

CHAPTER II

SITUATING COLONIALISM AND IMPERIALISM

With regard to India, the theme of Imperialism and Colonialism could make its way only slowly against the prevailing ‘commercial’ concepts. The words ‘colony’ and ‘colonial’ were almost never used of Bengal or India and the word ‘empire’ seldom. India witnessed slow evolution of a doctrine of British sovereignty. Perhaps equally powerful in retarding the development of a concept of ‘empire’ was the contemporary habit, after the conquest of Bengal of thinking of the Company more as a new ‘country power’ in the circle of Indian ‘country powers’ than as extension of the British state.¹ The superior economic power and commercial skills that European merchants had and the backing of mercantilist states created European world economy.² The British empire was the largest territorial empire even known in history. The British Indian empire was the most important component in terms of the number of colonial subjects and in terms of the resources extracted from it. So the Indian colonial history is an integral part of the global history in the age of Imperialism.³ In fact, no organization in history has done more to promote the free movement of goods, capital and labour than the British Empire in the 19th and early 20th Centuries. No organization has done more to impose Western norms of law, order and governance around the world.⁴ Irfan Habib has aptly argued that Colonialism was one of the necessary precondition of Capitalism and Imperialism

¹ Holden Furber, “The Theme of Imperialism and Colonialism in Modern Historical Writing on India”, *Historians of India, Pakistan and Ceylon* (Ed. C.H. Phillips) OUP, London, 1967, pp. 332-35.

² Tirthankar Roy, *India in the World Economy from Antiquity to the Present*, CUP, Cambridge, 2012, p. 118.

³ A.K. Bagchi, *Colonialism and Indian Economy*, OUP, New Delhi, 2010, p. xvi.

⁴ Niall Ferguson, *Empire : How Britain Made the Modern World*, Penguin, London, 2008, p. xxii.

was an equally necessary element of Capitalism.⁵ The conquest of India by Western civilization has constituted one of the main pillars of capitalist development in Europe, of British world supremacy and of the whole structure of modern Imperialism. In 1898, Lord Curzon, the Viceroy of India sounded a new note : “India is the pivot of our Empire. If the Empire loses any other part of its Dominion we can survive, but if we lost India, the Sun of our Empire will have set”. The forebodings of the approaching end were beginning to make themselves felt.⁶

I

Colonialism is the extension of a nation’s sovereignty over territory beyond its borders by the establishment of either settler colonies or administration dependencies in which indigenous populations are directly ruled or displaced. It is the establishment and maintenance, for an extended time of rule over an alien people that is separate from and subordinate to the ruling power.⁷ Colonialism has a long history. Starting with pre-Colonial African empires which led to the Egyptians, Phoenicians, Greeks and Romans who built colonies in antiquity. Moreover, Colonialism was a mean by which the metropolitan power extended its markets for manufactured goods and by which the colonies, in turn, supplied raw materials to the metropolis.⁸ Colonialism is a distinct historical stage in the modern historical development of the colony that intervenes between the traditional economy and the modern capitalist economy. Colonialism was more than political domination. Bipan Chandra has refuted Hamza Alvi’s concept of “Colonial Capitalism”, that is, “a

⁵ Irfan Habib, “Capitalism in History”, *Capitalism, Colonialism and Globalization : Studies in Economic Change*, Tulika, New Delhi, 2011, p. 9.

⁶ R. Palme Dutt, *India To-Day*, Manisha, Calcutta, 1979, (First Published 1940), pp. 8-9.

⁷ R. Emerson, "Colonialism", *International Encyclopedia of the Social Sciences*, Vol. III, (Ed. David L. Sills), Macmillan, New York, 1968, pp. 1-3.

⁸ Anthony D. King, *Urbanism, Colonialism and the World Economy: Cultural and Spatial Foundations of the World Urban System*, Routledge, London 1990, p. 49.

capitalist mode of production that has a specifically colonial structure". However, Colonialism does not represent or constitute a mode of production. Colonialism is a social formation in which different modes of production co-exist, such as feudalism slavery, bondage, exploitation. Of course, all the different modes of production are subordinated to the metropolitan capital. Colonialism in its long history in India did not introduce new relations of exploitation or modes of production of social surplus. It did not promote or rather impeded their development. Once new relations were introduced during the second half of the 19th Century A.D.⁹ Colonialism created a dual and contradictory situation : it created first, the objective conditions for the emergence and spread of capitalist accumulation. However, by extraction of tribute, by intensifying non-capitalistic modes of accumulation and by a deliberate policy of free trade, Colonialism greatly narrowed the limits within which capitalist accumulation could in fact develop.¹⁰ British Colonialism in India represents the most spectacular example of Imperialism practiced in modern times. For about two hundred years, India remained a victim of colonial imperialism as a result of which its economy, society and polity became an appanage of British capitalist and industrial interests. Broadly speaking, Colonialism was one of the various methods employed by imperialist powers to maintain vast territories throughout the world for their growing industrial requirements.¹¹

R.P. Dutt in *India Today* developed three stages of Colonialism:- Commercial, Industrial and Financial i.e., in the first stage, during (1757-1813), the 17th and 18th Centuries, trade and plunder were the main features of colonialism in India. The second stage (19th C.) (1813-58) India served as a market of British manufacturers with economic drain of its resources at the same time, and the last and final stage of British colonialism (1858-1947) is marked by the British capital

⁹ Bipan Chandra, *Essays on Colonialism*, Orient Longman, Hyderabad, 2006, pp. 8-9.

¹⁰ Irfan Habib, *Essays in Indian History : Towards a Marxist Perception*, Tulika, New Delhi, 1997, p. 294.

¹¹ Sumit Sarkar, *Modern India, 1885-1947*, Macmillan, Delhi, 1983, p. 24.

investment in India together with intensive exploitation of Indian labour backed by all the forces of crown.¹² West European Imperial was both intrusive and expansive. There was an urge to search colonies for settlements, commerce and exploitation. Its historical process follows as such:

Table II I : Western Colonial and Imperial Phases

Phase	Duration	Direction	Territorial focus
1	1415-1775	Expansion	The Americas
2	1775-1825	Contraction	The Americas
3	1825-1914	Expansion	Africa, Asia, the Pacific
4	1914-1940	Unstable Equilibrium	The Middle East
5	1940-1980	Contraction	Africa, Asia, the Pacific

Source: David B. Abernethy, *The Dynamics of Global Dominance : European Overseas Empires, 1415-1980* (New Haven : Yale University Press, 2000), Table 2.2, p. 24.

By the mid 18th century, the process of Industrial Revolution had started. Around 1760, a wave of gadgets swept over England. There took place innovations of various kinds in agriculture, transport, manufacture and finance. It was in the manufacture of textiles that the transformation was most rapid. Between 1764-67, James Hargreaves had devised a simple hand machine called the Jenny by means of which a women could spin at first 6 or 7 but later as many 80 threads a day. In 1788, there were about 20,000 of machines at work in England.¹³

FIRST STAGE OF BRITISH COLONIALISM (1757-1813)

This phase under Merchant Capitalism was marked by direct plunder and the East India Company's trade, functioning through the 'investment' of surplus revenues in the purchase often at arbitrarily low prices of Indian (primarily Bengal) finished goods for export to England and Europe.¹⁴ British colonial rule in India was established in 1757 when East India Company established its hold over Bengal after the Battle of Plassey. The Company servants were significant founders of empire. The Plassey Revolution was the first English essay in private profiteering on a grand

¹² R. Palme Dutt, *India Today*, p. 97. See also R.C. Varmani, *British Colonialism in India*, Authors Guild Publications, Delhi, 1983, p. 33.

¹³ T.S. Ashton, *The Industrial Revolution (1760-1830)*, OUP, London, 1975, p. 48, 58.

¹⁴ Sumit Sarkar, *Modern India (1885-1947)*, p. 24.

scale. The East India Company acquired the rights to collect revenue from its territories in the eastern and southern parts of India.¹⁵ Aftermath of the Battle of Plassey (1757) was a reign of plunder and pillage. The English army and navy received the hefty sum of £ 2,75,000 for distribution among their members. The Company received Rs. 22.5 million from Mir Jafar. Lord Clive acquired a personal jagir worth £ 34,567.¹⁶ Soon after the Plassey, state revenues were used to finance exports from India. Peasants were taxed and taxpayer's money was used to buy cloth for exports. The availability of this option raised hopes among contemporaries of an end to silver import into India.¹⁷ Until 1756, the East India Company had to import several hundred thousand pounds of silver into India in order to finance their trade in India. With the Plassey, there was no import of silver into Bengal at all from 1757-1797.¹⁸ While the number of soldiers under the Company command grew four times during the 1760s, the numbers of officers expanded tenfold to take advantage of the plunder or war. By 1770-71, the Company's military and commercial spending had reached £ 3,210,000 that was 50 per cent more than its revenues.¹⁹

The state feudalism initiated by Mughals interfered with the free evolution of native feudal society and the strength of Mughals was undermined by the growth of native feudal mercenaries. The early years of 18th Century saw the rise of middle class, when Mughal empire was disintegrating. The village still retained the position of a production unit. Urban trading centers had arisen as a result of exchange and distribution of commodities carried on by middle classes. The towns attracted various classes of handcraftsmen, producing for exchange and export rather than for local use. The new emerging states which arose amidst the ruins of Mughal empire was largely controlled by the trading class, although the political structure was feudal. India in the 18th Century was a flourishing manufacturing and agricultural

¹⁵ Lakshmi Subramaniam, *History of India (1707-1857)*, Orient Blackswan, Hyderabad, 2010, pp. 47-48.

