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B. R. Tomlinson

Excerpt

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CHAPTER 1

INTRODUCTION: GROWTH AND
DEVELOPMENT IN THE LONG RUN

ECONOMICS AND INDIAN HISTORY

Modern India is a country where economic history is important: current issues and problems, and many of the institutions and systems that shape the contemporary economy, are closely linked to the legacy of the past.¹ Investigations of key issues in other disciplines – analyses of peasant society, political mobilisation, government policy, social relations of caste, class and community, hierarchies of power and subordination, and the persistence of poverty and inequality – all also depend on fundamental assumptions about the nature of economic structure and change over time, and the history of relations between producers, consumers and the state. Furthermore, the whole sub-discipline of development economics, at crucial stages in its evolution, has drawn heavily on the Indian example – in stressing the destructive effects of imperialism, for example, or the mechanisms by which government planning can mobilise savings in poor economies, or the importance of liberalisation in stimulating growth and broad-based economic change.

The wide spread of interest in our subject brings costs as well as benefits. Accounts of social relations among rural producers, for example, are usually based on very different theories of the nature of economic behaviour than are institutional studies of government tariff policy, or statistically generated estimates of changes in the composition of the gross national product. The most detailed studies of production and consumption at the village level often assume that economic phenomena in India exist only as a function of social and cultural relations. Indeed, many scholars who approach the larger discipline of economic history by way of the history of social and economic structures in South Asia have suspected that accounts of autonomous and self-contained processes of economic development, growth and change in other parts of the world are oversimplified corruptions of a complex reality that has been revealed more clearly in India than elsewhere. In return, those studying the history of

¹ As the World Bank acknowledged in 2005, 'economic development is deeply embedded in countries' history and structural conditions'. World Bank, *Economic Growth in the 1990s: Learning from a Decade of Reform*, Washington, DC, 2005, p. 59.

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[More information](#)

THE ECONOMY OF MODERN INDIA

economic modernisation in the world as a whole have, until very recently, often concluded that South Asia is a special case best firmly shut out of their minds and excluded from their generalisations.

These methodological and conceptual problems are made worse because some of the standard techniques used by economic historians are of limited use in South Asia. Econometric analyses and accounts of the Indian economy can bring precision to some areas of discussion, but so much of the raw data available is misleading, deceptive or partial, with frequent and confusing changes in definitions and categories, that it cannot be used without great care and circumspection. The statistical accretions of the colonial administration often confuse more than they clarify; even where scholars have expended great time and effort in correcting, reclassifying and processing them into a more useful and trustworthy form, the results have often been disputed or ignored. Thus attempts to use a wide range of quantitative data and techniques to find definitive answers to old questions about fluctuations in national income in colonial India, about access to subsistence in famine conditions for different rural social groups, about the level of 'deindustrialisation' in the nineteenth century, about changes in the size and distribution of land-holdings, or about the incidence of poverty since Independence, have convinced few sceptics. One econometric skill well developed in all South Asianists is the ability to expose the fragility of data they wish to disbelieve. These problems are not confined to quantitative studies; much of the qualitative material collected by British administrators in India and other contemporaries is also based on misunderstandings, biased perceptions and limited perspectives. We cannot write an economic history of modern India by simply letting the data speak for themselves.

For these reasons it is hard to produce a convincing narrative account of what happened to the Indian economy in the nineteenth and twentieth centuries. Indeed, it is easy to assume that the Indian economy itself is a category that does not have much meaning. Scholars of all persuasions unite in drawing attention to our ignorance about how the economy of the subcontinent fitted together as a whole, especially what the extent and nature of wide-reaching capital and labour markets in the colonial period might be. Regional specialists often argue that the colonial South Asian economy should be seen as a weakly connected conglomeration of local networks, some of which have displayed considerable growth and dynamism, but which have been held back by transfers to less fortunate regions. At the local level, many economic systems seem self-contained, and to be regulated by social and cultural instruments that deny the very possibility of even a region-wide network of exchange

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Excerpt

[More information](#)

