CHAPTER V

The Structure of the Government and the Economic Policies of the British Empire in India, 1757-1857

HAVING acquired the vast empire of India, the East India Company had to devise suitable methods of government to control and administer it. The administrative policy of the Company underwent frequeni changes during the long period between 1757 and 1857. However, it never lost sight of its main objects which were to increase the Company's profits, to enhance the profitability of its Indian possessions to Britain, and to maintain and strengthen the British hold over India; all other purposes were subordinated to these aims. The administrative machinery of the Government of India was designed and developed to serve these ends. The main emphasis in this respect was placed on the maintenance oflaw and order so that trade with India and exploitation of its resources could be carried out without disturbance.

The Structure *of* Government

When the officials of the East India Company acquired control over Bengal in 1765, they had little intention of making any innovations in its administration. They only desired to carry on their profitable trade and to collect taxes for remission to England, From 1765 to 1772, in the period of the Dual Government, Indian officials were allowed to function as before but under the over-all control of the British Governor and British officials. The Indian officials had responsibility but no power while the Company's officials had power but no responsibility. Both sets of officials were venal and corrupt men. In 1772 the Company ended the Dual Government and undertook to administer Bengal directly through its own servants. But the evils inherent in the administration of a country by a purely commercial company soon came to the surface.

The East India Company was at this time a commercial body designed to trade with the East. Moreover, its higher authority was situated in England, many thousands of miles away from India. Yet, it had come to wield political power over millions of people. This anomalous state of affairs posed many problems for the British Government. What was to be the relation of the East India Company and its possessions to the government in Britain? How were the Company's authorities in Britain to control the great multitude of officials and soldiers stationed in far away India? How was a single centre of control to be provided in India over the far-flung British possessions in Bengal, Madras and Bombay.

The first of these problems was the most pressing as welt as the most important. It was, moreover, closely interwoven with party and parliamentary rivalries in Britain, the political ambitions of English statesmen, and the commercial greed of English merchants. The rich resources of Bengal had fallen into the hands of the Company whose proprietors immediately raised dividends to 10 per cent in 1767 and proposed in 1771 to raise the rate further to 12£ per cent. The Company's English servants took advantage of their position to make quick fortunes through illegal and unequal trade and forcible collection of bribes and 'gifts' from Indian chiefs and zamindars. Clive returned to England at the age of 34 with wealth and property yielding £ 40,000 a year.

The Company's high dividends and the fabulous wealth brought home by its officials excited the jealousy of the other sections of British society. Merchants kept out of the East by the monopoly of the Company, the growing class of manufacturers and, in general, the rising forces of free enterprise in Britain wanted to share in the profitable Indian trade and the riches of India which the Company and its servants alone were enjoying. They, therefore, worked hard to destroy the Company's trade monopoly and, in order to achieve this, they attacked the Company^ administration of Bengal. They also made the officials of the Company who returned from India their special target. These officials were given the derisive title of 'nabobs' sod were ridiculed in the press and on the stage. They were boycotted by the aristocracy and were condemned as the exploiters and oppressors of the Indian people. Their two main targets were Clive and Warren Hastings. By condemning the 'nabobs', the opponents of the Compafiy hoped to make the Company unpopular and then to displace it.

Many ministers and other members of Parliament were keen to benefit from the acquisition of Bengal. They sought to win popular support by forcing the Company to pay tribute to the British Government so that Indian revenu.s could be used to reduce taxation or the public debt of England. In 767 the Parliament passed an act obliging the Company to pay to the British treasury £ 400,000 per year. Many political thinken and statesmen of Britain wanted to control the activities of the Company and its officials because they were afraid that the powerful Company and its rich officials wouij completely debauch the English nation and its politics. The parliamentary politics of Britain during the latter half of the 18th century were corrupt in the extreme. The Company as well as its retired officials bought seats in the House of Commons for their agents.' Many English statesmen were worried that the Company and itB officials, backed by Indian plunder, might gam a preponderant influence in the Government of Britain. The Company and its vast empire in India had to be controlled or the Company as master of India would soon come to control British administration and be in a position to destroy the liberties of the British people.

The exclusive privileges of the Company were also attacked by the rising school of economists representing free-trade manufacturing capitalism. In his celebrated work, *The Wealth of Nations*, Adam Smith, the founder of Classical economics, condemned the exclusive companies:

> Such exclusive companies, therefore, are nuisances in **many** respect; **always more or less** inconvenient to the countries in which they are established and destined**ve to** those which have the misfortune to **fall under** their government.

