

India's colonial past has weighed heavily on her development since 1947. In the economic sphere, as in others, British rule drastically transformed India. But the changes that took place led only to what has been aptly described by A. Gunder Frank as the 'development of underdevelopment'. These changes—in agriculture, industry, transport and communication, finance, administration, education, and so on—were in themselves often positive, as for example the development of the railways. But operating within and as part of the colonial framework, they became inseparable from the process of underdevelopment. Further, they led to the crystallization of the colonial economic structure which generated poverty and dependence on and subordination to Britain.

Basic Features

There were four basic features of the colonial structure in India. First, colonialism led to the complete but complex integration of India's economy with the world capitalist system but in a subservient position. Since the 1750s, India's economic interests were wholly subordinated to those of Britain. This is a crucial aspect, for integration with the world economy was inevitable and was a characteristic also of independent economies.

Second, to suit British industry, a peculiar structure of production and international division of labour was forced upon India. It produced and exported foodstuffs and raw materials—cotton, jute, oilseeds, minerals—and imported manufactured products of British industry from biscuits and shoes to machinery, cars and railway engines.

This feature of colonialism continued even when India developed a few labour-intensive industries such as jute and cotton textiles. This was because of the existing peculiar pattern of international division of labour by which Britain produced high technology, high productivity and capital-intensive goods while India did the opposite. The pattern of India's foreign trade was an indication of the economy's colonial character. As late as 1935–39, food, drink, tobacco and raw materials constituted 68.5 per cent of India's exports while manufactured goods were 64.4 per cent of her imports.

Third, basic to the process of economic development is the size and utilization of the economic surplus or savings generated in the economy for investment and therefore expansion of the economy. The net savings in the Indian economy from 1914 to 1946 was only 2.75 per cent of Gross National Product (GNP) (i.e., national income). The small size may be contrasted with the net savings in 1971–75 when they constituted 12 per cent of GNP. The paltry total capital formation, 6.75 per cent of GNP during 1914–46 as against 20.14 per cent of GNP during 1971–75, reflects this jump. Moreover, the share of industry in this low level of capital formation was abysmally low, machinery forming only 1.78 per cent of GNP during 1914–46. (This figure was 6.53 for 1971–75.)

Furthermore, a large part of India's social surplus or savings was appropriated by the colonial state and misspent. Another large part was appropriated by the indigenous landlords and money lenders. It has been calculated that by the end of the colonial period, the rent and interest paid by the peasantry amounted to Rs 1,400 million per year. By 1937, the total rural debt amounted to Rs 18,000 million. According to another estimate, princes, landlords and other intermediaries appropriated nearly 20 per cent of the national income. Only a very small part of this large surplus was invested in the development of agriculture and industry. Most of it was squandered on conspicuous consumption or used for further intensifying landlordism and usury.

Then there was the 'Drain', that is, the unilateral transfer to Britain of social surplus and potential investable capital by the colonial state and its officials and foreign merchants through excess of exports over imports. India got back no equivalent economic, commercial or material returns for it in any form. It has been estimated that 5 to 10 per cent of the total national income of India was thus unilaterally exported out of the country. How could any country develop while undergoing such a drain of its financial resources and potential capital?

The fourth feature of colonialism in India was the crucial role played by the state in constructing, determining and maintaining other aspects of the colonial structure. India's policies were determined in Britain and in the interests of the British economy and the British capitalist class. An important aspect of the underdevelopment of India was the denial of state support to industry and agriculture. This was contrary to what happened in nearly all the capitalist countries, including Britain, which enjoyed active state support in the early stages of development. The colonial state imposed free trade in India and refused to give tariff protection to Indian industries as Britain, western Europe and the United States had done.

After 1918, under the pressure of the national movement, the Government of India was forced to grant some tariff protection to a few industries. But this was inadequate and ineffective. Moreover, since the 1880s, the currency policy was manipulated by the government to favour British industry and which was to the detriment of Indian industry.

As pointed out earlier, a very large part of India's social surplus was appropriated by the colonial state, but a very small part of it was spent by it on the development of agriculture or industry or on social infrastructure or nation-building activities such education, sanitation and health services.

The colonial state devoted almost its entire income to meeting the needs of British Indian administration, making payments of direct and indirect tribute to Britain and in serving the needs of British trade and industry. The bulk of public revenue was absorbed by military expenditure and civil administration which was geared to maintenance of law and order and tax collection. After 1890, military expenditure absorbed nearly 50 per cent of the central government's income. In 1947-48, this figure stood at nearly 47 per cent.

