Interrogating Economic History Writing State of Agriculture in the Late Colonial India

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Abstract: *There was a transformation in the state of the Indian economy during the last phase of colonial rule. This led to a widespread debate across the world regarding the role of the Empire in initiating the development process in the colony. In case of agriculture, even though the investment of the Government of India in irrigation was relatively stable, however, it started to decline after the Great War due to various retrenchment policies which hampered the growth of agriculture in India. Therefore, the paper is a historiographical analysis of the Indian economy, especially the agricultural sector, during the early twentieth century.*

Key Words: *Economic Historiography, irrigation, agriculture in India, investment*

1. INTRODUCTION:

"*There are two kinds of historiography: one that focuses on reconstructing what the past was like and one that focuses on tracing how something in the past or present developed out of its preconditions*."

– Peer Vries (2012)

Historiography assists in studying the continuity and the pattern of past events to define the transformation which the society experienced during the period under consideration. This becomes an integral part of economic history as a subject and important for economic historians who focus on the quantitative analysis of various sectors or economic institutions. Similarly, if historical understanding of the past is indispensable for the modern age economic theory, then the history of economic thought becomes a vital aspect of historiographical writing. This in turn, can serve as a powerful tool for inter-disciplinary analysis. Thus, economic historiography involves incessant questioning of the past; relying on the text sources and adopting a quantitative methodology; which helps in multi-disciplinary analysis.

In case of modern Indian economic history writing, the focus has been on the explanation and critique of the British colonial period. From the Indian nationalists who were fixated on the deteriorating income conditions of the nation during the colonial rule, to the western scholars who were motivated to understand the positive impact of new technology introduced in the Indian economy in the form of railways or new irrigation techniques, the overwhelming emphasis has been on understanding British colonialism and its impact. Irfan Habib, as quoted by Roy (2004), states, "The nation learnt from its politicians that British rule was a bad dream to be forgotten. Economic historians nourished that amnesia with their models and methods" (p. 3240).

Prior to the First World War, the state of the Indian economy was deteriorated in the name of development. The arrival of the industrial revolution further intensified the wretchedness which led to severe problems like economic drain, forced commercialization, famines, rising poverty and the list seems to be endless. The position of the Indian economy was reduced to merely a supplier of capital, which could smoothen the industrialization process in the metropolis. With no re-investment process taking place within the Indian borders, the growth rate of GDP for the Indian economy was continuously on the decline, while on the other hand, United Kingdom's share in world GDP increased significantly, especially after taking over India as a colony. Even the political economic structure adopted in India by the British administration undeniably reflected the latter's self-interest. The British control employed those instruments of state policy which benefitted the British manufacturers; leading to the loss of market for Indian producers, not just internationally but domestically as well.

However, there was a discourse from the long-standing policies adopted by the administration during the eighteenth and nineteenth century. As a result, Indian economy did experience progressive changes during the last phase of colonial rule, especially after the First World War. There were amendments in the policy structure, for instance, adopting import substitution policy, which increased the investment levels and thus amplified the production levels domestically.

Other factors like increasing competition from the Japanese economy, increasing impact of the national movements, etc. toiled in favour of the indigenous producers. However, the onset Great Economic Depression of 1929 had a noteworthy impact on the economies all over the globe. In Manikumar's (2003) words,

> "The collapse of export markets, fall in the prices of agricultural and commercial products, and decrease in government revenue from customs, excise, stamps and registration were the marked features of this global phenomenon. India, too, was not exempt from its disastrous effects" (p. 1)

The Great Economic Depression again decelerated the course of "development" in the Indian economy, giving a colossal blow to the indigenous producers in the form of a steep fall in the price levels. As mentioned in Thomas' work (1935), "Most of India's staples fell more than 40 per cent within 14 months" (p. 469). Also, the orthodox policies espoused by the administration during the period and sustaining a financial control on the colony, worsened the conditions of Indian population. In the words of Thomas (1935), "The immediate result of the slump was the breakdown of the country's purchasing power" (p. 470). This was due to the fixed charges like land rent, interest rate, etc. which were kept constant despite the falling prices in economies world-wide.

The Indian economy was on the recovery phase during the early 1920s; and instantaneously shifted to the lowest trough during the Great Economic Depression, violating the principles of business cycle. Also, Britain was not severely impacted during this period, unlike the United States of America, because former's banking structure remained sturdy even during such times. The only problem faced by the metropolis was the falling prices due to tumbling of market demand worldwide. Additionally, where the economies started to move towards the Keynesian school of thought, Britain stayed on the Classical/Ricardian school, as far as the policy implementation in Indian economic sectors were concerned. Therefore, the paper aims to make a historiographical analysis of the impact of colonial rule on the agricultural sector of India. It tries to identify the consequence of the British rule on the agricultural sector of India during the inter-war years.

2. HISTORIOGRAPHICAL ANALYSIS OF THE LATE COLONIAL INDIA:

The subject economic history is not a new field of research. In India, the same dates back to the late eighteenth century when East India Company acquired the Indian Territory. The company, despite being a private organisation, was permitted to acquire the Indian terrain. This was done with the sole motive of increasing trade between Britain and India, posing the comparative advantage argument of the Classical School of Thought. Therefore, the state's comments on the functioning of the Indian economy during the era reflected the economic reasoning behind various policies and strategies adopted by the East India Company, with special reference to its history.

During the first half of the eighteenth century, the company devotedly followed the *laissez-faire* policy to govern India, restricting its role to the collector of revenue. As a result, the indigenous producers were exposed to the world competition; leading to huge exploitation and deterioration of Indian handicraft industry. Further, the pressure of population on agriculture increased which led to low wages, worsening the economic condition of Indian population.