Thus, reorganisation of the relations between the British state and the Company's authorities became necessary and the occasion arose when the Company had to ask the Government for a loan of £ 1,000,000. But, while the Company's enemies were many and powerful, it was not without powerful friends in Parliament; moreover, the King, George III, was its patron. The Company, therefore, fought back. In the end, Parliament worked out a compromise by which the interests of the Company and *of* the various influential sections of British society were delicately balanced. It was decided that the British Government would control the basic policies of the Company's Indian administration so that British rule in India waa carried on in the interests of the British upper classes as a whole. At the same time the Company would retain its monopoly of Eastern trade and the valuable right of appointing its officials in India. The details of Indian administration were also left to the Directors of the Company.

The first important parliamentary act regarding the Company's affairs was the Regulating Act of 1773. This Act made changes in the constitution of the Court of Directors of the Company and subjected their actions to the supervision of the British Government. The Directors were to lay before the Ministry all correspondence dealing with the civil and military affairs and the revenues of India. In India, the Government of Bengal was to be carried on by a Governor-General and his Council who were given the power to superintend and control the Bombay and Madras Presidencies in matters of war and peace.- The Act also provided for the establish-, mcnt of a Supreme Court of Justice at Calcutta to administer justioe to Europeans, their employees, and the citizens of Calcutta. The Regulating Act soon broke down in practice. It had not given the British Government effective and decisive control over the Company. In India it had placed the Governor-General at the mercy of his Council. Three of the Councillors could combine and outvote the Governor-General on any matter. In practice, Warren Hastings, the first Governor-General under the Act, and three of his Councillors quarrelled incessantly, often creating deadlocks in the administration. The Governor-General's control over the other two Presidencies also proved inadequate in practice. Most important of all, the Act had failed to resolve the conflict between the Company and its opponents in England who were daily growing stronger and more vocal. Moreover, the Company remained extremely vulnerable to the attacks of its enemies as the administration of its Indian possessions continued to be corrupt, oppressive, and economically disastrous.

The defects of the Regelating Act and the exigencies of British politics necessitated the passing in 1784 of another important act known as Pitt's India Act. This Act gave the British Government supreme control over the Company's affairs and its administration in India. It established six Commissioners for the affairs of India, popularly known as the Board of Control, including two Cabinet Ministers. The Board of Control was to guide and control the work of the Court of Directors and the Government of India. In important and urgent matters it had the power to send direct orders to India through a secret committee of Directors. The Act placed the Government of India in the hands of the Governor- General and a Council of three, so that if the Goverhor-General could get the support of even one member, he could have his way. The Act clearly subordinated the Bombay and Madras Presidencies to Bengal in all questions of war, diplomacy, and revenues. With this Act began a new phase of the British conquest of India. While the East India Company became the instrument of British national policy, India was to be made to serve the interests of all sections of the ruling classes of Britain. The Company having saved its monopoly of the Indian and Chinese trade was satisfied. Its Directors retained the profitable right of appointing and dismissing its British officials in India. Moreover, the Government of India was to be carried out through their agency.

While Pitt's India Act laid down the general framework in which the Government of India was to be carried on till 1857, later enactments brought about several important changes which gradually diminished the powers and privileges of the Company. In 1786, the Governor-General was given the authority to overrule his Council ^n matters of importance affecting safety, peace, or the interests of the Empire in India.

By the Charter Act of 1813, the trade monopoly of the Company in India was ended and trade with India was thrown open to all British subjects, But trade in tea and trade with China were still exclusive to the Company. The Government and the revenues of India continued to be in the hands of the Company. The Company also continued to appoint its officials in India. The Charter Act of 1833 brought the Company's monopoly of tea trade and trade with China to an end. At the same time the debts of the Company were taken over by the Government of India which was also to pay its shareholders a 10$ per cent dividend on their capital. The Government of India continued to be run by the Company under the strict control of the Board of Control.

Thus, the various acts of Parliament discussed above completely subordinated the Company and its Indian administration to the British Government. At the same time, it was recognised that day to day administration of India could not be run or even superintended from a distance of 6,000 miles. Supreme authority in India was, therefore, delegated to the Governor-General in Council. The Governor-General, having the authonty to overrule his Council in important questions, became in fact the real, effective ruler of India, functioning under the superintendence, control and direction of the British Government. It is to be noted that Indians were allowed no share in their own administration. The three seats of authority, as far as India was concerned, were the Court of Directors of the Company, the Board of Control representing the British Government, and the Governor-General. With none of the three was any Indian associated even remotely or in any capacity.

The British created a new system of administration in India to serve their purposes. But before we discuss the salient features of this system, it would be better if we first examine the purposes which it was designed to serve, for the main function of the administrative system of a country is to accomplish the aims and objects of its rulers. The chief aim of the British was to enable them to exploit India economically to the maximum advantage of various British interests, ranging from the Company to the Lancashire manufacturers. At the same time India was to be made to bear the full cost of its own conquest as well as of the foreign rule. An examination of the economic policies of the British in India is, therefore, of prime importance.