INTRODUCTION

and factor mobility. In addition, the definitions and expectations of market and institutional relations employed by individual historians are often determined by ideology, while the task of completing an aggregative analysis of a large number of local cases, each differing slightly in detail, makes patterns of change over time difficult to detect. The problems that Vera Anstey highlighted in 1929 in the preface to her book, *The Economic Development of India*, are still with us today:

Much of the best work on Indian economic topics is, naturally, limited to the study of some particular problem or particular district, and, in addition, whether deservedly or not, has often been suspect, on account of its definitely official or anti-British origin, as the case may be.²

GROWTH AND DEVELOPMENT UNDER COLONIALISM

Some indicators of the progress and performance of the Indian economy over the last 150 years are summarised in tables 1.1 and 1.2. These indicate that rates of population increase fluctuated considerably before 1921 (reflecting problems of enumeration, in part, but also the effect of famine and epidemic disease), and then began to rise consistently as a result of falling death rates. Levels of literacy, urbanisation and life expectancy were low in the late nineteenth century, and again increased slowly but steadily over the course of the twentieth century, especially after Indian Independence in 1947. Aggregate measures of welfare improved after 1950, slowly at first; since the 1980s there has been a more rapid improvement, a fall in the birth and death rates, and in the rate of increase of population. Population densities varied across different geographic regions and demographic zones of the subcontinent in the colonial period, as shown in map 1.2, with the heaviest concentrations in the great river deltas of eastern and south-eastern India, and along the alluvial plain watered by the Ganges and Jumna rivers in the north: this distribution has remained since 1950.

The performance of the economy in terms of national product and income levels is much more difficult to assess. Table 1.2a compares alternative estimates of national product between 1900 and 1946. Although these differ considerably in the relative shares of the total attributed to agriculture, manufacturing and services, and in the values assigned to each of these components, they do show a certain degree of convergence in identifying periods of growth and of stagnation.³ Table 1.2b puts the colonial period into context by extending the

² Vera Anstey, *The Economic Development of India*, London, 1929, p. vii.

³ The estimates used in table 1.2a are derived from S. Sivasubramanian, 'National Income of India, 1900–1 to 1946–7', Ph.D. dissertation, Delhi School of Economics, 1965, pp. 337–8; A. Maddison,

Table 1.1 *Demographic background, India 1871–2011*

	Population		Population growth rate (%) ^a	Birth rate (per '000) ^a	Death rate (per '000) ^a	Crude literacy rate (%)	Urban population (%)	Life expectancy at birth (%) ^a
	Population (millions)	density (persons per km ²)						
	(1A)	(2A)	(3A)	(4A)	(5A)	(6A)	(7A)	(8A)
1871	249.4						8.7 ^c	
1881	254.5		0.20				9.3 ^c	
1891	276.7		0.89				9.4	(f)
1901	280.9	77	0.11	51.4	50.1	9.8	10.0	
1911	298.2	82	0.65	47.7	41.7	10.6	1.1	22.6
1921	299.6	81	0.09	49.1	48.6	12.2	1.8	19.4
1931	332.3	90	1.05	48.2	37.9	15.6	2.9	26.9
1941	382.6	103	1.41 ^b	45.2 ^b	31.0 ^b	24.9	7.3	32.1
	(1B)	(2B)	(3B)	(4B)	(5B)	(6B)	(7B)	(8B)
1951	361.1	117	1.25	39.9	27.4	25.0	17.3	32.4
1961	439.2	142	1.96	41.7	22.8	34.4	13.0	41.9
1971	548.2	177	2.20	41.2	19.0	39.5	18.7	46.4
1981	683.3	216	2.22	33.9	12.5	46.9	24.8	55.4
1991	846.4	267	2.16	29.5	9.8	52.7	32.2	60.9
2001	1028.7	325	1.97	25.4	8.4	63.2	45.2	63.9
2011 ^d	1210.2	382	1.64	22.5	7.3	71.2	57.0	68.8

Columns 1A, 3A–5A, 7A cover the Indian subcontinent, excluding Burma, Baluchistan and North-West Frontier Province; all other data is for Indian Union.

^a Annual average for decade ending with year indicated; ^b source as Columns 4B and 5B; ^c includes Burma; ^d the data listed as 2011 are for the most recent year available in the source, some of the totals are provisional.