¹⁶ Lakshmi Subramaniam, *History of India (1707-1857)*, p. 54.

¹⁷ Tirthankar Roy, *The East India Company : The World's Most Powerful Corporation*, Allen Lane, New Delhi, 2012, p. 172.

¹⁸ A.K. Bagchi, *Colonialism and Indian Economy*, p. xxxiii.

¹⁹ Nick Robins, *The Corporation that Changed the World*, Orient Longman, Hyderabad, 2006, pp. 94-95.

country which supplied its looms to the markets of Asia and Europe.²⁰ India, then the second largest manufacturing nation in the world was seen by the emerging capitalist powers first as a region whose trade was to be monopolized by a particular nation and then a rich country to be conquered for the sake of profits and glory. The tribute extracted from India played a critical part in sustaining the British Wars against the French.²¹

The scenario changed with the advent of British in the mid 18th Century. India had to face a country whose political and military system was *par excellence* whereas India was decentralized formation of independent kingdoms with thousand year old social order and deep rooted beliefs.²² The trading interests of the European companies were largely dictated by the demand for spices and pepper in Europe and were supported by a complex system of India. Asian trade in cloth in the Indian ocean.²³ The primary objective of the British East India Company in the first phase was to buy spices, cotton and silk from India and sell them at huge profits to the large markets in Britain.²⁴ The British wanted a monopoly of trade with India so that there would be no other English or European merchants or trade companies to compete with. The Company wanted to sell its goods at high prices and buy Indian products at low rate to make maximum profits.²⁵ Between 1757 and 1793, the English East India Company decisively established its control over the export-import trade of India from the three principal coastal settlements of Calcutta, Bombay and Madras.²⁶

The Company monopolized the raw material needed by the artisans and charged a high price for them. They also dictated the price of finished good (products). The ruin caused by the East India Company can be seen from the fact that

²⁰ R.C. Dutt, *Economic History of India Under Early British Rule*, Publication Division, New Delhi, 1961, Vol. I, p. VIII.

²¹ A.K. Bagchi, *Colonialism and Indian Economy*, p. xxv-xxvi.

²² Marx and Engels, *On Colonialism*, Progress Publishers, Moscow, 1968, p. 82.

²³ Lakshmi Subramaniam, *History of India (1707-1857)*, p. 47.

²⁴ R. Palme Dutt, *India Today*, p.36.

²⁵ V.B. Singh, *Indian Economy, Yesterday and Today*, p.17.

²⁶ Lakshmi Subramaniam, *History of India (1707-1857)*, p. 131.

during the Great Famine of 1770-72, the tax collections rose, whereas, as nearly as 10 million people died in that period.²⁷ The Famine of 1770 was “an appalling specter on the threshold of British rule in Bengal”. In the tragedy, at least one third of the inhabitants of Begal perished. Curiously enough, the influence of Famine on land revenue was unnoticed and unfelt. In the Diwani lands, the net collection in 1768-69 was Rs. 15,873,453 which remained around Rs. 15,023,260 in 1771-72.²⁸ In fact, in 1770-71, in the midst of the Bengal Famine, a staggering £ 1,086,255 was transferred home by the Company’s executives-equivalent to nearly £ 100 million in 21st Century terms.²⁹ In the early 1771, 1772, the British officials recorded : “Notwithstanding the great severity of the late famine and the great reduction of people thereby, some increased has been made in the settlements both of the Bengal and the Behar”. The collection in each department of revenue were carried successfully.³⁰ The Bengal Famine of 1770 stands out as ‘one of the worst examples of corporate mismanagement in history’.³¹

After the British acquired the Diwani of Bengal, Bihar and Orissa in 1765, the maximization of revenue from the colony became the primary objective of the British administration. Agricultural taxation was the main source of income for the Company which had to pay dividends to its investors in Britain. The English tried out various land revenue experiments.³² Revenue assessments were enhanced between 1765 and 1769. Consequently, the land revenue collection increased by 53.8 per cent. It put severe pressure on the zamindars who became increasingly indebted to local creditors as well as European officers.³³ In 1772, Lord Warren Hastings introduced revenue farming in Bengal but this failed and ruined the cultivators

²⁷ R. Palme Dutt, *India Today*, p. 46.

²⁸ N.K. Sinha, *The Economic History of Bengal from Plassey to the Permanent Settlement*, Firma K.L. Mukhopadhyay, Calcutta, 1968, pp. 48, 54-55. See also, H. Bhattacharyya, *Aspects of Indian Economic History (1780-1950)*, pp. 169-70.

²⁹ Nick Robins, *The Corporation That Changed the World*, p. 94.

³⁰ R.C. Dutt, *The Economic History of India under Early British Rule*, Vol. I, pp. 34-35.

³¹ Nick Robins, *The Corporation That Changed the World*, p. 94.

³² G.D. Sanderson, *India and British Imperialism*, Bookman Associates, 1951, p.84.

³³ Lakshmi Subramaniam, *History of India (1707-1857)*, p. 99.

because of arbitrarily high revenue demands. Lord Cornwallis in 1793 introduced the Permanent Settlement but this system also led to greater impoverishment of the tenant-cultivator because of the burden of high revenue assessment. It caused difficulty to those who were unable to pay the revenue on time and lost their lands, and added to the woes of peasantry.³⁴ Another experiment was initiated by Alexander Read in 1792 called the Ryatwari for Madras and Bombay Presidencies. The system increased the revenue but assessment was faulty and peasants were overburdened by the taxes. The intermediaries benefited out of it.³⁵ The results of all these settlements were that the peasants bore the burnt of the increased demand.³⁶ The farmers were forced to grow commercial and cash crops to meet the demands of English industries.³⁷

After 1757, the Company became the master and used its political power to dictate terms of trade with the Indian manufacturers. The weavers of Bengal were worst affected. They were forced to hire their labour to produce for the Company at a price always profitable to the later. Gradually, they were forced to work exclusively for the British and lost their freedom of labour. The weavers were prohibited to work for Indian merchants for higher wage. Finally, the British trade policy drove the Indian as well as non-English merchants out of trade in India. On the other hand, the Company officials had the exclusive trading right with the raw cotton at a price much higher than the actual one. Hence, the weavers of Bengal and India were worst affected both as seller and buyer by purchasing raw cotton at a higher price and by selling textiles at a lower one. In both cases, prices were dictated by the British, and this exposed the “colonial character” of British rule.³⁸ The East India Company acquired control of the state revenue and was in a position to grab the wealth of local rulers, nobles and zamindars. With political power in hands, methods of power could

³⁴ Douglas M. Peers, *India under Colonial Rule (1700-1885)*, Pearson Education, New Delhi, 2011, p. 47. N.K. Sinha, *The Economic History of Bengal from Plassey to the Permanent Settlement*, pp. 61, 158.

³⁵ Peter Robb, *A History of India*, Palgrave Macmillan, London, 2011, pp. 126-129.

³⁶ Sugata Bose and Ayesha Jalal, *Modern South Asia: History, Culture, Political Economy*, Penguin, New Delhi, 2005, p. 50.

³⁷ Douglas M. Peers, *India under Colonial Rule (1700-1885)*, p.45-47.

³⁸ Douglas M. Peers, *India Under Colonial Rule (1700-1885)*, pp. 47-48.

increasingly be used to weigh the balance of exchange and secure the maximum goods for the minimum payments. The margin between trade and plunder began to grow thin.³⁹

Moreover, the political domination of India by the English East India Company was accompanied by far-reaching changes in its trading structure especially after the 1780s. The Indian trading economy in the first colonial century began to be distinguished principally by a massive fall in the share of indigenous traders in foreign trade, a complete cross over to raw material exports in place of finished goods. These changes helped integrate the Indian economy to a larger world system with its nerve centre in England. From 1880, India's overseas trade also began to assume a modern character.⁴⁰ Adam Smith in his work *An Enquiry into the Nature and Causes of the Wealth of Nations* (1776) highlighted abuses of monopoly of East India Company as it caused damage to private enterprise. He brought Indian interests in the middle of the debate on the East India Company.⁴¹ Reflecting upon the uprooting of the Indian manufactures, R.C. Dutt puts it as “a systematic policy of coercion brought upon the manufacturers to sell none except the Company and that too at a price dictated, the competition generated by machine made English goods backed by political and military power the physical annihilation of the weavers by “cutting of their thumbs, the use of protection against India not only in the mercantile phase but also in free-trade phase, resulting in the ruthless disintegration of India, accelerated by her political subjugation that destroyed the manufacturers”⁴²

The Government of India was a commercial military despotism ruling over a conquered country by means of a triumphant mercenary army. The commercial rivalry in India was a dependent delegated authority, carrying out orders from the Government of India in London.⁴³ Between 1790 and 1820, Indian capital and manufacture was more decisively subordinated to European enterprise.⁴⁴ The

³⁹ R.Palme Dutt, *India Today*, p.36

⁴⁰ Lakshmi Subramaniam, *History of India (1707-1857)*, p. 146.