British Economic Policies in India, 1757-1857

Commercial Policy: From 1600 to 1757 the East India Company's role in India was that of a trading corporation which brought goods or precious metals into India and exchanged them for Indian goods like textiles, spices, etc., which it sold abroad. Its profits came primarily from the sale of'Indian goods abroad. Naturally, it tried constantly to open new markets for Indian goods in Britain and other countries. Thereby, it increased the export of Indian manufactures and thus encouraged their production. This is the reason why the Indian rulers tolerated and even encouraged the establishment of the Company's factories in India.

Weaver—Working in a Pit Loom with Throw-S tint tit *Courtesy*: *National Archives of Mia New Delhi*

Bat, from the very beginning, the British manufacturers were jealous of the popularity that Indian textiles enjoyed in Britain. All of a sudden dress fashions changed and light cotton textiles began to replace the coarse woollens of the English. Defoe, the writer of the famous novel, *Robinson Crusoe*, complained that Indian cloth had "crept into our houses, our closets and bed chambers; curtains, cushions, chairs, and at last beds themselves were nothing but calicos or India stuffs" The British manufacturers put pressure on tlieii government to restrirt and prohibit the sale of Indian goods in England. By 1720 laws had been passed forbidding the wear or use of punted or dyed cotton cloth. In 1760 a lady had to pay a fine of £ 200 for possessing an imported handkerchief! Moreover, heavy duties were imposed on the import of plain cloth. Other European countries, except Holland, also either prohibited the import of Indian cloth or imposed heavy import duties. In spite of these laws, however, Indian silk and cotton textiles still held their own in foreign markets, until the middle of the 18th century when the English textile industry began to develop on the basis of new and advanced technology.

After the Battle of Plassey in 1757 th« pattern of the Company's commercial relations with India underwent a qualitative change. Now the Company could use its political control over Bengal to push its Indian trade. Moreover, it utilised the revenues of Bengal to finance its export of Indian goods. The activity of the Company should have encouraged Indian manufacturers, but this was not so. The Company used its political power to dictate terms to the weavers of Bengal who were forced to sell their products at a cheaper and dictated price, even at a loss. Moreover, their labour was no longer free. Many of them were compelled to work for the Company for low wages and were forbidden to work for Indian merchants. The Company eliminated its rival traders, both Indian and foreign, and prevented them from offering higher wages or pn «s to the Bengal handicraftsmen. The servants of the Company monoyolised the talc of raw cotton and made the Bengal weaver pay exorbitant prices for it. Thus, the weaver lost both ways, as buyer as well as seller. At the same time, Indian textiles had to pay heavy duties on entering England. The British Government was determined to protect its rising machine industry whose products could still not compete with the cheaper and better Indian goods. Even so Indian products held some of their ground. The real blow on Indian handicrafts fell after 1813 when they lost not only their foreign markets but, what was of much greater importance, their market in India itself.

The Industrial Revolution in Britain completely transformed Britain's economy and its economic relations with India. During the second half of the 18th century and the first few decades of the 19th century, Britain underwent profound social and economic transformation, and Biitish industry developed and expanded rapidly on the basis of modern machines, the factory system, and capitalism. This development was aided by several factors.

British overseas trade had been expanding rapidly in the previous centuries. Britain had come to capture and monopolise many foreign markets by means of war and colonialism. These export markets enabled its export industries to expand production rapidly, utilizing the latest techniques in production and organisation. Africa, the West Indies, Latin America, Canada, Australia, China and above all India provided unlimited opportunities for export. This was particularly true of the cotton textile industry which served as the main vehicle of the Industrial Revolution in Britain. Britain had already evolved the colonial pattern of trade which helped the Industrial Revolution which in turn strengthened this pattern: the colonies and underdeveloped countries exported agricultural and mineral raw. materials to Britain while the latter sold them its manufactures.

Secondly, there was sufficient capital accumulated in the country for investment in new machinery and the factory system. Moreover, this capital was concentrated not in the hands of the feudal class which would waste it in luxurious living but in the hands of merchants and industrialists who were keen to invest it in trade and industry. Here again the immense wealth drawn from Africa, Asia, the West Indies, and Latin America, including that drawn from India by the East India Company and its servants after the Battle of Plassey, played an important role in financing industrial expansion.

Thirdly, rapid increase in population met the need of the growing industries for more labour and cheaper labour. The population of Britain increased rapidly after 1740; it doubled in fifty years after 1780.

