

# **Unit 1: Impact of British Rule on India**

## **DE-INDUSTRIALIZATION**

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# 18<sup>TH</sup> CENTURY

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- ▣ **Indian cotton textiles enjoyed a cost advantage over corresponding British or other European manufacturers.**
- ▣ **Metallic industries in India could also compete with similar industries in Western Europe in terms of technical efficiency.**
- ▣ **India could provide the rest of the world with a variety of hand-made artistic wares, while she needed very few manufactured articles from abroad.**

# THREE KINDS OF INDUSTRY EXISTED IN INDIA

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- ▣ **Rural cottage industry:** usually provided for day to day requirements of the agriculturists in the village
- ▣ **Urban domestic industry:** produced various products for the use of townsfolk and production was carried out by family members within the premises of the household
- ▣ **Small urban factory:** produced more sophisticated products engaging some hired labourers (here specialization in production is more compared to urban domestic industry)

# TRADE

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- ▣ **The East India Company found it profitable to carry on export trade in Indian manufactures with England and Western Europe.**
- ▣ **Beginning from 1700, restrictions were imposed in England on the import of silk goods from India to protect English silk weavers.**
- ▣ **Such restrictions did not initially affect the sales of Indian handicrafts. Silk goods from Bengal continued to be exported to France and other European countries but not to England.**

# CAUSES OF DECLINE OF HANDICRAFTS

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- ❑ **A very large part of the domestic demand for handicraft products always came from the royal court. With the decline in royal power, such demand naturally decreased. *Karkhanas*, which were set up in different parts of the country to provide for the requirements of the royal court and the urban nobility, had to be closed down when the establishment of British rule in India dislodged the local rulers.**
- ❑ **As the power of the native rulers declined, British merchants and their commission agents began to exercise illegitimate pressure on craftsmen for delivery of goods to them on a priority basis at unduly low prices. This exploitation (despite repeated warnings from the East India Company) often forced the artisans to abandon their crafts or flee to regions where more sympathetic policies were still pursued.**

## CAUSES (CONTD.)

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- **In the last quarter of the 18<sup>th</sup> century, application of steam power to industrial processes became possible in England. A series of inventions occurred in the British cotton textile industry which greatly increased the speed of production of cotton yarn and piece goods and considerably reduced their cost of production. Having by that time consolidated their political position in India, the British manufacturers could easily expand their market in this colony. So instead of helping India to acquire the new techniques of manufacturing, she was turned into a supplier of raw materials for the British industries. This was an important factor responsible for speeding up the decline of Indian handicrafts in the early years of the 19<sup>th</sup> century.**

## CAUSES (CONTD.)

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- ▣ The establishment of British rule in India led to many changes in the mode of living of the upper classes. Moreover, the new middle class, which was a product of English education, imbibed the tastes of the English gentry discarding the country's traditional style of living. As a result, the demand for handicrafts declined while imported goods from England flooded the market.
- ▣ However, handicrafts could not be completely wiped out. In the rural areas, largely because of widespread poverty, standards of living continued unchanged for a much longer period than in the towns. Village artisans, therefore, had a longer lease of life than their urban counterparts. Delay in the opening up of communications in the interior of the country also protected the rural artisans. Moreover, limited demand for some goods made machine production uneconomical.

# THE DE-INDUSTRIALIZATION DEBATE

- The complete or partial destruction of many of the indigenous industries in India is treated as a major negative impact of British rule in India.
- **Daniel Thorner** was one of the first scholars to investigate the phenomenon of 'de-industrialization of India'. He defined de-industrialization as a decline in the proportion of the working population engaged in secondary industry, or a decline in the proportion of the total population dependent on secondary industry.
- **Thorner's view:** 'There can be no dispute with a flat statement that India's national handicrafts have declined sadly from their pristine glory. This falling-off, however, was not a phenomenon peculiar to India but a world-wide development affecting different countries at different times. The ruin, sooner or later, of the old-style craftsmen

## **THE DEBATE (CONTD.)**

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### **Counter-arguments:**

- ▣ **In Britain and Germany it was their own industrial revolution which led to the destruction of handicrafts so that employment was being created in one branch of secondary industry while it was declining in another. After a point, the rate of creation of employment in the new branch of secondary industry was far higher than the rate of loss in the older branch. So the English handloom weavers, who were displaced by textile machinery, could ultimately find re-employment in England. But that was not the case for Indian weavers who were displaced by improvements that have occurred elsewhere.**