⁴¹ Tirthankar Roy, *The East India Company*, pp. 181-83.

⁴² R.C. Vermani, *British Colonialism in India*, p.37.

⁴³ G.D. Sanderson, *India and British Imperialism*, p.84.

⁴⁴ Lakshmi Subramaniam, *History of India (1707-1857)*, p. 140.

economic drain after 1757 was both unorganized and organized. In the first stage, after the Plassey, it took the character of indiscriminate loot and plunder. Estimates of total plunder are placed at £ 5,940,498. J.C. Sinha estimates its magnitude between 1757 to 1780 around £ 38 million sterling.⁴⁵ Governor of Bengal, Harry Verelst recorded the imports and exports for the years 1766, 1767 and 1768 : Imports £ 624,345 and exports £ 6,311,250. It means Bengal region sent out about ten times what it imported. Edmund Burke speaking on Fox's East India Bill in 1783 described the desolating effects of the perpetual drain from India.⁴⁶ The cumulative surplus transferred from India to England over the years 1765-1812 comes around £ 122.8 million.⁴⁷ During the first stage of colonialism, the element of plunder and direct seizure of surplus was very strong and there was no significant import of metropolitan manufactures into the colony. A basic feature of colonial rule during this period was that no basic changes were introduced in the colony in administration, the judicial system, transport and communication, methods of agricultural or industrial production forms of business management or economic organisation, education, culture and social organisation. The only changes made were military organisation and technology-which contemporary independent Chieftains and rulers in the colonies were also trying to introduce.⁴⁸ By 1780s, a fully articulated colonial economy began to take shape. Colonial economy provides raw material rather finished produce to the metropolitan economy and markets to absorb the finished products to the metropolitan economy and markets to absorb the finished products of the colonizing country. Pre colonial India supplied textile to Asian and European markets and imported vast quantities of bullion. The colonial conquest changed the situation completely. The bullion supplies were disrupted and India became the supplier of raw materials. After 1800, India began to absorb textiles from English mills.⁴⁹ In 1813, the Charter ended the Company's monopoly of Indian

⁴⁵ H. Bhattacharayya, *Aspects of Indian Economic History (1750-1950)*, pp. 106-107.

⁴⁶ R.C. Dutt, *The Economic History of India under the Early British Rule*, Vol. I, pp. 30-33.

⁴⁷ A.K. Bagchi, *Colonialism and Indian Economy*, p. xxx.

⁴⁸ Bipan Chandra, *Essays on Colonialism*, Orient Longman Ltd., Hyderabad, 1999, p. 63.

⁴⁹ Lakshmi Subramaniam, *History of India (1707-1857)*, p. 141.

trade.⁵⁰ It opened East Indian trade to private enterprise. With the termination of the Napoleonic Wars in 1814-15, enormous increase of import of British machine made cloths began to India. Consequently, the total export of Bengal piece goods to the United Kingdom declined.⁵¹

SECOND STAGE OF BRITISH COLONIALISM (1813-1858)

The second stage has generally been seen to have begun with the Charter Act of 1813 when the Company lost its monopoly trading rights in India and ended in 1858 when the British Crown took over the direct control and administration of all British territory in India. The Industrial Revolution in England dramatically changed the whole pattern of trade and the years from 1813 to 1858 saw the classic age of free-trader industrial capitalist exploitation converting India rapidly into a market for Manchester textiles and a source for raw materials, uprooting her traditional handicrafts a period when the 'home land of cotton was inundated with cotton'.⁵² From 1833, the East India Company ceased to exist as a trading body. It existed as an administrator of India in partnership with the Crown.⁵³ During 1800-1850, the colonial objective changed from seizing Indian commodities to seizing the Indian market. The changed objective not only made the East India Company's monopoly over Indian internal commerce and overseas trade obsolete, but positively required free trade. The Charter Acts of 1813 and 1833 largely accomplished this change.⁵⁴ In fact, the policy of free trade started from the 1820s onwards. After 1832, the most powerful section in the House of Commons was of the pro-free traders.⁵⁵ Free trade was effectively completed by the budget of 1860 which repealed the duties on 371

⁵⁰ Tirthankar Roy, *The East India Company*, p. 195.

⁵¹ H. Bhattacharyya, *Aspects of Indian Economic History (1750-1950)*, p. 126.

⁵² Sumit Sarkar, *Modern India, (1885-1947)*, p.24.

⁵³ Tirthankar Roy, *The East India Company*, p. 200.

⁵⁴ Irfan Habib, *Essays in Indian History : Towards a Marxist Perception*, p. 319.

⁵⁵ S. Ambirajan, *Classical Political Economy and British policy in India*, Vikas, New Delhi, 1979, pp. 42-43.

articles.⁵⁶ Free trade changed the basic character of Indian Colony through a dual strategy. Firstly, it opened Indian markets for the entry of cheap, mass-produced, machine made British goods, which enjoyed little or no tariff restrictions. The passage of expensive hand crafted Indian textiles to Britain, which had been very popular there was however obstructed by prohibitive tariff rates. Secondly, British Indian territory was developed as a source of food stuff and raw material for Britain, which fuelled rapid growth in its manufacturing sector, crucial to the emergence of a powerful capitalist economy. These changes reversed the balance of trade that India had enjoyed earlier. This phase laid the foundations of a classical colonial economy within India through the complex processes of commercialization of agriculture and deindustrialization.⁵⁷

Between 1815-33, the annual value of Bengal cotton goods exports fell from nearly Rs. 1.5 crore to Rs. 8 lakh while the annual value British imports into India rose sharply from Rs. 2 lakh. The Governor General had candid admission in his Report of 1832 : "Cotton piece goods, for so many ages the staple manufacture of Indian seem thus forever lost".⁵⁸ After 1818, the British followed the Policy of "Subordinate Isolation", another method of exercising full control over a colony where all native states were made politically subordinate to the British and could not establish relations with other states or employ Europeans without explicit British permission.⁵⁹ The British (Industrial capitalists) had their policy for India clearly defined. British industries needed raw material and the British working men needed food stuffs which had to be imported. In other words, Britain now wanted India to be exploited as a market and as a dependent colony to produce and supply the raw material and food stuffs needed by Britain. "In India there is immense extent of territory and the population of it would consume British manufactures to a most

⁵⁶ Phyllis Daene, *The First Industrial Revolution*, CUP, Cambridge, 2000, p. 220.

⁵⁷ G.D. Sanderson, *India and British Imperialism*, p.92.

⁵⁸ Lakshmi Subramaniam, *History of India (1707-1857)*, p. 140.

⁵⁹ Jadab Chandra Chakrabarti, *The Native States of India*, London 1896, p. 43.

enormous extent".⁶⁰ Starting in the 1830's, British textiles began to appear in and soon-to inundate the Indian markets, with the value of the textile imports reaching upto £5.2 million in 1850.⁶¹ Between 1814 and 1850, four commodities dominated Indian exports-indigo, raw silk, opium and cotton accounted for 56 to 64 per cent of total value.⁶² No country benefited more from the trend towards international specialization in the supply of raw material and food than did Great Britain. Between 1800-1850, the British imports increased more than fourfold.⁶³

Commercialisation seems to have been a forced artificial process that led to very limited growth in the agricultural sector. It led to differentiation within the agricultural sector, but did not create the figure of the capitalist landowner as in Britain. In the words of Bipan Chandra, "the essence of the second stage of colonialism was the making of the colony into a subordinate trading partner which would export raw materials and import manufacturers. The larger part of the profits generated by the export trade went to British business houses, which controlled shipping and insurance industries, besides commission agents, traders and bankers. Those who benefited in the colony were big farmers, few Indian traders and moneylenders. Thus, commercialization increased the level of sub-infusedation in the country side and money was channelised into trade and usury, which further intensified the feudal structure of landlord moneylender exploitation in rural areas. The so called process of commercialization which was supposed to lead to capitalist agriculture, was often carried out through very exploitative and almost unfree forms of labour. The colonial control was to be long term phenomenon, the metropolitan capitalist class as a whole demanded forms of surplus appropriation which would not

⁶⁰ Tara Chand, *History of Freedom Movement in India*, Vol. II, Publication Division, New Delhi, 1965, p.382.

⁶¹ D.A. Farnie, *The English Cotton Industry and the World Market, 1815-96*, Oxford, UK 1979, p. 33.

