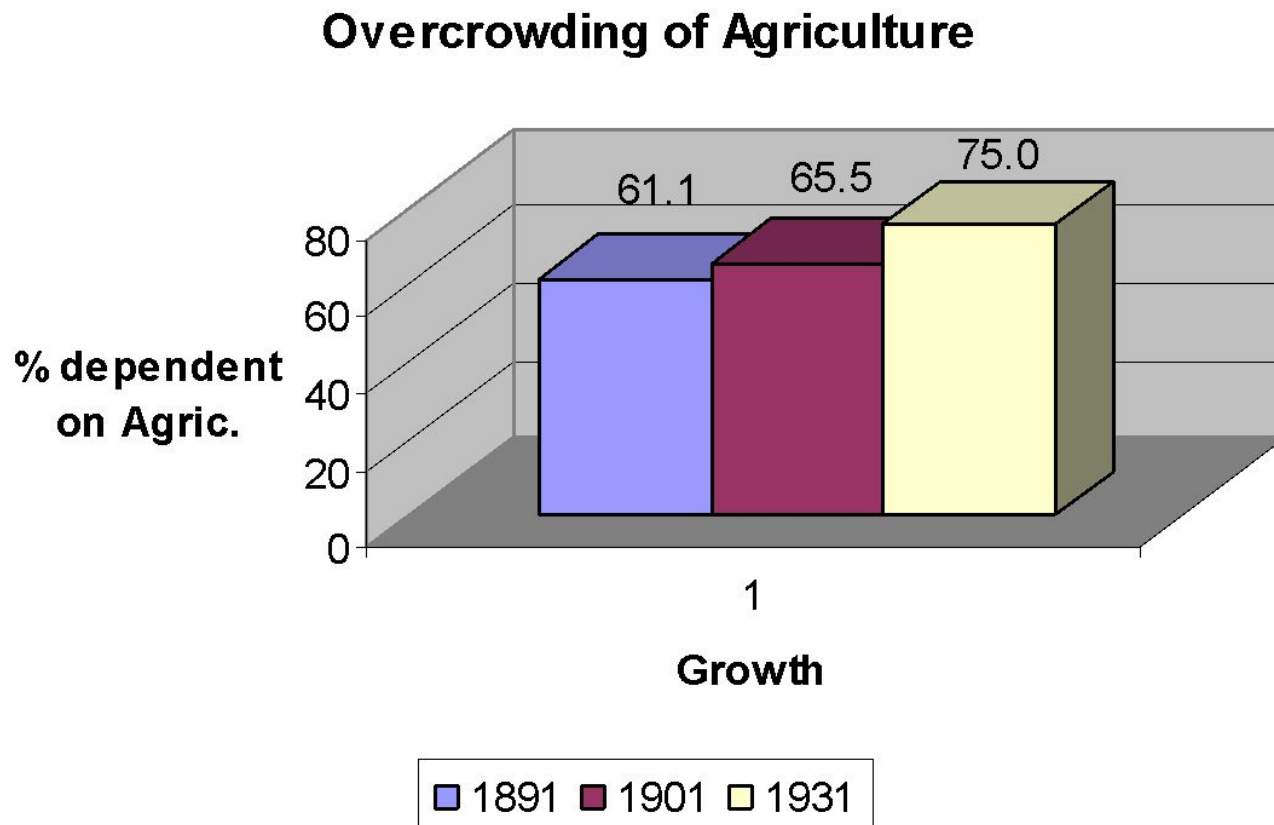
Overcrowding of Land – Most Decisive Factor



% Dependent on Agriculture



Overcrowding of Land – Most Decisive Factor





Effects of Fragmentation

- § Soil erosion.
- § Poverty of the peasantry
- § Encroachment of pasture lands
=> Agricultural productivity ↓

Visveswaraiah

“On the normal pre-war basis, the average production of British India...can't be more than twenty-five rupees per acre; in Japan it can't less than 150”.