Sources: Columns 1A, 3A–5A, 7A, Leela Visaria and Pravin Visaria, 'Population (1975–1947)', *CEHI*, 2, tables 5.8, 5.13, 5.16 and 5.19. Other data from www.indiastat.com and *Census of India, 2011* on www.imaginmor.com, both accessed May 2011.

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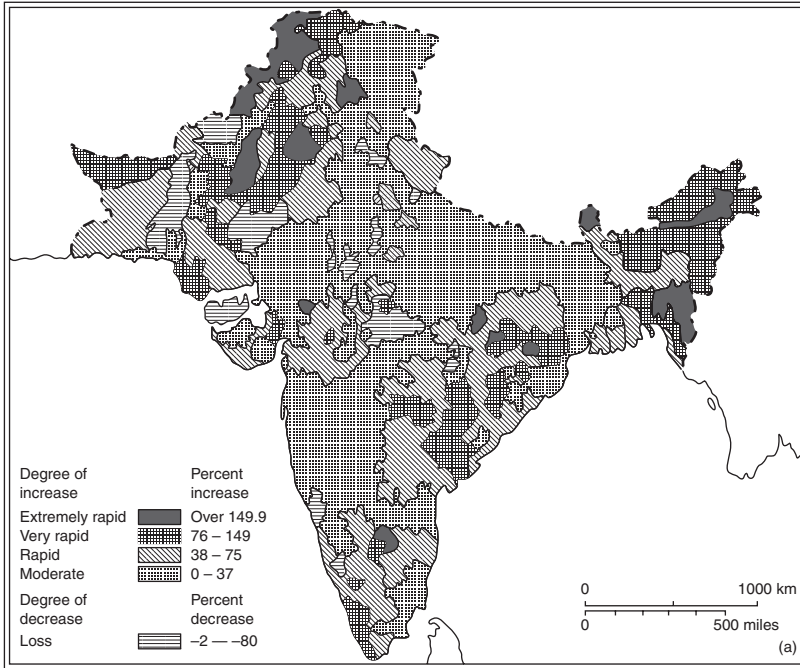
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[More information](#)

INTRODUCTION



Map 1.2(a) Population, rates of increase by district, 1891-1941

analysis to the end of the twentieth century. These data clearly show how much the colonial economy suffered in the inter-war period from problems of agricultural productivity, strain on credit and labour markets, and the collapse of international trade during the Great Depression.

While precise comparisons are not possible, it would appear that crop yields, industrial productivity, and levels of human capital formation have been as low in India as anywhere in Asia over the last 150 years.⁴ The bulk of the Indian

Class Structure and Economic Growth: India and Pakistan Since the Moghuls, London, 1971, pp. 167-8; A. Heston, 'National Income', in Dharma Kumar with Meghnad Desai (ed.), *Cambridge Economic History of India: Volume 2, c.1757-c.1970* (hereafter *CEHI*, 2) Cambridge, 1984, pp. 398-9. Both Sivasubramanian and Maddison have subsequently published revised estimates, but the broad picture they report remains unchanged: see S. Sivasubramanian, 'Revised Estimates of the National Income of India, 1900-1901 to 1946-47', *Indian Economic & Social History Review*, 34, 2, 1997, 113-68, and *The National Income of India in the Twentieth Century*, New Delhi, 2000, Ch. 9, and A. Maddison, 'Alternative Estimates of the Real Product of India, 1900-1946', *Indian Economic and Social History Review*, 22, 2, 1985, 201-10.

⁴ R. P. Sinha, 'Competing Ideology and Agricultural Strategy: Current Agricultural Development in India and China Compared with Meiji Strategy', *World Development*, 1, 6, 1973, and Shigeru Ishikawa, *Essays on Technology, Employment and Institutions in Economic Development*, Tokyo, 1981, Ch. 1.