⁶² Lakshmi Subramaniam, *History of India (1707-1857)*, p. 148.

⁶³ Carlo M. Cipolla (Ed.), *The Fontana Economic History of Europe : The Emergence of Industrial Societies*, Vol. 4, Part II, Fontana, London, 1979, p. 663.

destroy the golden goose".⁶⁴ Between 1780 and 1850, the East India Company set up the most powerful standing army the region had seen, established courts of law and gradually turned its attention away from conquest to governance.⁶⁵ In the mid 1830s, the revolution in the steam communications led to the opening of the Red Sea Route. Steam engine became a motor of economic growth. It caused a dramatic change in the organization of the work force and productivity leading to mass production of goods at cheaper rates. The impact of technological changes made England the workshop of Europe.⁶⁶

The transformation was actively undertaken under the slogan of development and modernization. The development of Indian railways expresses the relationship between the growth of British Capitalism and the evolution of a colonial economy in India. The terms under which British capital was first invested in steamship and railway lines for India represent an important milestone in the development of Capitalism in England.⁶⁷ In 1853, Lord Dalhousie took the decision to construct railways in India. Railways have been seen as a marker of the modernization of India that took place under British rule. In fact, the railway further strengthened the colonial nature of India's economic development. The railway network penetrated the exterior markets and sources of raw materials in the colony and linked them to port cities. The thought of linking internal markets to each other was ignored. The railway network was primarily geared to serve the foreign trade. Frontier rail lines were laid to facilitate army movement. The whole project was built with British capital and investors in Britain were guaranteed 5 per cent interest, which was paid out of Indian revenue. Most of the railway equipment like machinery, railway lines and even coal to an extent, was imported from Britain. This ensured that the multiplier effects of

⁶⁴ Bipan Chandra, *Essays on Colonialism*, pp. 64-65.

⁶⁵ Tirthankar Roy, *The East India Company*, p. 201.

⁶⁶ Daniel R. Headrick, *The Tools of Empire : Technology and European Imperialism in the Nineteenth Century*, OUP, New York, 1981, pp. 135-36, 144, 181.

⁶⁷ H. Bhattacharayya, *Aspect of Indian Economic History (1750-1950)*, p. 158.

constructing the railways also remained absent in India.⁶⁸

The idea of railways in India first occurred to Mr. George Clark, the Chief Engineer of Bombay Government in 1843. Lord Dalhousie (1848-1856) under the influence of utilitarianism gave direction in his Minute of 1850: “England was calling aloud for raw materials like cottons”⁶⁹ Railways proved to be essential to the successful development of the mechanical arts of the United Kingdom. Therefore, India was to be gird ironed with steel rails.⁷⁰ It was the cotton baron lobby of Lancashire who supported the Indian railroad projects. They had a double objective : to sell their products to the masses of India and to secure a more reliable supply of cotton than the United States.⁷¹ The British manufacturers that railways would more quickly open up the interior of India to their commodities. Hence, the railways multiplied beyond the urgent needs or the resources of India.⁷² The 1840s were a time of railroad fever in the Western World and most of all in Britain. Between 1830-1850, during the years of ‘railway mania iron output in Britain more then doubled. It laid the grand work for a modern industrial economy.⁷³

The second stage of colonialism saw the ruin of Indian handicrafts industry which had enjoyed patronage both from local ruling elites and market overseas with increasing British control, traditional native courts disappeared. The British also enforced an unequal tariff system, where the entry of Indian commodities in British

⁶⁸ Vincent, A. Smith, *The Oxford History of India*, Oxford University Press, Delhi, 1981, p. 644.

⁶⁹ H. Bhattacharayya, *Aspects of Indian Economic History (1750-1950)*, pp. 151-52.

⁷⁰ William Digby, ‘Prosperous’ British India : A Revelation from Official Records, Sagar Publications, New Delhi, 1969 (First published 1901), p. 142.

⁷¹ Daniel R. Headricks, *The Tools of Empire : Technology and European Imperialism in the Nineteenth Century*, pp. 182, 184.

⁷² R.C. Dutt, *The Economic History of India in the Victorian Age (1837-1900)*, Vol. II, Publication Division, New Delhi, 1970 (First Published 1903), p. 126.

⁷³ Arvind Sinha, *Europe in Transition from Feudalism to Industrialization*, Manohar, New Delhi, 2010, pp. 738-39. See also, David S. Mason, *A Concise History of Modern Europe: Liberty, Equality, Solidarity*, Orient Blacksmen, Hyderabad, 2011, p. 40.

markets was restricted by high custom duties. In turn the Indian markets were flooded with cheap machine made goods made in Europe. Unable to compete with this, Indian commodities lost both their overseas and domestic markets. This destructive process led to deindustrialisation that increased pressure on land.⁷⁴ Major changes occurred in the administrative fold too in this stage. It was during this stage that the western capitalist legal and judicial system were introduced in the colonies and semi-colonies. The changes, however, often related only to criminal law, the law of contract, and the civil law procedure; personal law including that of marriage and inheritance, was often left untouched. Modern education was introduced, to a lesser or greater extent, basically with a view to adequately man the new, vastly expanded administrative machinery, but also as an aspect of the transformation of the colonies society and culture. The other reason for promoting modern education was to make the colony more loyal towards the British. The forms of surplus extraction continued during this stage, since the colony had to pay the costs of its own transformation, the burden on the peasantry rose sharply. The colonial authorities did not deliberately set out to underdevelop the colony. On the contrary, their entire effort was to develop it so that it could compete, though in a subordinate position, the metropolitan economy and society. Underdevelopment was not the desired but inevitable consequence of the inexorable workings of Colonialism of free trade, i.e., Colonialism during its second stage, and of its inner contradictions.⁷⁵ However, the situation in England was quite contrasting to India. The rate of capital formation in England had begun to rise in the mid 18th Century. By the end of the 18th Century, it reached sustained average of more than 5 per cent. By 1830s, the ratio began to increase and moved upto about 10 per cent by the later 1850s.⁷⁶

⁷⁴ R.C. Vermani, *British Colonialism in India*, p. 40.

⁷⁵ Bipan Chandra, *Essays on Colonialism*, pp. 66-67.

⁷⁶ Peter Mathias and M.M Postan (Eds.), *The Cambridge Economic History of Europe*, Vol. VII, Part I, CUP, Cambridge, 1978, p. 30.

THIRD STAGE OF COLONIALISM (1858-1947)

The third stage of British Colonialism may be said to have begun in the 1860's and was result of several major changes in the world economy: Rapid industrialization because of scientific knowledge applied to industry brought revolutionary changes in several countries like Germany, Japan, America (North) and many parts of Europe.⁷⁷ By mid 19th Century, English capitalism set in for a new stage. Capital investment at home had reached saturation point. The export of capital began in earnest. The British net foreign investment was equal in size to 42 per cent of the net domestic capital formation in fixed assets during 1860-69. It reached 114 per cent during 1905-1914. The British Capitalism gradually transformed itself into monopoly capitalism. It characterized the full blown phase of British Imperialism.⁷⁸ No country depended more on the expansion of world trade than did Britain with its lead in industrial innovation, need for raw materials and large merchant marine.⁷⁹ From 1850-1870, Great Britain was the forge of the world, the world's carrier, the world's ship builder, the world's banker, the world's workshop, the world's clearing house, the world's entrepot.⁸⁰ The world market was further unified with the intensification in the means of international transport. In this stage, there was cut throat competition among the industrial countries for new, secure and raw markets, and at the same time for mineral raw material, food stuffs and agriculture to feed their industries. Thus the states vied with each other to acquire control over the actual or potential sources of agriculture or industrial raw material in the countries of Africa, Asia and Latin America. In the face of competition in the world market, Britain's lead in this regard dwindled. Industrial development led to capital accumulation and this further gave impetus to large scale export of capital and search for fields and areas where the

⁷⁷ R.C. Vermani, *British Colonialism in India*, pp. 45-48.

⁷⁸ Irfan Habib, *Essays in Indian History : Towards a Marxist Perception*, pp. 326-27.

⁷⁹ Mark F. Fraudman, "Free Trade", *Encyclopedia of the Age of Imperialism* (Ed. Carl Cavanagh), Vol. I, Greenwood Press, West Port, 2008, p. xl.