Fourthly, Britain had a government which was under the influence of commercial and manufacturing interests and which, therefore, fought other countries determinedly for markets and colonies.

Fifthly, the demands for increased production were met by developments in technology. Britain's rising industry cofild base itself on the inventions of Hargreaves, Watt, Crompton, Cartwright, and many others. Many of the inventions now utilised-had been available for centuries. In order to take full advantage of these inventions and steam-power, production was now increasingly concentrated in factories. It should be noted that it was not these inventions which produced the Industrial Revolution, Rather it was the desire of manufacturers to increase production rapidly for the expanding markets and their capacity to invest the needed capital which led f'tcm to utilise the existing technology and to call forth new inventions. In fact, new organisation of industry was to make technical change a permanent feature of human development. The Industrial Revolution has, in this sense, never comc to an end, for modern industry and technology have gone on developing from one stage to another ever since the middle of the 18th century.

The Industrial Revolution transformed British society in a fundamental manner. It led to rapid economic development which is the foundation of today's high standard of living in Britain as well as in Europe, the Soviet Union, the U.S.A., Canada, Australia, and Japan. In fact, until the beginning of the 19th century, the difference in the standards of living of what are today economically the advanced and the backward countries was very slight. It was the Absence of the Industrial Revolution in the latter group of countries which has led to the immense income gap that we see in the world of today.

Britain became increasingly urbanised as a result of the Industrial Revolution. More and more men began to live in factory towns. In 1730, Britain had only two cities with more than 50,000 inhabitants; in 1851, their number was 29.

Two entirely new classes of society were born: the industrial capitalists, who owned the factories, and workers who hired out their labour on daily wages. While the former class developed rapidly, enjoying unprecedented prosperity, the workers—the labouring poor—in the beginning reaped a harvest of sorrow. They were uprooted from their rural surroundings; and their traditional way oflife was disrupted and destroyed. They had now to live in cities which were full of smoke and filth. Housing was utterly inadequate and insanitary. Most of them lived in dark, sunless slums which have been described so well by Charles Dickens in his novels. Hours of work in the factories and mines were intolerably long—often going up to 14 or 16 hours a day. Wages were very low. Women and children had to work equally hard. Sometimes 4 or 5-year old children were employed in factories and mines. In general, a worker's life was one of poverty, hard work, disease, and malnutrition. It was only after the middle of the 19th century that improvement in their incomes began to take place,

The rise of a powerful class of manufacturers had an important impact on Indian administration and its policies. As this class grew in number and strength and political influence, it began to attack the trade monopoly of the Company. Since the profits of this class came from manufacturing and not trade, it wanted to encourage not imports of manufactures from India but exports of its own products to India as well as imports of raw materials like raw cotton from India, In 1769 the British industrialists compelled the Company by law to export every year Britisn manufactures amounting to over £ 380,000, even though it suffered a loss on the transaction. In 1793, the'[1] forced the Company to grant them the use of 3,000 tons of its shipping every year to carry their goods. Exports of British cotton goods to the East, mostly to India, increased from £ 156 in 1794 to nearly £ 110,000 in 1813, that is, by nearly 700 times, But this increase was not enough to satisfy the wild hopes of the Lancashire manufacturers who began to actively search for ways and means of promoting the export of their products to India, As R.C. Dutt pointed out later in 1901 in his famous work, *The Economic History of India*, the effort of the Parliamentary Select Committee of 1812 was "to discover how they (Indian manufactures) could be replaced by British manufactures, and how British industries could be promoted at the expense of Indian industries.' '

The British manufacturers looked upon the East India Company, its monopoly of Eastern trade, and its methods of exploitation of India through control of India's revenues and export trade, to be the chief obstacles in the fulfilment of their dreams. Between 1793 and 1813, they launched a powerful campaign against the Company and its commercial privileges and, finally succeeded in 1813 in abolishing its monopoly of Indian trade.

With this event, a new phase in Britain's economic relations with India began. Agricultural India was to be made an economic colony of industrial England.

The Government of India now followed a policy of free trade or unrestricted entry of British goods. Indian handicrafts were exposed to the fierce and unequal competition of the machine-made products of Britain and faced extinction. India had to admit British goods free or at nominal tariff rates. The Government of India also tried to increase the number of purchasers of British goods by following a policy of fresh conquests and direct occupation of protected states tike Avadh. Many British officials, political leaders, and businessmen advocated reduction in land revenue so that the Indian peasant mignt be in a better position to buy foreign manufactures They also advocated the modernisation of India so that more and more Indians might develop a taste for Western goods.