INTRODUCTION

Table 1.2 *Estimates of Indian national product and GDP, 1870–2001*
(a) *National product, 1900–1946*

	Constant prices aggregate			Constant prices per head		
	A	B	C	A	B	C
I. Indices (1913 = 100)						
1900	83	89	85	89	95	91
1913	100	100	100	100	100	100
1920	100	94	96	100	94	95
1929	127	110	126	116	100	115
1939	138	119	134	110	95	107
1946	149	127	142	109	93	104
II. Rate of growth (%)						
1900–13	1.44	0.90	1.26	0.93	0.42	0.74
1914–20	0.03	–0.86	–0.58	–0.05	–0.88	–0.70
1921–9	2.69	1.76	3.06	1.67	0.69	2.14
1930–9	0.82	0.79	0.59	–0.54	–0.51	–0.72
1940–6	1.10	0.93	0.63	–0.13	–0.13	–0.41

A: Sivasubramonian (national income at 1938–9 prices);
B: Maddison (net domestic product at 1938–9 prices);
C: Heston (net domestic product at 1946–7 prices).
Source: Goldsmith, *Financial Development of India*, table 1–2.

(b) *GDP and GDP per capita, 1870–2001*

	GDP (in million 1990 US\$)	GDP per capita
I. Indices (1913 = 100)		
1870	66	79
1913	100	100
1950	109	92
1973	242	127
2001	981	291
II. Rate of growth (%)		
1870–1913	0.97	0.54
1913–1950	0.23	–0.22
1950–1973	3.54	1.40
1973–2001	5.12	3.01

Source: Angus Maddison, *The World Economy, 1–2001 AD*, Volume 2, table 8b: OECD Development Centre Studies, 2003.

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Excerpt

[More information](#)

THE ECONOMY OF MODERN INDIA

This evidence suggests that there was a distinct but slow-moving process of economic change at work in India over the colonial period as a whole, characterised by minimal improvements in rates of capital and labour productivity and resulting in fluctuating and uncertain patterns of growth. But this conclusion must be treated with care. The slight improvement in some indicators of living standards at various times in the nineteenth and early twentieth century is not evidence of the beneficial effects of British rule, while the evident poverty of large numbers of the Indian population in the 1940s does not prove conclusively that colonial rule alone caused the destitution of its subjects. More importantly, the bird's-eye view of the structure and characteristics of the Indian economy that can be derived from a very general interpretation of aggregate indicators should not lead us to the view that nineteenth-century India was a 'traditional' subsistence economy, awaiting the transforming touch of commercialisation and modernisation. Literacy, urbanisation, the growth of national product, improvements in productivity, and the spread of technical change, can only properly be understood in an ecological, social, economic and political context that pays due attention to local details as well as to national averages.

While the overall aggregate rate of growth was sluggish and unpredictable, this does not mean that nothing was happening in the Indian colonial economy. At certain times, in particular sectors and specific regions, there was quite considerable growth in output, associated with capital accumulation by peasants, landlords, merchants, bankers and industrialists, and some investment in productivity- and profit-enhancing production processes. Some agriculturalists were able to take advantage of increased world demand for crops such as jute, cotton and groundnuts, while Indian businessmen manufactured cotton yarn for export in the nineteenth century and a wide range of products for the domestic consumer market in the twentieth. Whatever the problems of agriculture, rural producers managed to just about sustain a steadily rising population, which increased at an average rate of 0.6 per cent per year between 1871 and 1941, and more rapidly since then. While all the best agricultural land was probably in use by 1900, some colonisation went on until the 1950s, and the area under irrigation almost doubled between 1900 and 1939, and rose sharply after 1947.

There was also considerable evidence of technical change in agriculture, in handicrafts, and in mechanised industry. The spread of new seeds and crop-strains aided output growth in cotton and groundnuts, for example, while techniques such as the transplantation of rice and the ginning of cotton increased yields and marketability. Indian workmen had few difficulties

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Excerpt

[More information](#)

INTRODUCTION

acquiring the skills needed to operate modern textile machinery, while the Tata Iron and Steel Company, the premier industrial enterprise of colonial India, set up a successful Technical Institute in 1921 and an Indian-staffed Research and Control Laboratory in 1937. In handicrafts, fly-shuttle looms and the use of rayon and other artificial fibres broadened the technological base of the handloom weavers in the inter-war years.