⁸⁰ L.C.A. Knowles, *The Industrial and Commercial Revolution in Great Britain during the Nineteenth Century*, Routledge, London, 1961 (First Published 1921), p. 139.

imperialist countries could have a monopoly in capital investment.⁸¹ With the invention of the steam engine in England, the Industrial Revolution moved towards higher stage of efficiency and achievement. By 1870, Britain's steam engines together were generating 4 million horsepower equivalent to the work of 40 million men. In fact, innovation had become the heart of the Industrial Revolution.⁸² From the end of the 19th Century, the stream began to replace animal power.⁸³

High tariff restrictions in other developing countries led to a contraction of markets for British manufactured goods. The need for heavy imports of agricultural products into Britain was making her position vulnerable in her trade with other countries. India proved crucial in solving the problem of Britain's deficits. Britain's control over India ensured that there would always be a captive market for Lancashire textiles. Politically and administratively, this stage of Colonialism meant more intensive control over the colony. The capitalist class of these countries felt that investment in the home industries would further extend the bargaining power of the workers and lower the profits. If this capital was invested abroad to produce agricultural and mineral wealth, several objectives could be achieved. Because of the cheap labour, there would be better profits and at the same time home industries could be supplied with cheap raw material. Thus set in the final stage of Colonialism i.e., finance capital imperialism began in India after the declaration of the Queen Victoria as the Express of India.⁸⁴ A large amount of British capital was invested in India in railways, irrigation schemes, plantations, coal mines, jute mills, shipping, trade, banking, as loans to British Indian government etc. The first investment was made in railways. The railways were constructed under the guaranteed profit system which proved to be a great drain on the resources of the state and burden on the tax payers in India. By 1878, an amount £17 million had been invested. Indian masses

⁸¹ Bipan Chandra, *Essays on Colonialism*, p. 68.

⁸² Niall Ferguson, *Civilization : The West and Rest*, Allent Lane, London, 2011, p. 200.

⁸³ Marcel Mazoyer and Lawrence Roudert, *A History of World Agriculture from the Mesolithic Age to the Current Crisis*, (Tr. James H. Membrez), Cornerstone Publications, Kharagpur, 2008, p. 366.

⁸⁴ V.B. Singh, *Indian Economy, Yesterday and Today*, pp. 30-32.

had little use for the railways which were a source of profit for the British investors while Indians were forced to bear the cost and were extremely badly treated in the matter of passenger accommodation.⁸⁵ This policy was initiated mainly by considerations of military strategy and to facilitate exports and imports to and from great Britain. When the complete control of India's administration came into the hands of British, the expenditure rose so did the taxation.⁸⁶ The Old Guaranteed (1844-69) lines cost £17,000 a mile. In the phase of State Construction and Management (1869-79), the average cost per mile of railway was £12,577. This was much in excess of that of English railway construction.⁸⁷ The advance of railway construction in India was spectacular : In 1853 started with 20 miles, it reached 25,373 miles in 1901 with total capital outlay of Rs. 340 million in 1901.⁸⁸ Thus, beginning in 1853, railway system rapidly expanded to become the fourth largest in the world in 1910. It linked local centers to the world having commercial and political consequences.⁸⁹ The railway completed the 'colonization' of the Indian economy, putting all its erstwhile isolated segments inside the net of British free trade.⁹⁰ The railroad substantially lowered freight costs in India. There was a drop in land transport costs on the order of twenty to one between 1860-1880. However, it increased the dependence of India British industry.⁹¹ The railway system befitted merchants as it had been estimated that freight rates on the railways were 80-90 per cheaper per ton mile than the charges for bullock-cast carriage.⁹² India, perhaps the

⁸⁵ H. Bhattacharayya, *Aspects of Indian Economic History (1750-1950)*, pp. 152-153.

⁸⁶ R.C. Vermani, *British Colonialism in India*, pp. 48-49.

⁸⁷ H. Bhattacharayya, *Aspects of Indian Economic History (1750-1950)*, pp. 152-153.

⁸⁸ R.C. Dutt, *The Economic History of India in the Victorian Age (1837-1900)*, pp. 401-402.

⁸⁹ John H. Hurd, "Railway", *The Cambridge Economic History of India (1757-1970)*, (Ed. Dharma Kumar), pp. 158-60.

⁹⁰ Irfan Habib, *Essays in Indian History : Towards a Marxist Perception*, 1995, p. 360.

⁹¹ Daniel R. Headrick, *The Tools of Empire : Technology and European Imperialism in the Nineteenth Century*, pp. 188-89.

⁹² Ian Copland, *India 1885-1947 : The Unmaking of an Empire*, Pearson, New Delhi, 2007, p. 14.

poorest country in the world, rivaled the richest in railway mileage. However, in the Western Europe and America, the railways served as the catalyst of the industrial revolutions. In India, they served as the catalyst of complete colonialization.⁹³

The peasantry had already reached the nadir of poverty. So the colonial government made some contribution towards increased output through irrigation. The irrigated area was increased about eightfold, and eventually more than a quarter of the land of British India was irrigated. Irrigation was extended both as a source of revenue and as a measure against famine. A great deal of irrigation work was in Punjab and Sind.⁹⁴ Some of the areas which had been desert became biggest irrigated area in the world and a major producer of wheat and cotton, both for export and for sale in other parts of India. Apart from government investment in irrigation, there was a substantial private investment, and by the end of British rule private irrigation investment covered nearly 25 million acres of British India. Improvements in transport facilities helped agriculture by permitting some degree of specialisation on cash crops. Plantations were developed for indigo, sugar, jute and tea. Private capitalist investments from Britain began to advance rapidly in the second half of 19th Century.⁹⁵ However, the colonial government favoured railways over irrigation in India. By 1902, it invested only about Rs. 38 crore on irrigation as against Rs. 370 on railways.⁹⁶ R.C. Dutt noticed that Indian administration was very considerably influenced by the trend of public opinion in England rather than the opinion of the people of India. Englishmen understood the importance of railways not that of irrigation for India.⁹⁷ Indian agriculture experienced stagnation during the British rule. Yet pressure of revenue continued. In the 18th Century, the overriding concern of the Government was the security of the land revenue. Throughout the 19th

⁹³ Irfan Habib, *Essays in Indian History : Towards a Marxist Perception*, p. 328.

⁹⁴ R.C. Dutt, *The Economic History of India in the Victorian Age (1837-1900)*, p. 399.

⁹⁵ V.B. Singh, *Indian Economy, Yesterday and Today*, p. 25.

⁹⁶ H. Bhattacharayya, *Aspects of Indian Economic History (1750-1950)*, p. 166.

⁹⁷ R.C. Dutt, *The Economic History of India in the Victorian Age (1837-1900)*, pp. 399-400.

Century, land revenue remained the best revenue yielder. The experiments undertaken by the ruling class in land tenure policy were largely determined by revenue consideration.⁹⁸ The total British Capital investment in India was estimated to have reached £450 million in 1911 and on the eve of First World War, it was £500 million. The interests and profits on invested capital and the direct tribute considerably exceeded the total of trading, manufacturing and shipping profits out of India. The finance-capital exploitation of India became the dominant feature of the late 19th and 20th Century British rule.⁹⁹ Little was done to promote agricultural technology. There was some improvement in seeds, but no extensive service, no improvement in livestock and no official encouragement to use fertilizer. Lord Mayo, the Governor General, said in 1870: "I do not know what is precisely meant by ammoniac manure. It is means guano, super phosphate or any other artificial product of that kind, we might as well ask the people of India to manure their ground with champagne."¹⁰⁰

Famines occurred in India at more or less regular intervals. In fact, social history of India from 1858 to 1918 upfolds a sad tale of suffering and mortality in the wake of recurring famines. There were famines in 1860-61; 1865-67; 1868-70 and 1873-74; 1876-79; 1911-12; 1912-13; 1913-14; 1918-19.¹⁰¹ The Government appointed Commissions in 1866, 1878, 1880, 1881, 1900 with a view to examine the causes and magnitude of these famines. The Famine Codes were issued to alleviate

⁹⁸ Sunil Sen, *Agrarian Relations in India (1793-1947)*, People's Publishing House, New Delhi, 1979, pp. 1-2.

⁹⁹ R.C. Vermani, *British Colonialism in India*, p. 47.

¹⁰⁰ M. Edwards, *British India, 1772-1947*, Sidgwick and Jackson, London, 1967, p. 219.

¹⁰¹ H.S. Srivastava, *The History of Indian Famine and Development of Famine Policy (1858-1918)*, Sri Ram Mehra & Co. Agra, 1968, pp. 30, 54, 92, 127-28, 194, 199, 240-41, 292, 296, 308, 310-12, 319, 324. For detailed list of famines in India from ancient times see, A. Loveday, *The History and Economics of Indian Famines*, Usha, New Delhi, 1985 (First published 1914), Appendix A.

the sufferings of the people.¹⁰² The famines affected the growth of agriculture, indigenous industry and population.¹⁰³ India witnessed increasing food exports amidst famines : Food exports rose from 0.65 million tons in the 1863-68 to a yearly average of 1.27 million tons in 1894-95. The officials blamed over population for the famines. But, it was extreme, the abject, the awful poverty of the Indian people that pushed the people towards starvation and death.¹⁰⁴ The famines hastened the process of differentiation and dispossession of the peasantry. The Famine Commission of 1901 drew the attention to the acute problem of indebtedness.¹⁰⁵

The control of banking system in India was a necessary step towards the British control of industrialisation in India. The various analyses reveal that the British capital was paramount in the early days of the development of transport communication. In the struggle with the Indian capitalists for the control of the banks and through them, of Indian industry, the imperialist power, as was inevitable considering the strength of its position, came out victorious. The banking system in India was organised through four types of institutions. On the top was the Reserve Bank of India which although was privately owned, issued the currency, regulated the exchange and conducted banking and remittance business on behalf of government. Imperial Bank (second) of India was engaged in commercial functions. Third was the Exchange Banks or Private English Foreign Banks with their headquarters outside India and were wholly non-Indian in character. These banks controlled the financing of exports and imports. In the last category, were the Indian stock banks or the private banks registered in India. Here only the Indian capital was able to play a part. The English and foreign banks dominated the situation and the British control over banking was used to the detriment of Indian industrial and

¹⁰² D. Bhattacharayya, *A Concise History of the Indian Economy (1750-1950)*, Prentice Hall, New Delhi, 1979, Ch. VI.