## **THE DEBATE (CONTD.)**

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- **Even in England, the first industrializing country of the world, the initial effect of the technological revolution in the cotton spinning industry was to increase the employment and wages of the handloom weavers. It took a long time to feel the impact of the technological revolution in other spheres of the economy. Moreover, the destructive effects of the Industrial Revolution were considerably cushioned by absolute growth in demand and by various protective devices. By contrast, protective devices were used perversely to further cripple the indigenous industries of India, and practically no state help was rendered to the modern Indian industries until the end of the First World War.**

## **THE DEBATE (CONTD.)**

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- ▣ **In the British case, the most important carrier of the Industrial Revolution - the cotton mill industry - was a relatively new growth, and the destructive effects were not felt by a very large section of the industry. In the Indian case, handloom weaving and hand-spinning constituted the largest traditional industry and the numbers involved were enormous, both absolutely and in relation to the rest of the population. Hence destructive effects on this sector had a generally depressive effect on the rest of the economy.**

## **THE DEBATE (CONTD.)**

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- **Finally, it has been argued that the doctrine of the inevitability of the ruin of traditional handicrafts was born out of the experience of capitalist expansion. However, other types of development pattern have been observed (particularly in socialist economies) which keep traditional industries alive until society as a whole (and not just the private businessman) finds it rational to replace them by other methods or products.**

# **GEOGRAPHICAL PATTERN OF DE-INDUSTRIALIZATION**

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## **The case of Gangetic Bihar**

- ▣ **In Gangetic Bihar, there was a drastic fall in the percentage of population dependent on secondary industry between around 1809-13 and 1901 (as per a survey by Francis Hamilton Buchanan commissioned by the East India Company).**
- ▣ **The absolute number of the population dependent on industry had come down by almost 50 per cent between the two dates.**
- ▣ **The major component of this decline was the decline in the largest traditional industry – the textile industry. In 1809-13, the percentage of the population dependent on cotton weaving and spinning to the total industrial population in Gangetic Bihar had been 62.3; by 1901, the percentage of population dependent on spinning of cotton yarn, the weaving, sizing, and so on, of cotton cloth to the total industrial population had come down to 15.1.**

## **GANGETIC BIHAR CONTD.**

- In Gangetic Bihar, the condition of weavers deteriorated very much both absolutely and in relation to other skilled workers. Some of the displaced were absorbed in agriculture, but vast numbers migrated towards Calcutta and the industrial centres on the Hooghly in search of employment.**
- It has often been claimed that the degree of concentration of traditional industry was unusually high in Gangetic Bihar so that de-industrialization occurred in an exaggerated form. However, this area was not a major seat of manufacture for export. It was situated too far inland, and although the East India Company had a 'factory' in Patna, its 'investments' in (purchases of) local manufactures formed only a small fraction of both the total cloth 'investments' of the company and of the total output of the districts themselves. Hence, the major part of the de-industrialization must be attributed to the displacement of traditional manufacturers.**

## **COULD MODERN INDUSTRIES COMPENSATE?**

- ▣ **Within the Gangetic Bihar districts, in 1901, there was a railway workshop only at Jamalpur in the Monghyr district which could be termed a modern large-scale manufacturing establishment. But the employment generated there was totally inadequate even to make up for the loss of employment in the traditional industry of the Monghyr district, let alone the traditional industries of the other districts of Gangetic Bihar.**
- ▣ **As far as other parts of India were concerned, by 1900 some modern industry had grown up around Calcutta and Bombay; but even if we include mines and plantations along with factories, in 1901 the total employment in 'modern enterprise' would not exceed one million. The annual addition to this total was generally inadequate to absorb even the growth in the labour force of India.**

# IMPACT ON WORKERS

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- ▣ **The problem was compounded by the fact that agriculture proved to be a less profitable activity in much of eastern India. This resulted in a tremendous pressure for migration in the districts surveyed, and in a practically unlimited supply of labour for jute mills, coal mines, and even tea plantations. Thus, for many workers who could neither continue their old trades nor make a living out of agriculture, nor find employment in the distant factories, mines, or plantations, the process of de-industrialization was one of pure immiserization.**

# THE SITUATION IN BENGAL

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- ▣ **The East India Company had come to monopolize the export trade in cotton piece-goods, but between 1813 and 1830, Bengal piece-goods practically disappeared from the investment list of the East India Company.**
- ▣ **N .K. Sinha estimated that taking cotton weavers, cotton growers, spinners, dressers, embroiderers, and so on, together, one million people of Bengal (including Bihar and Orissa) were thrown out of employment by 1828.**

# COMMERCIALIZATION OF AGRICULTURE

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- ▣ **Production of crops for market rather than for family use**
- ▣ **Started in the early years of the 19<sup>th</sup> century and gained momentum in the middle of the 19<sup>th</sup> century after the development of roads and railways**
- ▣ **With the spread of commercialization, agricultural production began to get localized. It now became possible for a particular area to grow one variety of commercial crop and trade it for meeting food and other requirements of the area.**
- ▣ **Such specialization was dependent on the extensive communication network that was being built in different parts of the country.**
- ▣ **This can be associated with growth in productivity leading to the**