Besides, the Indian tax structure was highly inequitable. While the peasants were burdened with paying a heavy land revenue for most of the colonial period and the poor with the salt tax etc., the upper-income groups—highly paid bureaucrats, landlords, merchants and traders—paid hardly any taxes. The level of direct taxes was quite low. The number of income-tax payers was

360,000 in 1946–47. It was under the pressure from the national and peasant movements that the land revenue and salt tax started coming down in the twentieth century. As late as 1900–01 land revenue and salt tax formed 53 per cent and 16 per cent of the total tax revenue of the government.

Economic Backwardness

Colonialism became a fetter on India's agricultural and industrial development. Agriculture stagnated in most parts of the country and even deteriorated over the years, resulting in extremely low yields per acre, and sometimes even reaching zero. There was a decline in per capita agricultural production which fell by 14 per cent between 1901 and 1941. The fall in per capita foodgrains was even greater, being over 24 per cent.

Over the years, an agrarian structure evolved which was dominated by landlords, moneylenders, merchants and the colonial state. Subinfeudation, tenancy and sharecropping increasingly dominated both the zamindari and ryotwari areas. By the 1940s, the landlords controlled over 70 per cent of the land and along with the moneylenders and the colonial state appropriated more than half of the total agricultural production.

The colonial state's interest in agriculture was primarily confined to collecting land revenue and it spent very little on improving agriculture. Similarly, landlords and moneylenders found rack-renting of tenants and sharecroppers and usury far more profitable and safe than making productive investment in the land they owned or controlled. All this was hardly conducive to agricultural development.

In many areas, a class of rich peasants developed as a result of commercialization and tenancy legislation, but most of them too preferred to buy land and become landlords or to turn to moneylending. As a result capitalist farming was slow to develop except in a few pockets. On the other hand, impoverished cultivators, most of them small peasants, tenants-at-will and sharecroppers, had no resources or incentive to invest in the improvement of agriculture by using better cattle and seeds, more manure and fertilizers and improved techniques of production. For most of the colonial period, landlessness had been rising, so that the number of landless agricultural labourers grew from 13 per cent of the agricultural population in 1871 to 28 per cent in 1951. The increase in tenant farming and sharecropping and overcrowding of agriculture was followed by an extreme subdivision of land into small holdings and fragmentation. Further, these holdings were scattered into non-contiguous parcels which led to cultivation becoming uneconomic and incapable of maintaining the cultivator even at a subsistence level.

Of course, the linkage with the world market and development of roads and railways did lead to a large part of rural produce entering the urban and world markets and to the production of commercial crops. However, commercialization of agriculture did not lead to capitalist farming or improved technology. Its chief result was that better soil, available water and other resources were diverted from food crops to commercial crops.

At a time when agriculture in the developed countries was being modernized and

revolutionized, there was a near absence of change in the technological and production base of Indian agriculture. Indian peasants continued to use the primitive implements they had used for centuries. For example, in 1951, there were only 930,000 iron ploughs in use while wooden ploughs numbered 31.3 million. The use of inorganic fertilizers was virtually unknown, while a large part of animal manure—cow dung, night soil and cattle bones—was wasted. In 1938–39, only 11 per cent of all cropped land was under improved seeds, their use being largely confined to non-food cash crops.

Agricultural education was completely neglected. In 1946, there were only nine agricultural colleges with 3,110 students. There was hardly any investment in terracing, flood-control, drainage, or desalination of soil. Irrigation was the only field in which some progress was made so that by the 1940s nearly 27 per cent of the total cultivated area was irrigated. But, then, India had always been quite advanced in irrigation cultivation.

Another central aspect of India's economic backwardness was the state of its industry. During the nineteenth century, there was a quick collapse of Indian handicraft and artisanal industries largely because of the competition from the cheaper imported manufactures from Britain together with the policy of free trade imposed on India. The ruined artisans failed to find alternative employment. The only choice open to them was to crowd into agriculture as tenants, sharecroppers and agricultural labourers.

Modern industries did develop in India from the second half of the nineteenth century. But, both in terms of production and employment, the level of industrial development was stunted and paltry compared with that of the developed countries. It did not compensate even for the handicraft industries it displaced. Industrial development was mainly confined to cotton, jute and tea in the nineteenth century and to sugar, cement and paper in the 1930s. There had been some development of the iron and steel industry after 1907, but as late as 1946, cotton and jute textiles accounted for nearly 30 per cent of all workers employed in factories and more than 55 per cent of the total value added by manufacturing. The share of modern industries in national income at the end of British rule was only 7.5 per cent. India also lagged in the development of electric power. Similarly, modern banking and insurance were grossly underdeveloped.