Indian hand-made goods were unable to compete against the much cheaper products of British mills which had been rapidly improving their productive capacity by using inventions and a wider use of steam power. Any government wedded to Indian interests alone would have protected Indian industry through high tariff walls and used the time thus gained to import the new techniques of the West Britain had done this in relation to its own industries in the 18th century; France, Germany, and the U S.A. weie also doing no at the time; Japan and the Soviet Union were to do it many decades ater; and free India is doing it today. However, not only were Tndia'i industries not protected by the foreign rulers but foreign goods were g ven free entry. Foreign imports rose rapidly. Imports of British cotton goods alone increased from £ 110,000 in 1813 to £ 6,300,000 in 1856.

While tbe doors of India were thus thrown wide open to foreign goods, Indian handicraft products continued to pay heavy duties on entry into Britain. The British would not take in Indian goods on fair and equal terms even at this stage when their industries had achieved technological superiority over Indian handicrafts. Duties in Britain on several categories of Indian goods continued to be high till their export to Britain virtually ceased. For example, in 1824, a duty of 67£ per cent was levied on Indian calicos and a duty of 37$ per cent on Indian muslins. Indian sugar had to pay on entry into Britain a duty that was over three times its cost pi ice. In some cases duties in F.ngland went up as high as 400 per cent. As a result of such prohibitive import duties and development .of machine industries, Indian exports to foreign countries fell rapidly. The unfairness of British commercial policy has been summed up by the British historian, H.H. Wilson, in the following words: » : .)

> It was staled in evidence, that (he cotton and silk goods of India up (o this period could be sold for a profit in the British market, at a price from 50 to 60 per cent lower (ban those fabricated in England. It consequently became necessary to protect the latter by duties of 70 to 80 per cent on tbeir value, or by positive prohibition. Had this not been the case, had not such prohibitory duties and decrees existed, the mills of Paisley and of Manchester would have been stopped in their outset and could scarcely have been again set m motion, even by the power of Meam. They were created by the sacrifice of the Indian manufacture. Had India been independent, she would have retaliated, would have imposed preventive duties upon British goods, and would thus have preserved her own productive industry from annihilation. This act of self-defence was not permitted her; she was at the mercy of the stranger. British goods were forced upon her without paying any duty; and the foreign manufacturer employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms.

Instead of exporting manufactures, India was now forced to export raw materials like raw cotton and raw silk which British industries needed urgently, or plantation products like indigo and tea, or foodgrains which were in short supply in Britain. In 1856, India exported £ 4,300,000 worth of raw cotton, only £ 810,000 worth of cotton manufactures, £ 2,900,000 worth of foodgrains, £ 1,730,000 worth of indigo, and £ 770,000 , worth of raw silk. The British also promoted the sale of Indian opium in China even though the Chinese put a ban on it because of its poisonous and other harmful qualities. But the trade yielded large profits to British merchants and fat revenues to the Company-controlled administration of India. Interestingly enough, the import of opium into Britain was strictly banned.

Thus, the commercial policy of the East Tndia Company after 1813 was guided by the needs of British industry. Its main aim was to transform India into a consumer of British manufactures and a supplier of raw materials.

The Drain of Wealth: The British exported to Britain part of India's wealth and resources for which India got no adequate economic or material return- 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 oa 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, Englishmen working an^L trading id India nearly always planed to go back to Brjtain, and the,Indian Qovemment was controlled by a. foreign company of merchants and the Government of Bri^ai^. The British, consequently, spent.a large part of the, taxes .and income they derived from Indian people not in India but in Britain, tfyeifrhofnecpuotry.

The drain of wealth from Bengal began in 1757 when th< Company's servants began to carry home immense fortunes extorted from Indian rulers, zamindars, merchants and the common people. They sent home nearly £ 6 million between 1758 and 1765. This amount was more than four times the total land revenue collection of the Nawab of Bengal in 1765. This amount of drain did not include the trading profits of the Company which were often no less illegally derived. In 1765 the Company acquired the *dewani* of Bengal and thus gained control over its revenues. The Company, even more than its servants, soon directly organised the drain. It began to purchase Indian goods out of the revenue of Bengal and to export them. These purchases were known as 'Investments' Thus, through 'Investments', Bengal's revenue was sent to England. For example, from 1765 to 1770, the Company sent out in the form of goods nearly four million pounds or about 33 per cent of the net revenue of Bengal. The actual drain was even more, as a large part of the salaries and other incomes of English officials and the trading fortunes of English merchants also found their way into England.