A R Desai

“progressive deterioration of agriculture”

II. IMPOVERISHMENT OF THE PEASANTRY

due to

- 1) Triple burden of production**
- 2) Triple burden of taxation**
- 3) Competition in the world market**
- 4) Low Technology x Superior Tech.**
- 5) Dependence on money lenders –
=> indebtedness**
- 6) Dependence on middlemen**
- 7) Non-social causes - draught
- rains**

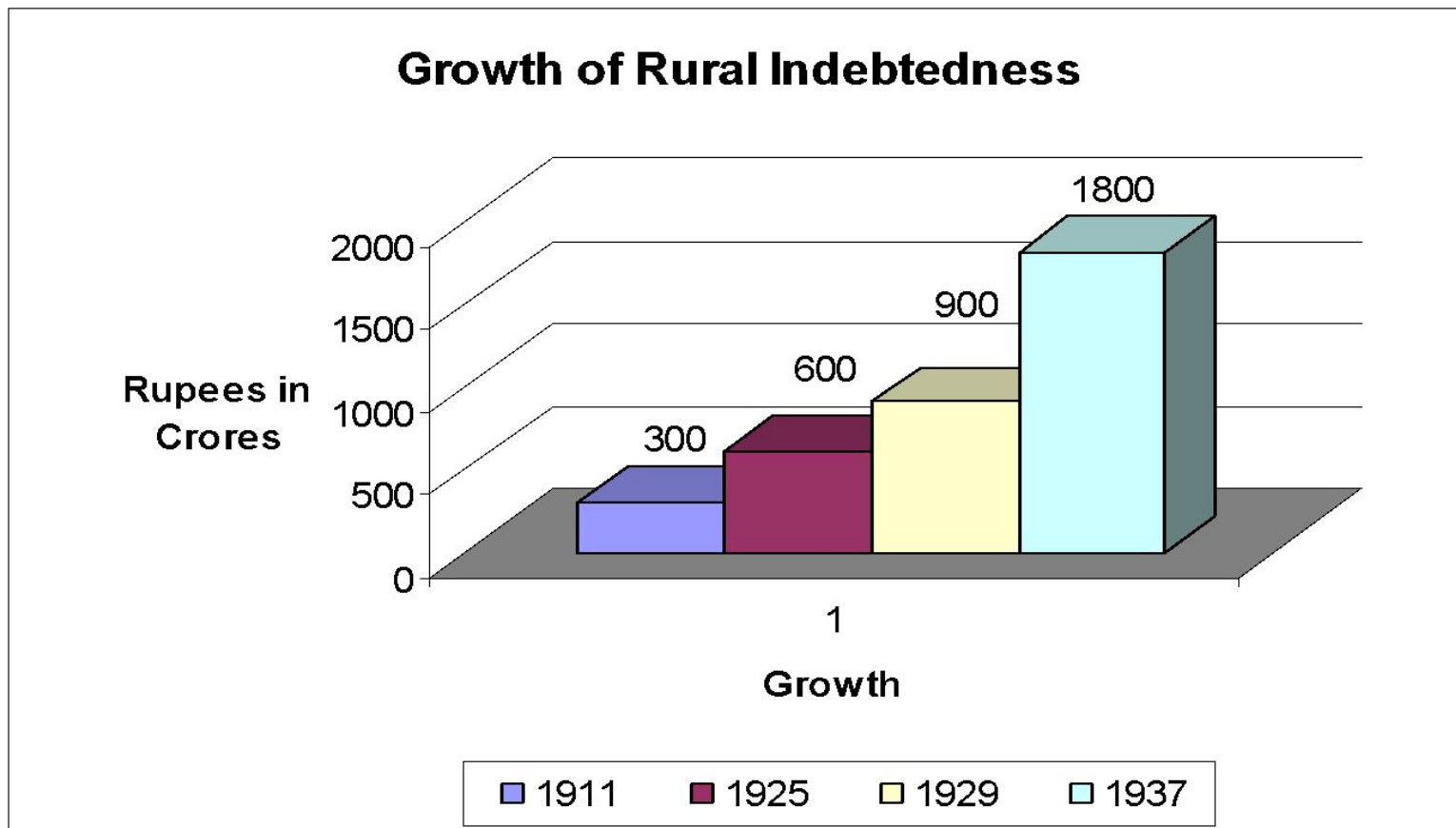


III. GROWTH OF RURAL INDEBTEDNESS

- SINCE 1880 ↑



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IV. POLARIZATION OF CLASSES



Classes	1921	1931
Non-cultivating Landlords	3.7 m	4.1m
Cultivators (owners/tenants)	74.6 m	65.5 m
Agricultural Laborers	21.7 m	33.5 m

V. DISRUPTION OF VILLAGE ECONOMY

Negative Impact

→ Deprivation of

- agricultural/economic

functions

- Judicial functions

→ Destruction of

- collective life & human

relations



Positive impact

→ National & Political Unity

A.R. Desai

“If the Indians were to advance to higher forms of social existence such as ‘nationhood’, ‘economic, social and political unity’, the self sufficient village had to leave the stage of history”.