An important index of India's industrial backwardness and economic dependence on the metropolis was the virtual absence of capital goods and machine industries. In 1950, India met about 90 per cent of its needs of machine tools through imports. The underdeveloped character of this modern part of the economy can be seen by comparing certain economic statistics for 1950 and 1984 (the figures for 1984 are given within brackets). In 1950 India produced 1.04 million tons of steel (6.9 million tons), 32.8 million tons of coal (155.2 million tons), 2.7 million tons of cement (29.9 million tons), Rs. 3 million worth of machine tools and portable tools (Rs. 3.28 million), 7 locomotives (200), 99,000 bicycles (5,944,000), 14 million electrical lamps (317.8 million), 33,000 sewing machines (338,000), and generated 14 kWh electricity per capita (160 kWh). In 1950, the number of bank offices and branches was 5,072; in 1983 the figure had risen to 33,055. In 1950, out of a population of 357 million only 2.3 million were employed in modern industries.

Another index of economic backwardness was the high rural–urban ratio of India's population

because of growing dependence on agriculture. In 1951, nearly 82.3 per cent of the population was rural. While in 1901, 63.7 per cent of Indians had depended on agriculture, by 1941 this figure had gone up to 70. On the other hand the number of persons engaged in processing and manufacturing fell from 10.3 million in 1901 to 8.8 million in 1951 even though the population increased by nearly 40 per cent.

Till the late 1930s, foreign capital dominated the industrial and financial fields and controlled foreign trade as also part of the internal trade that fed into exports. British firms dominated coal mining, the jute industry, shipping, banking and insurance, and tea and coffee plantations. Moreover, through their managing agencies, the British capitalists controlled many of the Indian-owned companies. It may be added that many of the negative effects of foreign capital arose out of state power being under alien control.

Lopsided industrial development was yet another striking feature. Industries were concentrated only in a few regions and cities of the country. This not only led to wide regional disparities in income but also affected the level of regional integration.

But there were some major changes that occurred in the Indian economy, especially during the 1930s and 1940s that did impart a certain strength to it and provided a base for post-independence economic development.

One positive feature was the growth of the means of transport and communication. In the 1940s, India had 65,000 miles of paved roads and nearly 42,000 miles of railway track. Roads and railways unified the country and made rapid transit of goods and persons possible. However, in the absence of a simultaneous industrial revolution, only a commercial revolution was produced which further colonialized the Indian economy. Also, railway lines were laid primarily with a view to link India's inland raw material-producing areas with the ports of export and to promote the spread of imported manufactures from the ports to the interior. The needs of Indian industries with regard to their markets and sources of raw materials were neglected as no steps were taken to encourage traffic between inland centres. The railway freight rates were also so fixed as to favour imports and exports and to discriminate against internal movement of goods. Moreover, unlike in Britain and the United States, railways did not initiate steel and machine industries in India. Instead, it was the British steel and machine industries which were the beneficiaries of railway development in India. The Government of India also established an efficient and modern postal and telegraph system, though the telephone system remained underdeveloped.

Another important feature was the development of the small but Indian-owned industrial base. It consisted of several consumer industries such as cotton and jute textiles, sugar, soap, paper and matches. Some intermediate capital goods industries such as iron and steel, cement, basic chemicals, metallurgy and engineering had also begun to come up, but on a paltry scale. By 1947, India already possessed a core of scientific and technical manpower, even though facilities for technical education were grossly inadequate, there being only seven engineering colleges with 2,217 students in the country in 1939. Also, most of the managerial and technical personnel in industry were non-Indian.

There was also, after 1914, the rise of a strong indigenous capitalist class with an independent economic and financial base. The Indian capitalists were, in the main, independent of foreign capital. Unlike in many other colonial countries, they were not intermediaries or middlemen between foreign capital and the Indian market, or junior partners in foreign-controlled enterprises. They were also perhaps more enterprising than the foreign capitalists in India, with the result that investment under Indian capital grew considerably faster than British and other foreign investment. By the end of the Second World War, Indian capital controlled 60 per cent of the large industrial units. The small-scale industrial sector, which generated more national income than the large-scale sector, was almost wholly based on Indian capital.

By 1947, Indian capital had also made a great deal of headway in banking and life insurance. Indian joint-stock banks held 64 cent of all bank deposits, and Indian-owned life insurance companies controlled nearly 75 per cent of life insurance business in the country. The bulk of internal trade and part of foreign trade was also in Indian hands.