While the exact amount of the annual dram has not been calculated so far and historians differ on its quantum, the fact of the drain, at least from 1757 to 1857, was widely accepted by British officials. Thus, for example, Lord Ellenborough, Chairman of the Select Committee of the House of Lords, and later Governor-General of India, admitted in 1840 lhat India was "required to transmit annually to this country (Britain), without any return except in the small value of military stores, a sum amounting to between two and three million sterling". And John Sullivan, President of the Board of Revenue, Madras, remarked: "Our system acts very much like a sponge, drawing up all the good things from the banks jf the Ganges, and squeezing them down on the banks of the Thames."

Development of Means of Transport and Communication: Up to the middle of the 19th century, the means of transport in India were backward. They were confined to bullock-cart, camel, and packhorse. The British rulers soon realised that a cheap and easy system of transport was a necessity if British manufactures were to flow into Indi? on a large scale and her raw materials secured for British industries. They introduced steamships on the rivers and set abo,ut improving the. roads, Wqrk on the Grand Trunk Road from Calcutta; to Q^lhj < was begun in 1839 and completed in the 1850*s. EfToj;ts were also mad#- to link by road the major cities, ports, and markets of th,<>

But real improvement in transport came only, with tfte, c.opiijiifi oj^ (.fog, railways.

The first,railway engine designed by Q?org? Stephwi$0n th* rails in England in 1814. Railways developed rapidfyviw during the 1830's and 1840's. Pressure soon mounted for their speedy construction in India. The British manufacturers hoped thereby to open the vast and hitherto untapped market in the interior of the country and to facilitate the export of Indian raw materials and food-stuffs to feed their hungry machines and operatives. The British bankers and investors looked upon railway development in India as a channel for safe investment of their surplus capital. The British steel manufacturers regarded it as an outlet for their products like rails, engines, wagons, and other machinery and plant. The Government of India soon fell in step with these views and found additional merit in the railways; they would enable it to administer the country more effectively and efficiently and to protect their regime from internal rebellion or external aggression by enabling more rapid mobilization and movement of troops.

The earliest suggestion to build a railway in India was made in Madras in 1831. flui the wagons of this railway were to be drawn by horses. Construction of steam-driven railways in India was first proposed in 1834 in England. It was given strong political support by England's railway promoters, financiers, mercantile houses trading with India, and textile manufacturers. It was decided that the Indian railways were .to be constructed and operated by private companies who were guaranteed a minimum of five per cent return on their capital by the Government of India, The first railway line running from Bombay to Thana was opened to traffic in 1853.

Lord Dalhousie, who became Governor-General of India in 1849, was an ardent advocate of rapid railway construction. In a famous note, written in 1853, he laid down an extensive programme of railway development, He proposed a network of four main trunk lines which would link the interior of the country with the big ports and inter-connect the different parts of the country.

By the end of 1869 more than 4,000 miles of railways had been built by the guaranteed companies; but this system proved very cosily and slow, and so in 1869 the Government of India decided to build new railways as stale enterprises. But the speed of railway extension still did not satisfy officials in India and businessmen in Britain. After 1880, railways were built through private enterprise as welt as state agency. By 1905, nearly
28,0 miles of railways had been built. Three important aspects of the development of Indian railways should be kept in view. Firstly, nearly the entire amount of over 350 crores of rupees invested in them was provided by British investors, Indian capital contributing only a negligible share of it. Secondly, they were for the first 50 years financially losing concerns which were not able to pay interest on the capital invested in them. Thirdly, in their planning, construction and management, ItKe economic and political development of India and her people was not

kept in ihc forefront. On the contrary, the primary consideration was lo serve the economic, political, and military interests of British imperialism in India. The railway lines were laid primarily with a view to link India's raw material producing a reps in the interior with the ports of export. The needs of Indian industries regarding their markets and thejr sourccs of raw materials were neglected. Moreover, the railway rates were fixed in a manner so as to favour imports and exports and to discrimin&e against internal movement of goods. Several railway lines in Burma and North-Western India were built at high cost to serve British imperial interests.

The British also established an efficient and modern postal system and introduced the telegraph. The first telegraph line from Calcutta to Agra was opened in 1853. Lord Dalhousie introduced postage stamps. Previously cash payment had to be made when a letter was posted. He also cut down postal rates and charged a uniform rate of half an anna for a letter all over the land. Before his reforms, the postage on a letter depended on the distance it was to travel: in some cases the postage on a letter was the equivalent of as much as four days wages of a skilled Indian worker!

Land Revenue Policy

The main burden of providing money for the trade and profits of the Company, the cost of administration, and the wars of British expansion in India had to be borne by the Indian peasant or ryot. In fact the British could not have conquered such a vast country as India if they had not taxed him heavilyi

The Indian state had since times immemorial taken a part of the agri

H iirc# rrah (A Messenger)
Courtesy; National Archives t>f India, Ntw Delhi

cultural produce u land revenue. It had done so either directly through its servants or indirectly through intermediaries, such as zamindars, revenuefarmers, etc., who collected the land revenue from the cultivator and kept a part of it as their commission. These intermediaries were primarily collectors of land revenue, although they did sometimes own some land in the area from which they collected revenue.