VI. FAMINES

- ⇒ not man made - product of British rule
- ⇒ became a regular phenomena –
due to
 - deterioration in agriculture
 - Deindustrialization
 - Poverty, disease, starvation
 - Insufficient food grains

1000 - 1700 AD - 14 minor famines

1765 - 1858 AD - 12 major famines

1860 - 1945 AD - 07 minor famines

29 mln Indians died out of starvation

due to the British induced famines



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IMPORTANT FAMINES



YEAR	AREAS AFFECTED	CASUALTIES
1860-61	Western UP	02 Lakhs
1865-66	Orissa, Bihar, Bengal, Madras	20 Lakhs
1868-70	Rajasthan, Punjab, WUP, Bombay	14 Lakhs
1876-78	Madras, Mysore, Punjab, Hyderabad, Maharashtra, WUP	01 crore
1896-97	Countrywide	45 Lakhs
1899-1900	Countrywide	25 Lakhs
1943	Bengal	30 Lakhs

VII. DECLINE OF HANDICRAFTS

1. British Commercial Policy

(A) 1600 – 1757 - Trading Corporation

- ban on Indian Imports

(B) 1757 – 1813 - Forcible Measures

- dictated prices
- monopoly over sale of

raw cotton

=> double loss to the weaver

- low wages
- ban to work for

Indian merchants

- to use British ships





(C) Conversion into Reproductive Economy

1769 – Law in English Parliament
to export £ 0.38m per year
to import 3000 tones of

shipping

per year

In1856	Products	Volume
Imports	Raw Cotton	£ 4,300,000
	Raw Silk	£ 770,000
	Indigo	£ 1,730,000
	Food Grains	£ 2,900,000
Exports	Cotton goods	£ 810,000