# PHASES OR PATTERNS OF COMMERCIALIZATION

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- ❑ The first type was associated with plantation agriculture, especially tea plantation in the northern districts of Bengal. Tea plantations were directly managed by whites hiring labour through an indenture system which came very close to slavery.
- ❑ The second type was the 'jute phase'. In this phase of commercialization, peasants turned to intensive cash crops like jute in order to meet their subsistence requirements. No coercion was needed for cultivating jute in east Bengal as it was more profitable than rice. This type of commercialization is known as 'subsistence commercialization'.
- ❑ The third type was the 'indigo phase'. Indigo in central Bengal was mainly cultivated by the peasants themselves but they were forced to cultivate it by the *sahib* planters. The *raiya*ts were unwilling to cultivate indigo because profits were low and uncertain and the crop upset the harvest cycle.

# **IMPORTANT REASONS FOR COMMERCIALIZATION**

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- Need for some cash earnings arose in the villages owing to the introduction of cash assessments in the system of revenue collection.**
- The growing commercial classes flocked to the villages to secure crops for trade and their insistence led the villagers to plant cash crops, particularly when they were indebted to the traders for their occasional ceremonial and other expenses.**
- Relative prices of cash crops and food crops began to determine uses to which the farmer's land would be put.**
- The growth of cash crops was encouraged by the Government of India's agricultural policy which was primarily aimed at meeting the raw material requirements of British industry.**

# IMPORTANT REASONS FOR COMMERCIALIZATION

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- ❑ **Development of railways played a crucial role in the process of commercialization.**
- ❑ **American Civil War (1861-64) was another important reason. As the USA plunged into the Civil War, it transferred the British demand for raw cotton from America to India.**

# CONSEQUENCES

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- ❑ For the vast majority of poor peasants commercialization was a forced process as money was needed to meet the growing burden of revenues and rents in cash. The changeover to commercial crops and higher-priced foodgrains like wheat due to revenue and rent pressures meant a shift away from poor men's foodcrops like *jowar*, *bajra* or pulses which often caused disaster in famine years.
- ❑ Growing dependence on money-lenders was another inevitable consequence, as commercial crops usually required higher inputs and therefore more advances.

## CONSEQUENCES (R. C. DUTT)

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- ❑ India's comparative advantage lay in the production of cotton textiles and not in agricultural raw materials. The British Government, by artificially restricting the inflow of cotton textiles into England, was forcing Indian trade into channels which were not justified by India's natural advantages.
- ❑ The farmers were forced by extremely severe revenue demands to sell more of their crops than they would themselves consider desirable.
- ❑ Relatively small farmers could derive very little benefit from the commercialization of agriculture. The farmers were made to bear all the unfavourable consequences of the instability arising in the world trading system in agricultural products. The farmers did not receive any support in case of falling prices while they received

# ECONOMIC DRAIN

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- ❑ **Transfer of resources from India to England and other countries of Western Europe which began in the middle of the 18<sup>th</sup> century.**
- ❑ **Dadabhai Naoroji (1871) made a notable attempt to measure the extent of this drain and assess its effects.**
- ❑ **He also made the first estimate of India's national product.**
- ❑ **India did not receive a large influx of foreign enterprise or foreign capital unlike other British colonies. So it had to develop its own resources through export earnings while a substantial part of her accumulated capital funds were drained away to Britain in the form of tributes, plunder, profits, etc.**
- ❑ **Trade was integrated with administration.**
- ❑ **By 1770, India became a chronically indebted country.**

# **DADABHAI NAOROJI: SOURCES OF EXTERNAL DRAIN**

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- Remittances to England by European employees for supporting their families**
- Remittances of savings by employees of the Company, since most employees preferred to invest at home**
- Remittances for the purchase of British goods for the consumption of British employees, as well as their purchase of British goods in India**
- Government purchase of stores manufactured in Britain**
- Interest charges on public debt held in Britain**

# DADABHAI NAOROJI: INTERNAL DRAIN

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- ❑ Internal drain refers to the transfer of purchasing power through taxation from the poverty-stricken rural masses to the richer urban centres.
- ❑ A substantial part of the increased public expenditure was met by increasing the tax on salt.
- ❑ Nearly 70% of the tax revenues of the Government of India was derived from sources that hurt the poor masses of the country while only 15% of the total public expenditure was spent on welfare of the poor.
- ❑ The average tax burden in India was 14.3% of income in 1886 while in England it was only 6.92%.
- ❑ Much of the public debt was for political purposes.