The Permanent Settlement: We have seen that in 1765, the East India Company acquired the *Dewani,* or control over the revenues, of Bengal, Bihar, and Orissa. Initially, it made an attempt to continue the old system of revenue collection though it increased the amount to be collected from Rs. 14,290,000 in 1722 and Rs. 8,110,000 in 1764 to Rs. 23,400,000 in 1771. In 1773, it decided to manage the land revenues directly. Warren Hastings auctioned the right to collect revenue to the highest bidders. But his experiment did not succeed. Though the amount of land revenue was pushed high by zamindars and other speculators bidding against each other, the actual collection varied from year to year and seldom came up to official expectations. This introduced instability in the Company's revenues at a time when the Company was hard pressed for money. Moreover, neither the ryot nor the zamindar would do anything to improve cultivation when they did not know what the next year's assessment would be or who would be the next year's revenue collector.

It was at this stage that the idea first emerged of fixing the land revenue at a permanent amount. Finally, after prolonged discussion and debate, the Permanent Settlement was introduced in Bengal and Bihar in 1793 by Lord Cornwallis. It had two special features. Firstly, the zamindars and revenue collectors were converted into so many landlords. They were not only to act as agents of the Government in collecting land revenue from the ryot hut also to become the owners of the entire land ia their zamindaris. Their right of ownership was made hereditary and transferable. On the other hand the cultivators were reduced to the low status of mere tenants and were deprived of long-standing rights to the soil and other customary rights. The use of the pasture and forest lands, irrigation canals, fisheries, and homestead plots and protection against enhancement of rent were some of their rights which were sacrificed. In fact the tenantry of Bengal was left entirely at the mercy of the zamindars. This was done so that the zamindars might be able to pay in time the exorbitant land revenue demand of the Company. Secondly, the zamindars were to give, 10/11th of the rental they derived from the peasantry to the state, keeping only 1/11th for themselves. But the sums to be paid by them as land revenue were fixed in perpetuity. If the rental of a zamindar's estate increased due to extension of cultivation and improvement in agriculture, or his capacity to extract more from hla tenants, or any other reason, he would keep the entire amount of the increase. The slate would not make any further demand upon him. At the same time, the zamindar had to pay his revenue rigidly on the due date even if the crop had failed for some reason; otherwise his lands were to be sold.

The initial fixation of revenue was made arbitrarily and without any consultation with the zamindars. The attempt of the officials was to secure the maximum amount. As a result, the rates of levenue were fixed very high. John

Shore, the man who planned the Permanent Settlement and later succeeded Cornwallis as Governor-General, calculated that if the gross produce of Bengal be taken as 100, the Government claimed 45, zamindars and other intermediaries below them received 15, and only 40 remained with the actual cultivator.

It was later generally admitted by officials and non-officials alike that before 1793 the zamindars of Bengal and Bihar did not enjoy proprietary rights over most of the land. The question then arises; why did the British recognise them as such? One explanation is that this was in part the result of a misunderstanding. In England, the central figure in agriculture at the time was the landlord and the British officials made the mistake of thinking that the zamindar was his Indian counterpart. It is, however, to be noted that in one crucial respect the British officials clearly differentiated between the positions of the two. The landlord in Britain was the owner of land not only in relation to the tenant but also m relation to the state. But in Bengal while the zamindar was landlord over the tenant, he was further subordinated to the state. In fact he was reduced virtually to the status of a tenant of the East India Company, In contrast to the British landlord, who paid a small share of his income as land tax, he had to pay as 1ax 10/11th of his income from the land of which he was supposed to be the owner; and he could be turned out of the land unceremoniously and his estate sold if he failed to pay the revenue in time.

Other historians think that the decision to recognise the zamindars as the proprietors of land was basically determined by political, financial, and administrative expediency. Here the guiding factors were three. The first arose out of clever statecraft: the need to create political allies. The British officials realised that as they were foreigners in India, their rule would be unstable unless they acquired local supporters who would act as a buffer between them and the people of India. This argument had immediate importance as there were a large number of popular revolts in Bengal during the last quarter of the 18th century. So they brought into existence a wealthy aiid privileged class of zamindars which owed its existence to British rule and which would, therefore, be Compelled by its own basic interests to support it. This expectation was, in fact, fully justified later when the zamindars as a class supported the foreign government in opposition to the rising movement for freedom, Second, and perhaps the predominant motive, was that of financial security. Before 1793 the Company was troubled by fluctuations in its chief source of income, the land revenue. The Permanent Settlement guaranteed the stability of income. The newly created property of the zamindars acted as a secuiily of this. Moreover, the Permanent Settlement enabled the Company to maximise its income as land revenue was now fixed higher than it had ever been in the past. Collection of revenue through a small number of zammdars seemed to be much simpler and cheaper than the process of dealing with lakhs of cultivators. Thirdly, the Permanent Settlement was expected to increase agricultural production. Since the land revenue would not be increased in future even if the zamindar’s income went up, the latter would be inspired to extend cultivation and improve agricultural productivity.