¹⁰³ H.S. Srivastava, *The History of Indian Famine and Development of Famine Policy (1858-1918)*, pp. 383-85.

¹⁰⁴ G. Kaushal, *Economic History of India (1757-1966)*, Kalyani Publishers, New Delhi, 1997, pp. 19-51.

¹⁰⁵ Sunil Sen, *Agrarian Relations in India (1793-1947)*, pp. 146-47.

independent economic development and for the benefit of the British interest.¹⁰⁶ The animal surplus extracted from India and Burma by the British State and European businessman rose from a minimum of £21.4 million and a maximum of £28.9 million in 1870s to a minimum of £52.9 million and a maximum of £65.3 million in 1914.¹⁰⁷

The process of colonization has been divided into stages but the periodisation is in some way arbitrary. The third phase was merely a consolidation of the trends that were already witnessed early in the second phase. It may be more useful to study these phases as heavily overlapping, where new and more subtle forms of exploitation existed alongside older. The identification of imperialism with colonialism is one source of misunderstanding, which comes in the way of most of the discussion on Imperialism. Imperialism has been an economic, political and ideological relationship in a particular stage of capitalist development, and colonialism has been one of the political devices to manage Imperialism.¹⁰⁸ Imperialism represented only the last stage i.e., monopoly capitalism whereas Colonialism ran throughout the whole period. Though modern Imperialism would never have been possible without Colonialism, yet the end of Colonialism does not mean the end of Imperialism. Colonialism meant the direct application of political and military force, which reshaped the social and economic institutions of the dependent countries.¹⁰⁹ India's Colonization by the British created an institutional environment that, on paper, guaranteed property rights among the colonizers, encouraged free trade, and created a single currency with fixed exchange rates, standardized weights and measures and capital markets. It also established a system of railways and telegraph, a civil service that aimed to be free from political interference, a common law and an adversarial legal system. This coincided with major changes in the world economy – industrialization, and significant growth in production and trade. In the end, India inherited an economy that was one of the

¹⁰⁶ R.C. Vermani, *British Colonialism in India*, p. 39.

¹⁰⁷ A.K. Bagchi, *Colonialism and Indian Economy*, p. xxxi.

¹⁰⁸ Harry Magdoff, *The Age of Imperialism. The Economics of U.S. Foreign Policy*, Monthly Press Review, New York, 1969. p. 145.

¹⁰⁹ J.A. Hobson, *Imperialism: A Study*, Allen and Unwin, London, 1938. p. 35.

poorest in the developing world.¹¹⁰ The making of a colonial economy was the outcome of a complex alliance between an English trading company and the interests of private and free British capital that saw in India enormous potential for profit. Its configurations were determined by the interests of global capital and the requirements of the metropolitan economy.¹¹¹ In the long view of Industrial Revolution, European estimates show that for the period of 1750-1913, the value of world trade increased more than fifty fold. The world production of ferrous minerals between 1820-1910 is estimated to have increased 65 times. The British imports increased eight fold between 1850-1913. In 1815, India had taken only half of the per cent of all British cotton cloth exported. By 1913, the magnitude reached between 40 to 45 per cent. In the case of railways, India in 1920 had about 36,000 miles and 5.4 per cent of total world railway miles leaving behind England (3 per cent) and France (3.8 per cent).¹¹² The British Empire represented a watershed in the relationship India and the World economy.¹¹³

II

COLONIALISTION OF THE PUNJAB (1849-1914)

Annexation of the Punjab on March 29, 1849 hastened the process of colonialisation of its economy and society. The region was to be governed preferably in the interests of the new social forces which had begun to dominate the British society and politics. The region could be opened up as a market “for the produce of British labour” and be developed into a supplier of raw material and food stuff.¹¹⁴ A basic feature of the Punjab’s economy was its rapid colonialisation after 1850, leading to

¹¹⁰ Tirthankar Roy, *The Economic History of India 1857-1947*, Oxford University Press, London, p. 291.

¹¹¹ Lakshmi Subramaniam, *History of India (1707-1857)*, p. 147.

¹¹² Carlo M. Cipolla (Ed.), *The Fontana Economic History of Europe : The Emergence of Industrial Societies*, Vol. 4, Part II, pp. 658-663.

¹¹³ Tirthankar Roy, *India in the World Economy from Antiquity to the Present*, p. 181.

¹¹⁴ Dolores Domin, *Indian in 1857-59 : A Study of the Sikhs in the People's Uprising*, Academic Valeg, Berlin, 1977, p. 25.

its integration with the rest of Indian colonial economy and also with the world capitalist economy in a subordinate position.¹¹⁵ Colonial rule in the Punjab was marked by economic exploitation. The political and economic purposes as well as for administration, new forms of communication and transportation were developed, symbolised by the post office, the telegraph office, the metalled roads, the railway and the press.¹¹⁶ In fact, the consumption of an industrial revolution in Great Britain brought about a dramatic change in the relationship with colonial society in India. The earlier mercantilist strategy of acquiring agricultural and artisanal commodities at the lowest price or free of cost, if possible, yielded to an entirely new strategy. The industrial economy of Great Britain stood in dire need of two factors. On the other hand, it required extensive markets into which consumer goods could be sold at attractive prices.¹¹⁷ Industrialisation transformed not only the economy of Britain but also the work place, family and daily life.¹¹⁸ With a view to hasten the process of industrialization, the capital flowed from the overseas empire from the slave trade, from the organized looting of India and the profits of trade. The English commercial expansion was almost entirely because of her dominance over the colonial trade. Consequently, it increased the purchasing power of the British.¹¹⁹ In fact, the expansion of the British East India Company coincided with the massive contraction of the Indian textile industry. It initiated the long process of reversed development in India.¹²⁰

¹¹⁵ Bipan Chandra, “General Presidential Address”, *Proceedings of the Punjab History Conference*, Patiala, March 1981, p. 8.

¹¹⁶ J.S. Grewal, *The Sikhs of the Punjab*, CUP, Cambridge, 1990, p. 128.

¹¹⁷ Ravinder Kumar, *The Emergence of Modern India : Retrospect and Prospect* : IIAS, Simla, 1990, pp. 13-14.

¹¹⁸ David S. Mason, *A Concise History of Modern Europe : Liberty, Equality, Solidarity*, Orient Blackman, Hyderabad, 2011, p. 42.

¹¹⁹ Arvind Sinha, *Europe in Transition : From Feudalism to Industrialization*, p. 731.

¹²⁰ Aaron Acemoglu and James A. Robinson, *Why Nations Fail : The Origins of Power, Prosperity and Poverty*, p. 273.

In the days of the Regency period (1846-49), the British official extensively surveyed the Punjab keeping in mind the revenue potentialities. The annexation was more than political though it was contested so. Lord Dalhousie (1848-1856), the Governor General of India, had assured the Court of Directors that the Punjab would soon prove 'a profitable possession'.¹²¹ The Board of Administration was constituted with "wide powers and unrestricted control of over all matters relating to the Punjab". The Punjab was declared Non-Regulating province, giving authority to Lord Dalhousie to direct the development of the region in imperial framework.¹²² The colonial rulers introduced a large measure of bureaucracy and the rule of law, which established a new kind of relationship between the individual and the state. The 'paternal' rule of the early decades was eventually replaced by the 'machine rule' of laws, codes and procedures. Moreover, with a view to increase agricultural production and revenue from land, the British administrators of the Punjab introduced reforms in the agrarian system with periodic settlements and records of rights. New resources of revenue were tapped.¹²³ In the exploitation of economic resources of the Punjab, the British went about it in a most thorough manner. The Punjab had the greatest degree of unutilized agriculture potential. The early British officials realized the effectiveness of irrigation.¹²⁴ The primary objective behind canal and railway construction was to deepen and strengthen the colonial relationship by promoting the larger production of and export of agricultural raw materials and wage foods from India.¹²⁵ The irrigation works that the colonial government in the Punjab began to build or refurbish in the 1850s, were mainly to protect against

¹²¹ S.S. Thorburn, *The Punjab in Peace and War*, Language Deptt., Punjab, 1970 (First Published 1893), p. 151.