These positive features of the Indian economy have, however, to be seen in a wider historical context. First, the development of Indian industry and capitalism was still relatively stunted and severely limited. Then, occurring within the framework of a colonial economy, this industrialization took place without India undergoing an industrial revolution as Britain did. The economy did not take off. Whatever development occurred was not because of, but in spite of colonialism and often in opposition to colonial policies. It was the result of intense economic and political struggle against colonialism in the context of Britain's declining position in the world economy and the two world wars and the Great Depression of the 1930s. Lastly, fuller, unfettered or autonomous economic development or take-off could not have taken place without break with and destructuring of colonialism.

The end result of colonial underdevelopment was the pauperization of the people, especially the peasantry and the artisans. Extreme and visible poverty, disease and hunger and starvation were the lot of the ordinary people. This found culmination in a series of major famines which ravaged all parts of India in the second half of the nineteenth century; there were regular scarcities and minor famines in one or the other part of the country throughout British rule. The last of the major famines in 1943 carried away nearly 3 million people in Bengal.

There were many other indications of India's economic backwardness and impoverishment. Throughout the twentieth century, per capita income had stagnated if not declined. During 1941–50, the annual death rate was 25 per 1,000 persons while the infant mortality rate was between 175 and 190 per 1,000 live births. An average Indian born between 1940 and 1951 could expect to live for barely thirty-two years. Epidemics of smallpox, plague and cholera and diseases like dysentery, diarrhoea, malaria and other fevers carried away millions every year. Malaria alone affected one-fourth of the population.

Health services were dismal. In 1943, there were only 10 medical colleges turning out 700 graduates every year and 27 medical schools turning out nearly 7,000 licentiates. In 1951, there were only about 18,000 graduate doctors, most of them to be found in cities. The number of hospitals was 1,915 with 116,731 beds and of dispensaries 6,589, with 7,072 beds. The vast majority of towns had no modern sanitation and large parts of even those cities which did, were

kept out of the system, modern sanitation being confined to areas where the Europeans and rich Indians lived. A modern water supply system was unknown in villages and absent in a large number of towns. The vast majority of towns were without electricity, and electricity in the rural areas was unthinkable.

Already by the end of the nineteenth century it was fully recognized that education was a crucial input in economic development, but the vast majority of Indians had almost no access to any kind of education and, in 1951, nearly 84 per cent were illiterate, the rate of illiteracy being 92 per cent among women. There were only 13,590 middle schools and 7,288 high schools. These figures do not adequately reflect the state of the vast majority of Indians, for they ignore the prevalence of the extreme inequality of income, resources and opportunities. A vast human potential was thereby left untapped in societal development for very few from the poorer sections of society were able to rise to its middle and upper levels.

It is also to be noted that a high rate of population growth was not responsible for the poverty and impoverishment, for it had been only about 0.6 per cent per year between 1871 and 1941.

Thus, a stagnating per capita income, abysmal standards of living, stunted industrial development and low-productivity and semi-feudal agriculture marked the economic legacy of colonialism as it neared the end.

The Colonial State

The British evolved a general educational system, based on English as the common language of higher education, for the entire country. This system in time produced an India-wide intelligentsia which tended to have a similar approach to society and common ways of looking at it and which was, at its best, capable of developing a critique of colonialism—and this it did during the second half of the nineteenth century and after. But English-based education had two extremely negative consequences. One, it created a wide gulf between the educated and the masses. Though this gulf was bridged to some extent by the national movement which drew its leaders as well as its cadres from the intelligentsia, it still persisted to haunt independent India. Second, the emphasis on English prevented the fuller development of Indian languages as also the spread of education to the masses.

The colonial educational system, otherwise, also suffered from many weaknesses which still pervade India's schools and colleges. It encouraged learning by rote, memorization of texts, and proof by authority. The rational, logical, analytical and critical faculties of the students remained underdeveloped; in most cases the students could reproduce others' opinions but had difficulty in formulating their own. A major weakness of the colonial educational system was the neglect of mass education as also of scientific and technical education. There was also the almost total lack of concern for the education of girls, so that in 1951 only eight out of 100 women in India were literate.

The character of the colonial state was quite paradoxical. While it was basically authoritarian and autocratic, it also featured certain liberal elements, like the rule of law and a relatively

independent judiciary. Administration was normally carried out in obedience to laws interpreted by the courts. This acted as a partial check on the autocratic and arbitrary administration and to a certain extent protected the rights and liberties of a citizen against the arbitrary actions of the bureaucracy. The laws were, however, often repressive. Not being framed by Indians, or through a democratic process, they left a great deal of arbitrary power in the hands of civil servants and the police. There was also no separation of powers between administrative and judicial functions. The same civil servant administered a district as collector and dispensed justice as a district magistrate.