The Permanent Zamindari Settlement was later extended to Orissa, the Northern

Districts of Madras, and the District of Varanasi.

In parts of Central India and Avadh the British introduced a temporary zamindari settlement under which the zamindars were made owners of land but the revenue they had to pay was revised periodically. Another group of landlords was created all over India when the Government started the practice of giving land to persons who had rendered faithful service to the foreign rulers.

Ryotwari Settlement: The establishment of British rule in South and South-Western India brought new problems of land settlement. The officials believed that in these regions there were no zamindars with large estates with whom settlement of land revenue could be made and that the introduction of zamindari system would upset the existing state of affairs. Many Madras officials led by Reed and Munro recommended that settlement should therefore be made directly with the actual cultivators. They also pointed out that under the Permanent Settlement the Company was a financial loser as it had to share the revenues with the zamindars and could not claim a share of the growing income from land. Moreover, the cultivator was left at the mercy of the zamindar who could oppress him at will. Under the system they proposed, which is known as the Ryotwari Settlement, the cultivator was to be recognised as the owner of his plot of land subject to the payment of land revenue. The supporters of the Ryotwari system claimed that it was a continuation of the state of affairs that had existed in the past. Munro said: "It is the system which has always prevailed in India[1] The Ryotwari Settlement was in the end introduced in parts of the Madras and Bombay Presidencies in the beginning of the 19th century. The settlement under the Ryotwari system tvas not made permanent. It was revised periodically after 20 to 30 years when the revenue demand was usually raised.

The Ryotwari Settlement did not bring into existence a system of peasant ownership. The peasant soon discovered that the large number of zamindars had been replaced by one giant zamindar—the state In fact, thfe Government later openly claimed that land revenue was rent and not a tax. The ryot's rights of ownership of his land were also negated by three other factors: (1) In most areas the land revenue fixed was exorbitant; the ryot was hardly left with bare maintenance even in the best of seasons. For instance, in Madras the Government claim was Axed as high as 45 to 55 per cent of gross production in the earlier settlement. The situation was nearly as bad in Bombay. (2) The Government retained the right to enhance land revenue at will. (3) The ryot had to pay revenue even when his produce was partially or wholly destroyed by drought or floods.

Mahalwari System: A modified version of the zamindari settlement, introduced in the Gangetic valley, the North-West Provinces, parts of Central India, and the Punjab, was known as the Mahalwari System. The revenue settlement was to be made village by village or estate *(mahal)* by estate with landlords or heads of families who collectively claimed to be the landlords of the village or the estate. In the Punjab a modified Mahalwari System known as the village system was introduced. In Mahalwari areas also, the land revenue was periodically revised.

Both the Zamindari and the Ryotwari systems departed fundamentally from the traditional land systems of the country. The British created a new form of private property in land in such a way that the benefit of the innovation did not go to the cultivators. All over the country land was now made salable, mortgagable, and alienable. This was done primarily to protect the Government's revenue. If land had not been made transferable or salable, the Government would find it very difficult to realise revenue from a cultivator who had no savings or possessions out of which to pay it. Now he could borrow money on the security of his land or even >11 part of it and pay his land revenue. If he refused to do so, the Government could and often did auction his land and realise the amount. Another reason for introducing private ownership in land was provided by the belief that only right of ownership would make the landlord or the ryot exert himself in making improvements.

The British by making land a commodity which could be freely bought and sold introduced a fundamental change in the existing land systems of the country. The stability and the continuity of the Indian villages were shaken. In fact, the entire structure of rural society began to break up.

E X E R C I S E S

Trace the evolution of the East India Company's relations with the British state, from 1765 to 1833. Bring out the major factors which influenced these relations.

2. Examine critically the commercial policy pursued by Britain in India from 1757 to 1857.
3. In what way did the British land revenue policy transform agrarian relations in India?
4. Write short notes oft:

   (a) The Regulating Act of 1773 and the powers of the Governor-Gsr'eval; (b) The Industrial Revolution; (c) The drain of wealth from (d) Development of the Railways.