¹²² W.W. Hunter, *The Indian Empire : Its People, History and Products*, W.H. Allen & W. London, 1893, pp. 312-13.

¹²³ J.S. Grewal, *The Sikhs of the Punjab*, p. 128.

¹²⁴ Sukhdev Singh Sohal, *The Making of Middle Classes in the Punjab (1849-1947)*, ABS Publications, Jalandhar, 2008, pp. 20-21.

¹²⁵ M.M. Islam, *Irrigation, Agriculture and the Raj : Punjab (1887-1947)*, Manohar, New Delhi, 1997, p. 19.

famine or to provide safe employment for disbanded Sikh soldiers rather than to increase the productive forces.¹²⁶ The colonization of the Punjab was the most spectacular development in the history of productive irrigation. Colonies were planted in practically desert areas which caused rural migrations on a large scale.¹²⁷ Irrigation projects completed between 1860 and 1920 brought 10 million acres of land under cultivation changing not only economy but also demography of the Punjab.¹²⁸ In the process, the canal colonies became a zone of major economic change. The emergent canal network of the Indus basin spread over the Punjab and Sind became the largest irrigation system in the world.¹²⁹ The Punjab was the only province where direct profits of irrigation were so higher that the new projects could be proposed with confidence for their remuneration as a financial investments.¹³⁰ Development of the irrigation infrastructure transformed Punjab agriculture into one of the most export-oriented in the whole of Asia thus making a significant contribution to strengthen and deepen colonial relationship between England and India.¹³¹ The canal irrigation stimulated the cultivation of valuable crops like wheat, cotton and sugarcane and replaced the pre-canal staples like *jowar* and *Bajra*.¹³² The Punjab increasingly began to export a large part of its increasing production of both food and non-food crops, wheat occupying the first place in the food and cotton in

¹²⁶ Richard G. Fox, "Urban Class and Communal Consciousness in Colonial Punjab : *The Genesis of India's Intermediate Regime*", *Modern Asian Studies*, Vol. 18, No. 3, p. 466.

¹²⁷ Imran Ali, *The Punjab under Colonialism (1885-1947)*, OUP, Delhi, 1989, pp. 8-40.

¹²⁸ J.S. Grewal, *The Sikhs of the Punjab*, p. 128.

¹²⁹ Imran Ali, "Canal Colonisation and Socio-Economic Change", *Five Punjabi Centuries : Polity, Economy, Society and Culture (C. 1500-1990) : Essays for J.S. Grewal* (ed. Indu Banga) Manohar, New Delhi, 1997, pp. 341-47.

¹³⁰ Sukhwant Singh, "Canalisation and Colonization in the Punjab (1849-1901)", *Journal of Regional History*, Vol. IV (NS), 1996, p. 79.

¹³¹ M.M. Islam, *Irrigation, Agriculture and the Raj : Punjab (1887-1947)*, p. 144.

¹³² Himadri Banerjee, *Agrarian Society of the Punjab (1849-1901)*, Manohar, New Delhi, 1982, p. 26.

the non-food crops.¹³³ In 1869, one per cent of the wheat area was protected by the canals. With the spread of irrigation, there developed ‘a decided tendency to grow more wheat on irrigated lands’. By 1901, the protected area of wheat increased by nearly 151 per cent. By 1880, wheat replaced cotton as the principal item of export. In 1905, it broke all records in the British Empire by exporting 13.8 million tons of wheat through Karachi Seaport. Karachi contributed 80 per cent of the Indian exports in wheat in 1912.¹³⁴

The growth of commercial agricultural constituted a significant aspect for the agrarian economy of the Punjab. With the rapid industrialization of the West, a need arose for new sources of raw materials. The area of wheat cultivation in 1879 reached upto 30 per cent of the total cultivated area in the Punjab.¹³⁵ Indian wheat in the 1870s was greatly demanded in the European markets. With a maximum annual export of over 11 million tons by 1910, the Punjab had become the largest contribution towards the total wheat export of India. The area under cotton increased from 6 million in 1866 to 11 million acres in 1901.¹³⁶ Thus, the Punjab was converted into an agrarian appendix and incorporated into the system of capitalist world market.¹³⁷

Colonialisation of the Punjab economy proceeded further with the development of the seaport of Karachi, introduction of railways and extension of

¹³³ Mridula Mukherjee, *Colonializing Agriculture : The Myth of Punjab Exceptionalism*, Sage, New Delhi, 2005, p. 256, See also, Indu Banga, “Karachi and its Hinterland under Colonial Rule”, *Ports and Their Hinterland in India (1700-1950)*, (Ed. Indu Banga) Manohar, New Delhi, 1992, p. 374.

¹³⁴ Himadri Bannerjee, *Agrarian Society of the Punjab (1849-1901)*, p. 26.

¹³⁵ Sukhdev Singh Sohal, “The Swadeshi in the Age of Free Trade in the Punjab (1850-AD 1914)” : Presidential Address (Modern) *Punjab History Conference*, Patiala, 2013, p. 9.

¹³⁶ Sukhwant Singh, “The Peasants’ Response to Colonial Environment in the Punjab”, *Pre Colonial and Colonial Punjab : Society, Economy, Politics and Culture* (Eds. Reeta Grewal & Sheena Pall), Manohar, New Delhi, 2005, pp. 289-91.

¹³⁷ V.N. Datta, *Ideology of the Political Elite in Punjab (1900-1920)*, Sita Ram Kohli Memorial Lecture, Patiala, 1977, pp. 4-5.

road network. In 1862, Karachi became a link between East and West with the opening of the seaport nearest to Europe. In 1865, Karachi was linked with the Punjab. This linkage was completed in 1878 with the establishment of direct rail link making Karachi ‘the natural port’ for the export of immense grain production from the canal colonies.¹³⁸ The chief function of the roads especially the Grand Trunk Road and the railways was to facilitate the export. John Lawrence argued : “Let the means of export be once supplied, everything else will follow”.¹³⁹ The lines of railways besides being of vast commercial and political importance connecting the fertile districts of the Punjab with the sea board at Karachi formed the chain of communications between the garrisons and cantonments which guarded the north-western frontier of India.¹⁴⁰ Macdanized roads were introduced in the Punjab. The early metalled roads were laid down mainly to serve ‘military purposes’. Subsequently, however the increasing mileage converted these roads into great channels for the import and export trade of the province.¹⁴¹ By 1878, it was reported that there was no part of the province which was not roughly supplied with all the necessary roads. In 1903, the Punjab had 2054 miles metalled and 20,874 miles unmetalled roads in the Punjab. The attempts were made to improve the existing river communication system. However, the boat traffic did not last long and steadily declined. After 1880s, the Government decided to build roads and railways on an extensive scale.¹⁴² Without radical transformation of rural productivity or capital investment, British Colonialism in the 19th Century Punjab had harnessed

¹³⁸ Indu Banga, “Karachi and its Hinterland under Colonial Rule”, *Ports and their Hinterlands in India (1700-1950)*, pp. 340-43.

¹³⁹ S.S. Thorburn, *The Punjab in Peace and War*, p. 184.

¹⁴⁰ David Ross, *The Land of the Five Rivers and Sindh*, Language Deptt., Punjab, 1970 (First Published 1883), p. 9.

¹⁴¹ K.M. Sarkar, *The Grand Trunk Road in the Punjab*, Patiala, 1971, pp. 12-15.

¹⁴² Navtej Singh, *Starvation and Colonialism : A Study of Famines in the Nineteenth Century British Punjab (1858-1901)*, p. 21.

agricultural production to the world system.¹⁴³ The railways and faster road communications encouraged the movement of food and raw materials to be exported and distribution of imported manufactured goods in the countryside.¹⁴⁴ By the beginning of the 20th Century, nearly two-thirds of the quantity exported by sea from Karachi was imported by rail from the Punjab.¹⁴⁵ The British pressure consequent upon the Industrial Revolution for greater overseas markets and better sources of raw materials led to the promotion of railways.¹⁴⁶ Economically, the railway tied the commerce of the Punjab closer to that of India. Intellectually, easier movement of the people to and from the Punjab began to diminish the isolation and parochialism of the Punjabis.¹⁴⁷

The railway precipitated exportation of grains to foreign countries that caused high prices and intensified famine. It knocked the bottom out of the theory that railway could protect people against consequences of drought and famine.¹⁴⁸ In 1883, the railways carried away from Punjab nearly 10 million *maund* of goods with over Rs. 37 million. By 1903, the carriage had reached upto 25 million *maund* worth over Rs. 115 million. The most important items of exports were wheat followed by other grains and cotton.¹⁴⁹ From 1860-1901, the province was hit hard five times by

¹⁴³ Richard G. Fox, “Urban Class and Communal Consciousness in Colonial Punjab : The Genesis of India’s Intermediate Regime”, *Modern Asian Studies*, Vol. 18, No. 3, 1984, p. 466.

¹⁴⁴ Sukhdev Singh Sohal, *Credit, Rural Debt and the Punjab Peasantry (1849-1947)*, Guru Nanak Dev University, Amritsar, 2012, p. 147.