The colonial legal system was based on the concept of equality of all before the law irrespective of a person's caste, religion, class or status, but here too it fell short of its promise. The court acted in a biased manner whenever effort was made to bring an European to justice. Besides, as court procedures were quite costly, the rich had better access to legal means than the poor.

Colonial rulers also extended a certain amount of civil liberties in the form of the freedoms of the Press, speech and association in normal times, but curtailed them drastically in periods of mass struggle. But, after 1897, these freedoms were increasingly tampered with and attacked even in normal times.

Another paradox of the colonial state was that after 1858 it regularly offered constitutional and economic concessions while throughout retaining the reins of state power. At first, British statesmen and administrators strongly and consistently resisted the idea of establishing a representative regime in India, arguing that democracy was not suited to India. They said only a system of 'benevolent despotism' was advisable because of India's culture and historical heritage. But under Indian pressure, elections and legislatures were introduced both at the Centre and in the provinces. Nevertheless, the franchise, or the right to vote, was extremely narrow. Only about 3 per cent Indians could vote after 1919, and about 15 per cent after 1935. The government thus hoped to coopt and thereby weaken the national movement and use the constitutional structure to maintain its political domination. The legislatures, however, did not enjoy much power till 1935 and even then supreme power resided with the British. The government could take any action without the approval of the legislatures and, in fact, could do what it liked, when it liked. But legislators did have the possibility to expose the basic authoritarian character of the government and the hollowness of colonial constitutional reforms.

The legislatures did, however, provide some Indians with the experience of participating in elections at various levels and working in elected organs. This experience was useful after 1947 when Indians acquired representative institutions. Meanwhile, the nationalists used the constitutional space in conjunction with mass struggles and intense political, ideological campaigns to overthrow colonial rule.

The colonial legacy with regard to the unity of India was marked by a strange paradox. The colonial state brought about a greater political and administrative unification of India than ever achieved before. Building on the Mughal administrative system, it established a uniform system which penetrated the country's remotest areas and created a single administrative entity. The British also evolved a common educational structure which in time produced an India-wide

intelligentsia which shared a common outlook on society and polity, and thought in national terms. Combined with the formation of a unified economy and the development of modern means of communication, colonialism helped lay the basis for the making of the Indian nation.

But having unified India, the British set into motion contrary forces. Fearing the unity of the Indian people to which their own rule had contributed, they followed the classic imperial policy of divide and rule. The diverse and divisive features of Indian society and polity were heightened to promote cleavages among the people and to turn province against province, caste against caste, class against class, Hindus against Muslims, and princes and landlords against the national movement. They succeeded in their endeavours to a varying extent, which culminated in India's Partition.

The British ruled India through a modern bureaucracy headed by the highly paid Indian Civil Service (ICS) whose members were recruited through merit based on open competition. The bureaucracy was rule-bound, efficient and, at the top, honest. Following Indian pressure the different services were gradually Indianized after 1918—by 1947, nearly 48 per cent of the members of the ICS were Indian—but positions of control and authority were up to the end retained by the British. Indians in these services too functioned as agents of British rule.

Though their senior echelons developed certain traditions of independence, integrity, hard work, and subordination to higher political direction they also came to form a rigid and exclusive caste, often having a conservative and narrow social, economic and political outlook. When massive social change and economic development was sought after 1947, the rigidity and the outlook of the bureaucracy became a major obstacle.

While the ICS was more or less free of corruption, corruption flourished at the lower levels of administration, especially in departments where there was scope for it, such as public works and irrigation, the Royal Army Supply Corps, and the police. During the Second World War, because of government regulation and controls, corruption and blackmarketing spread on a much wider scale in the administration as also did tax evasion, once rates of income tax and excise were revised to very high levels. There was also the rise of the parallel black economy.

The British left behind a strong but costly armed forces which had acted as an important pillar of the British regime in India. The British had made every effort to keep the armed forces apart from the life and thinking of the rest of the population, especially the national movement. Nationalist newspapers, journals and other publications were prevented from reaching the soldiers' and officers' messes. The other side of the medal, of course, was the tradition of the army being 'apolitical' and therefore also being subordinated, as was the civil service, to the political authorities. This would be a blessing in the long run to independent India, in contrast to the newly created Pakistan.

Referring reproachfully to the legacy bequeathed by colonialism, Rabindranath Tagore wrote just three months before his death in 1941:

The wheels of fate will some day compel the English to give up their Indian Empire. But what kind of India will they leave behind, what stark misery? When the stream of their centuries' administration runs dry at last, what a waste of mud and filth will they

leave behind them.