This evidence all suggests strongly that some growth, capital accumulation, technical change and innovation occurred in colonial South Asia, but despite these signs of dynamism, the Indian economy did not experience anything that can properly be called 'development' under British rule. Text-book definitions stress that development is a qualitatively distinctive phenomenon from the more limited process of output growth, characterised by intensive growth based on increased productivity and technical change, and raising incomes across the economy while not increasing inequality.⁶ In the setting of densely populated agrarian economies such as those of South, South-East and East Asia, these conditions can only come about if, over time, labour achieves sustained increases in productivity, employment, and returns above subsistence. This definition of development also helps to bring its opposite, underdevelopment, into sharper focus. As Joseph Stiglitz has suggested, LDCs (less developed countries) are those in which fewer people than average have the capacity for full personal fulfilment, giving economists and economic historians the task of explaining the reasons for 'the dramatically different standards of living of those who happen to live in different countries and within different regions within the same country'.⁷

For colonial South Asia our problem is to explain an economic history in which technical change and capital accumulation took place, but in which productivity and welfare did not improve very much. Economic historians have found it difficult to explain the absence of development in the modern world, and, like Gershenkron and Schumpeter, have usually only managed to define 'backwardness' in terms of the absence of dynamic features seen in other countries or in the same country at a later date. Those such as Kuznets and Rostow, who have conceptualised the process of development as a series of preconditions or stages of growth, offer little help in understanding the history of economies which have failed to pass through the evolutionary processes laid down for them.

⁶ Gerald M. Meier, *Leading Issues in Economic Development*, 5th edn, New York, 1989, p. 6.

⁷ Joseph E. Stiglitz, 'Rational Peasants, Efficient Institutions, and a Theory of Rural Organization: Methodological Remarks for Development Economies', in Pranab Bardhan (ed.), *The Economic Theory of Agrarian Institutions*, Oxford, 1989, pp. 19–20.

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[More information](#)

THE ECONOMY OF MODERN INDIA

THE NATIONALIST CRITIQUE OF COLONIAL RULE

The descriptions and explanations of the apparent lack of growth and development in the Indian economy produced during the colonial period itself were dominated by the nationalist critique of British rule and the imperial response to it. This debate, which has continued to haunt the modern literature as well, was political in origin, revolving around the question of whether India had suffered or benefited from British rule. In economic terms, it focused attention on the evident poverty of the mass of the Indian people in the late nineteenth century, and the prevalence of famine in the 1870s and late 1890s, which seemed to suggest that agriculture could not support the population. The nationalist argument, put forward most forcefully by Dadabhai Naoroji, a Parsi businessman and founder of the Indian National Congress, who was elected to the House of Commons to speak for Indian interests in the 1890s, and by Romesh Chandra Dutt, who resigned from the Indian Civil Service to pursue his attacks on the revenue administration of Bengal, focused on the distortions to the Indian economy brought about by British rule, and the impoverishment of the mass of the population through the colonial 'drain of wealth' from India to Britain over the course of the nineteenth century.⁸

The central theme of the nationalist case was the way in which Indian resources were drained off to Britain by the mechanism of imperial rule. India had long appeared to be a major asset for Britain: yet as early as 1772, when a financial crisis in Bengal prevented the East India Company from paying a dividend and required it to ask the British Government for assistance, London was forced to face up to what became the great riddle of the Raj – whether India was Britain's foremost asset or its greatest liability. By the last quarter of the nineteenth century India was the largest purchaser of British exports, a major employer of British civil servants at high salaries, the provider of half of the Empire's military might, all paid for from local revenues, and a significant recipient of British capital.⁹ The crucial point for the nationalists was that British rule brought about a 'drain of wealth' as India met a large deficit in goods and services with Britain, plus interest charges and capital repayments in London.

⁸ Dadabhai Naoroji, *Poverty and Un-British Rule*, London, 1901; R. C. Dutt, *The Economic History of India in the Victorian Age*, London, 1906.

⁹ According to the most complete direct estimates for British capital exports from 1860 and 1914, between £239 and £290 million raised in London was invested in India, more than half of it in the form of government loans. The Indian total represented about 20 per cent of all capital sent to the empire, and about 7 per cent of all capital exports from Britain. See Lance E. Davis and Robert A. Huttenback, *Mammon and the Pursuit of Empire: The Political Economy of British Imperialism, 1860–1912*, Cambridge, 1986, table 2.1.