(D) Free Trade Policy (1813) & Heavy Duties

1812 – Parliamentary Select Committee

to promote British Industries
at the expense of Indian
Industries

Heavy Duties

1824 - Indian Calico	67.5%
Indian Muslins	37.5%
Some cases	400%

(E) Communication Facilities

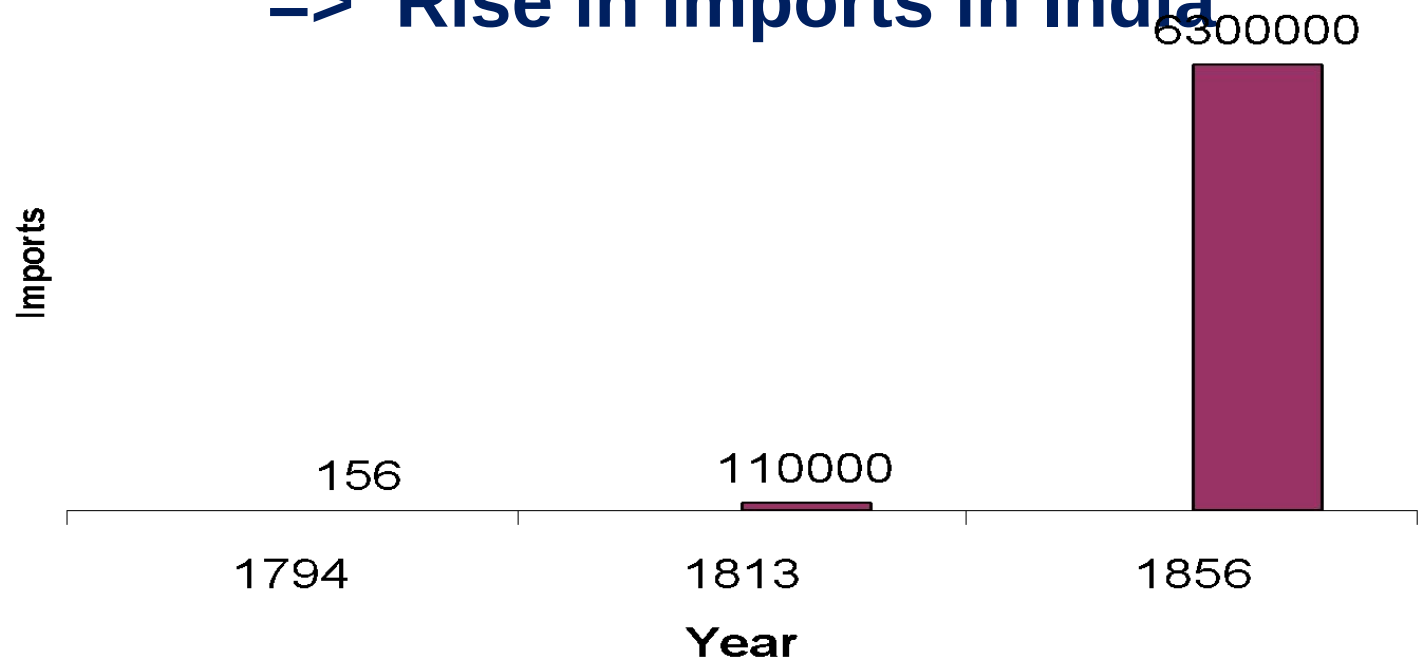
(F) Exhibitions

2. Foreign Competition

foreign goods - with superior technology

- cheaper

=> Rise in imports in India





3. Disappearance of Patrons

- disappearance of Indian States
- no patronage by the British

4. Rural Indebtedness & Famines

- => shift of occupations
- => loss of skills

5. Attitude of the New Wealthy Class

- to follow European fashion – hallmark of ‘Enlightenment’
- disliked everything Indian

D.R. Gadgil

“The Collapse of these (handicrafts) was indeed sudden and complete”.



	Indian Share in World Economy	Handloom Exports
On the Eve of British Arrival in India	23%	27%
When the British Left	< 4%	< 2%

VIII. IMPACT ON INDUSTRIES



Development of modern industries

**Only those industries – which formed the
basis of exports**

Avoided those industries

- that competed with the
British interests**
- which increase state
expenditure**

Did not lead to Industrial Revolution

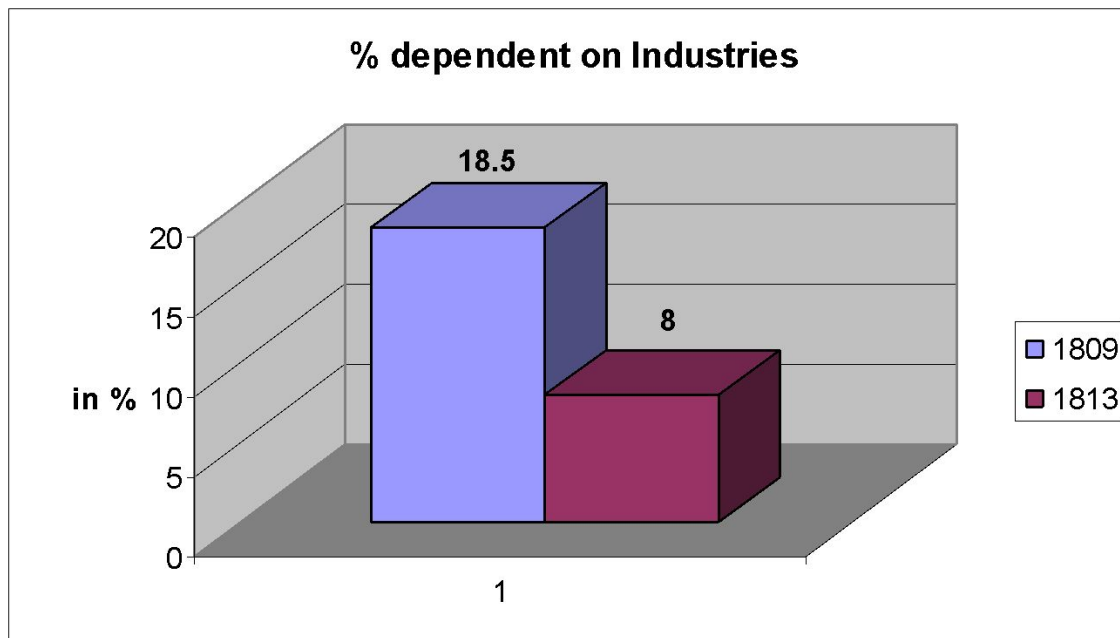
INDUSTRIAL POLICY



Before 1880

decline of handicrafts –
not compensated by industrialization
ex :Buchanan Hamilton's Survey of