¹⁴⁵ Indu Banga, “Karachi and its Hinterland under Colonial Rule”, *Ports and Their Hinterlands in India (1700-1950)*, pp. 343-44.

¹⁴⁶ Daniel Thorner, “The Pattern of Railway Development in India”, *Railways in Modern India* (Ed. Ian J. Kerr), OUP, New Delhi, 2001, p. 81.

¹⁴⁷ G.S. Khosla, “The Growth of the Railways System in the Punjab”, *The Punjab Past and Present : Essays in Honour of Dr. Ganda Singh* (Eds. Harbans Singh and M.G. Barrier), Punjabi University, Patiala, 1976, p. 290.

¹⁴⁸ Sukhdev Singh Sohal, “The Swadeshi in the Age of Free Trade : The Punjab (C. 1850-AD 1914)”, *Punjab History Conference*, Patiala, March 2013, p. 23.

¹⁴⁹ J.S. Grewal, “Agrarian Production and Colonial Policy in Punjab”, *India’s Colonial Encounter : Essays in Memory of Eric Stokes* (Eds. Mushirul Hasan and Narayani Gupta), Manohar, New Delhi, 1993, p. 294.

famines and droughts. The Punjab experienced famines and droughts in 1860-61, 1868-69, 1877-78, 1896-97 and 1899-1899.¹⁵⁰ The basic transformation brought by the colonial set up in the agrarian society not only made the region to suffer from severe famines but the changed conditions engendered their existence a necessary phenomenon. The British officials perception of famine revolved around the views that these famines were the product of caprice of nature or the failure of rainfall coupled with mandatory traditions of the masses which involved huge amount of money. Actually, during every famine, the area under distress increased. The entire Punjab came under the staggering fury of famines by the end of the 19th Century. It not only blasted the official perception but also pointed towards the fact that the causes of repeated famines laid only in the inherent limitations in the working of the colonial control mechanism.¹⁵¹ The famines not only affected the humans but also cattle which was necessary for the agricultural operations. Decimation of cattle heads became one of the causes of the debt to purchase cattle for agricultural operations. In the famine of 1896-97, 92 per cent of the plough and well cattle disappeared. The famine affected 18 per cent of the population of the province. Remissions and concessions under the famine policy remained insignificant. Consequently, the famines in the Punjab became one of the prominent causes of ruin of a large part of the ‘finest peasantry in India’.¹⁵²

Land revenue was the mainstay of the British rule. Its revenue policies were evolved to ensure maximum collection. The percentage of land revenue collection in cash in 1862, 1866 and 1889 was 99 per cent, 99 per cent and 99.1 per cent respectively.¹⁵³ Fixity of land revenue was unsuitable for the peasants because it compelled them to borrow from moneylenders in order to pay their quota of assessment.¹⁵⁴ Hardly, two per cent of the revenue demand was suspended during the

¹⁵⁰ *Imperial Gazetteer of India, Punjab 1908*, pp. 94-95.

¹⁵¹ Navtej Singh, *Starvation and Colonialism : A Study of Famines in the Nineteenth Century British Punjab (1858-1901)*, National Book Organisation, New Delhi, 1996, p. 217.

¹⁵² Sukhdev Singh Sohal, *Credit, Rural Debt and the Punjab Peasantry*, p. 5.

¹⁵³ Sukhdev Singh Sohal, “British Policies and Moneylenders in the Agrarian Economy of the Punjab”, *Journal of Regional History*, Vol. IV, 1983, p. 117.

¹⁵⁴ M.L. Darling, *The Punjab Peasant in Prosperity and Debt*, pp. 219-30.

famine and drought period.¹⁵⁵ Apart from land revenue, *abiana* (water rates) contributed burden on the peasants. During 1887-96, the percentage of water rates of total value of crops was 5.8 which increased upto 8.2 during 1897-1905.¹⁵⁶ The land revenue demand and its rigid collection put stress on the peasantry. In the late 1860s, debate was initiated about increasing debt of the peasantry as a consequence of the radical changes introduced by the colonization of the Punjab economy. By the 1880s, it became major concern and attention of the officials was drawn towards alarming increase in indebtedness and in the alienation of land. In the 1920s, inquires revealed that debt was continuing to mount and money lending continued to flourish.¹⁵⁷

The land market developed under the British rule. The moneylender relied more on land as an asset and tactfully resorted to pressures on the peasants. The price of land increased from Rs. 14 per acre in 1874 to Rs. 77 in 1900.¹⁵⁸ In the Punjab, the average land price rose from 31 times the annual revenues in 1875 to 127 times in 1910.¹⁵⁹ The trends of alienations of land changed by the 1870s. The area sold in 1874-75, was 79,000 acres and it increased upto 3,21,000 acres in 1894-95.¹⁶⁰ The process of land alienations had become an established reality. There was an increase in the amount of land sold at nearly 40 per cent between 1865 and 1884 and yet another 431 per cent between 1865 and 1899-1900. The mortgaged area was estimated to have increased by 200 per cent between 1875-76 and 1898-1900. The

¹⁵⁵ S.S. Thorburn, *The Punjab in Peace and War*, pp. 242-43.

¹⁵⁶ M.M. Islam, *Irrigation, Agriculture and the Raj*, p. 129.

¹⁵⁷ Mridula Mukherjee, *Colonialising Agriculture : The Myth of Punjab Exceptionalism*, pp. 31-32.

¹⁵⁸ N.G. Barrier, *The Punjab Alienation of Land Bill of 1900*, Duke University, Durham, 1966, Appendix A. See also, Kauramoy Mukherjee, "Land Prices in Punjab", *Trends of Socio-Economic Change in India (1871-1961)* (Ed. M.K. Chaudhary), p. 533.

¹⁵⁹ Shireen Moosvi, "The Indian Economic Experience 1600-1900 : Quantitative Study", *The Making of History : Essays Presented to Irfan Habib* (Eds. K.N. Panikkar, Terence Byres and Utsa Patnaik), Tulika, New Delhi, 2001, pp. 346-47.

¹⁶⁰ J.S. Grewal, "Agrarian Production and Colonial Policy in Punjab", *India's Colonial Encounter*, p. 294.

sale of value of cultivated land increased by 413 per cent between 1870-71 and 1900-1901.¹⁶¹ With land alienation, indebtedness became the central concern.¹⁶² The Punjab Land Alienation Act (1901) forbade sale of land by the agriculturists to members of the non-agricultural classes except under special circumstances; (b) sale of land in execution of decree; (c) the *benami* form of mortgage with a conditional sale class.¹⁶³ The Punjab Land Alienation Act, 1901 was passed with the object to place restrictions on transfer of land in the Punjab. Its purpose was to check land alienations from the agricultural to the non-agricultural classes.¹⁶⁴ Without ‘unduly limiting the credit on which the peasants depended, it put restrictions on transfer of agricultural land with a view to check its alienations from the agricultural classes. The social configuration of the Punjab in the late 19th Century gave to the Land Alienation Act a communal as well as class complexion.¹⁶⁵ However, the land transfer continued to draw attention because much against the prediction of many who opposed to Land Alienation Act, prices maintained upward trend. The professional moneylenders were contravening provisions of this Act to acquire land from the agriculturists. A section of the local press complained that as the small and marginal farmer were being “swallowed up” by the biggest ones land transfers were creating a problem of landlessness.¹⁶⁶ Moreover, capital began moving out agrarian circuit to commercial and industrial circuits. From 1901, for over a decade, the urban

¹⁶¹ Mridula Mukherjee, *Colonialisng Agriculture : The Myth of Punjab Exceptionalism*, p. 71.

¹⁶² Sukhdev Singh Sohal, *Credit, Rural Debt and the Punjab Peasantry*, pp. 128, 131.

¹⁶³ M.M. Islam, *Irrigation, Agriculture and the Raj : The Punjab (1887-1947)*, pp. 105-06.

¹⁶⁴ S.R. Sharma, *Punjab in Ferment*, S. Chand & Co., New Delhi, 1971, pp. 17-35.

¹⁶⁵ J.S. Grewal, “Agrarian Production and Colonial Policy in Punjab”, *India’s Colonial Encounter*, pp. 296-97.

¹⁶⁶ M.M. Islam, *Irrigation, Agriculture and the Raj : The Punjab (1887-1947)*, pp. 105-06.

castes gained ascending in industry and banking.¹⁶⁷

The process of colonialization of the Indian economy was slow and steady. With the Uprising of 1857, it hastened. The Industrial Revolution advanced to higher stage in the second half of the 19th Century. The colonial state introduced changes at the levels of communications and economic organization. India was linked with the world market represented by England. The linkages had far-reaching changes at the economic and social levels in the sector of agriculture. The peasantry was brought into the vortex of Commercial and Industrial Revolutions.

¹⁶⁷ Nina Puri, *The Political Elite and Society in the Punjab*, Vikas, New Delhi, 1985, p. 76.