India under the British Rule

The economic consequences of the British rule can be studied under three heads:

- Decline of Indian Handicrafts and progressive ruralisation of the Indian economy
- Growth of the new land system and the commercialisation of Indian agriculture
- Process of industrial transition of India

Decline of Handicrafts

- While India was an exporter of Handicrafts before the Industrial Revolution, the revolution reversed the character of India's foreign trade
    - Increase in demand for raw material for British industries
    - Hence, steps were made to crush Indian handcrafts as well as commercialise agriculture to meet the interests of the British industries
- Principle causes for the decline of Indian handicrafts
    - Disappearance of Princely courts
    - Hostile policy of the East India Company and the British Parliament
    - Competition of machine-made goods
    - The development of new forms and patterns of demand as a result of foreign influence
- Economic consequences of the decline of handicrafts
    - Increased unemployment
    - Back-to-the-land movement: handicrafts were forced to take up agriculture or become landless labourers. This increased the pressure on land. This trend of growing proportion of the working force on agriculture is described as 'progressive ruralisation' or

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'deindustrialisation of India'. Thus, the crisis in handicrafts and industries seriously crippled Indian agriculture.

Land System during 1793-1850

- 1793: permanent settlement
- Zamindari, Ryotwari, Mahalwari systems
- Absentee landlordism emerged
- The result of the whole change in the land system led to the emergence of subsistence agriculture
- It helped the concentration of economic power in the hand of absentee landlords and moneylenders in rural India.

Commercialisation of Agriculture (1850-1947)

- Define: Production of crop for sale rather than for family consumption
- What distinguished commercial agriculture from normal sales of marketable surplus was that it was a deliberate policy worked up under the pressure from British industries. It was thus forced upon the Indian peasantry.
- Resistance: Indigo revolution etc
- Why CA? Industrial Revolution
- Impact of railways and road transport: Railways and road transport made possible a huge expansion in cash cropping, for national and international markets, and production regimes across the subcontinent were placed in a new context of opportunity
- Impact of CA
    - Mass movement to commercial agriculture caused decline in food production, increase in prices and famines.
    - Halted the process of industrialisation in India

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Industrial Transition in India

- The process of industrial transition divided into: industrial growth during the 19th century and industrial progress during the 20th century
- Industrial growth during the 19th century
    - Decline of indigenous industries and the rise of large scale modern industries
    - 1850-55: first cotton mill, first jute mill and the first coal mine established. Railway also introduced.
    - Despite some industrialisation, India was becoming an agricultural colony
    - The thrust to industrialisation came from the British because
        - They had capital
        - They had experience in setting up industries in Britain
        - They had state support
    - British industrialists were interested in making profits rather than economic growth of India
    - Parsis, Jews and Americans were also setting industries
    - No Indian industrialists because
        - Neither the merchants nor the craftsmen took the lead in setting industries
        - While the craftsmen didn't possess capital, the merchants were happy with trading and money lending activity which was also growing at that time.
    - However, some Parsis, Gujaratis, Marwaris, Jains and Chettiars joined the ranks of industrialists
- Industrial Growth in the first half of the 20th century
    - Imp events that stimulated industrial growth
        - 1905: Swadeshi Movement
        - First WW
        - Second WW

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- Great stimulus was given to the production of iron and steel, cotton and woollen textiles, leather products, jute.
- Tariff protection was given to Indian industries between 1924 and 1939. This led to growth and Indian industrialists were able to capture the market and eliminate foreign completion altogether in important fields
- The increase in industrial output between 1939 and 1945 was about 20 percent
- After the WW I, the share of the foreign enterprises in India's major industries began to decline.

- Causes for the slow growth of private enterprise in India's industrialisation
  - Inadequacy of entrepreneurial ability
    - Indian industrialists were short-sighted and cared very little for replacement and renovation of machinery
    - Nepotism dictated choice of personnel
    - High profits by high prices rather than high profits by low margins and larger sales
  - Problem of capital and private enterprise
    - Scarce capital
    - Few avenues for the investment of surplus
    - No government loans
    - Absence of financial institutions
    - Banking was not highly developed and was more concerned with commerce rather than industry
  - Private enterprises and the role of government
    - Lack of support from the government
    - Discriminatory tariff policy: one way free-trade
    - Restrictions transfer of capital equipments and machinery from Britain
    - Almost all machinery was imported

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- Despite these difficulties, the Indian indigenous business communities continued to grow, albeit at a slow pace.

Forms and Consequences of Colonial Exploitation

- Main forms of colonial exploitation
  - Exploitation through trade policies
  - Exploitation through export of British Capital to India
  - Exploitation through finance capital via the Managing agency system
  - Exploitation through the payments for the costs of the British administration
- Exploitation through trade policies
  - Exp of cultivators to boost indigo export: forced
  - Exp of artisans by compulsory procurement by the Company at low prices: gomastas were the agents of the Company who used to do this
  - Exp through manipulation of export and import duties:
    - Imports of Indian printed cotton fabrics in England were banned
    - Heavy import duties on Indian manufactures and very nominal duties on British manufactures.
    - Discriminating protection was given (to industries that had to face competition from some country other than Britain). This was whittled down, however, by the clause of Imperial Preference under which imports from GB and exports to GB should enjoy the MFN status.
- Exploitation through export of British Capital to India
  - There were three purposes of these investment (in transport and communication)
    - To build better access systems for exploited India's natural resources
    - To provide a quick means of communication for maintaining law and order

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