Bihar



1850 – 1880

- JUTE - COTTON - IRON & STEEL



1880 – 1914

- PAPER MAKING- SUGAR

- MATCHES - WOOLEN MILLS

- SILK YARN - GOLD THREAD

- MANGANESE - MICA

- CEMENT - GLASS

- SALT PETRE - PETROLEUM

- HEAVY CHEMICALS

1914 – 1947

developed

(except during great depression) - due to

- decline in foreign imports
- increase in war requirements
- development of Banks esp. by Indians

Significant aspect

- Not much financial & technical assistance from the Government



CAUSES FOR THE LOPSIDED GROWTH



1. Indigenous Capital Investment

- Invested in agriculture, money lending
- Not in industries – less profitable

2. Late beginning

3. Lack of government support

- no protection until 1924

4. Policy of “imperial preference”

5. Protective measures

- benefited consumer goods industries
- Not heavy industries

6. **Absence of heavy metallurgical industries**
7. **Poverty of the agricultural population**
8. **Dependence on British finance capital**
9. **Technical manpower ↓**



Positive Role (unintended)

- **Urbanization**
development of modern cities
- **Emergence of New Classes**
National Middle Class & Working Class
- **Consolidation of the Unified Economy**

FOREST POLICY

- **Prohibition on wood –
to use as fuel (to use cow-dung)**
- **Ban on Extraction of Forest
Resources**
- **Indiscriminate exploitation of
Forests**



COMMUNICATION FACILITIES

vast network of

Roads, Railways, Postals & Telegraphs



**Ex: Dalhousie - Minutes on Railways
(20.04.1853)**

“England is calling aloud for the cotton which India does already produce in some degree and would produce sufficient in quality and plentiful in quantity if only they were provided the fitting means of conveyance for it from distant plains to the several ports adopted for its shipment”.

IMPACT

from British point of view

- helped penetration of goods
- quicker supply of raw materials
- effective ways to control

from Indian point of view

Negative

- Ruined existing system of transport
- ruined indigenous industries

Positive (unintended)

- growth of industries on a small scale
- unified Indians
- development of political consciousness
- supported National Movement



DRAIN OF WEALTH

Dadabhai Naoroji

Poverty and Un-British Rule in India

Ranade & R C Dutt supported

Estimate in 1905 Rs.51.5 crores



1757 – 1857

Chief Elements

- 1. Extortions from Indian rulers / Zamindars / merchants & commoners. (1758 to 1764 – £ 6m)**
- 2. Profits on Trade**
- 3. Revenues through Dewani Rights (1765)**
- 4. Investments**
- 5. Salaries and other incomes of English officials**



After 1857

3 Major Elements

- I. Remittances to England**
- II. Foreign capital investment**
- III. Home charges**

2. Establishment costs – of the Secretary of State for India.

2. Interest on public debt – caused due to military campaigns, suppression of revolts compensation to company's shareholders.



3. Guarantee to Railways

- 5% on investment.**

4. Cost of purchases

- of military and other stores from England.**

5. Pensions and allowances

- to European officials of Indian government.**



Indian Involvement / Concerns in WW – I On Behalf of the British

Personnel Served	1.3 mln [1/6 of British Forces]
Persons Died	54000
Persons Wounded	65000
Persons Missing / Imprisoned	4000
Ammunition	70 mln Runs
Rifles & Machine Guns	6.0 L
Garments Sent	42 mln
Animals Exported	0.17 L
Civil Supplies	370 mln
Total Value	£100 mln [£ 8 bln in today's money]



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Accepted by the British

Lord Ellenborough

**Chairman of the Parliamentary Select
Committee - Later GG. - admitted in
1840.**

John Sullivan

**President of the Board of Revenue,
Madras**

***“Our system acts very much like a
sponge, drawing up all the good things
from the banks of the Ganges, and***





THANK YOU



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