It was in the mid-nineteenth century the British policy makers comprehended that the English economic ideas "treated only of the material Wealth of Nations and not the social aspects which alone had immediate relevance in India" (Ambirajan, 1978, p. 271). English economic theories assumed the equally developed economic sectors with inherent capacity to accumulate capital. In contrast to that, India was an agricultural country with poor access to capital. Additionally, the social factors played an imperative role in the functioning of the Indian economy. As a result, by the middle of the nineteenth century; policy makers started to amend the economic theories to suit India's scenario. Samuel Laing, the successor of James Wilson, stated that; "whoever would govern India well must be master of his theories, and not let theories master him; in other words, he must abstain from pushing principles, however good, to excess."[1]

However, the damage was done till this realization set in and such a state invited a widespread debate from the scholars all around the world to study the impact of colonial rule on the India. Indian agriculture was one such economic sector which experienced the brunt of orthodox policies adopted by the administration. Lack of effective and productive investment in irrigation combined with excessive dependence on climatic conditions hampered the growth of the sector.

According to the Nationalist leaders, the rise in area under cultivation and escalation in total food supply was not in sync with the rising population levels. The area under cultivation for food crops was meagre as compared to that under commercial crops. On the contrary, British authorities claimed to have brought more area under cultivation which improved the productivity levels in the agricultural sector of the economy. The rise in area under cultivation, led to a growth in agricultural incomes and availability of food grains, signifying prosperity in the primary sector of the economy.

Considering the individual aspects of agriculture, Tomlinson (1993) states there was an improvement in the capital accumulation by the economic agents like peasants, landlords, bankers, merchants, etc. As a result, with an upsurge in investment; the agricultural productivity did experience growth. The increased demand of jute, cotton and

[1] Cited in Ambirajan S. (1978), *Classical Political Economy and British Policy in India,* Cambridge University Press, p. 270.

groundnuts gave an opportunity to the agricultural producers to increase the profitability levels. After the introduction of in the economy; the agricultural sector experienced a technical change. New types of crops and seeds were introduced which were highly paying; leading to a rise in income for those engaged in the sector.

On the other hand, the industrialization process initiated by the administration too created glitches for the Indian economy. With the import of cheap machine made manufactured goods, the indigenous handicraft industries experienced a setback. This lead to a vast scale unemployment in the industrial sector and transfer of labour to the agriculture sector, creating problems like low wages, disguised unemployment and thus poverty.

The Nationalist school expressed a resentment against the British administration regarding the de-industrialisation which took place under the label of modernisation. Due to the British intervention and political supremacy over the Indian economy, the relationship between agricultural and manufacturing sector in terms of forward and backward linkages was disrupted. This was due to the decline and destruction of the Indian town handicrafts and village artisans. However, Indian nationalists were of the opinion that it was the failure of the modern machine industry to grow rapidly enough to compensate adequately for this destruction that led to the decline in the productivity of the industrial sector.

According to Morris (1968), the British cloth industry was in a competitive situation due to the high use of machines as compared to the Indian handloom production; which increased the supply, consequently leading to a fall in prices. However, such a competition induced a rising productivity of the indigenous industry despite the fall in prices. Giving a contrary opinion, Chandra (1968) states that, throughout the nineteenth century, the competitive position of the Indian weaver as compared to the British weaver was low. As a result, import of cloth went up from 1849 to 1889 by 25.5 million sterling (12.5 times) while that of yarn went up by only 1.8 million sterling (4 times). Moreover, the local artisan survived because Lancashire was unable to cater to the demand of the vast Indian market. Even the local weaver maintained the competitive situation, by reducing his subsistence level.

Stating the position of the Indian economy between 1870 and 1947, Tomlinson (1993) states that India was termed as an industrialised nation because of various reasons like increasing manufacturing output as a share of national income, increasing value added per worker, and higher productivity in industrial sector than that in agriculture. However, mills were slow to diffuse innovation in production technology and stuck to an inappropriate and less productive type of spinning machinery. This was mainly because of two reasons: firstly, firms were run by managing agents who earned commission on output and not on profit. Secondly, output of cotton goods was subject to fluctuations and lastly, there was an increased competition from the China market between 1893 and 1913.

According to Tirthankar Roy (2011), the early nineteenth century experienced a fall in the scale of production and export of Indian cotton textiles because of decline in European demand and the demand from the impoverished Indian aristocracy. Import of machine made yarn from Britain reduced the extent of the Indian hand spinning and hand weaving industries, and contracted India's position as a supplier of cloth to the world. Besides this, he supports the fact that the income loss was smaller than the employment loss due to low opportunity cost of labour.

Nevertheless, the situation in economic sectors, especially the industrial sector, started to improve after the First World War. There were constructive developments which took place, as a result of which the industries progressed along the recovery path. From the market oriented economies, the significance of the fiscal policies and the role of government for economic development was recognized which brought a shift in the entire economic structure.

3. STATE OF AGRICULTURE (1918-38):

K.M. Mukherjee in his work *National Income* estimates that the growth rate of agriculture declined from 8 per cent in 1900-25 to 3 per cent in 1925-50. According to Roy (2011), the main reason for the decline in economic growth was agricultural stagnation during the interwar period. The explanations behind the agricultural stagnation were firstly, high population growth rate, which exceeded one per cent during the 1920s. As a result, the per capita availability of food fell and therefore, resulted into the low levels of productivity in the agricultural sector, due to its labour intensive nature. Secondly, a stagnation was brought about in the world demand for Indian agricultural exports and consequently there was a worsening of terms of trade for the Indian colony. This was because of the Great Economic Depression experienced by the economies worldwide during the 1920s. Lastly, due to the depression impacting the Indian economy as well, the burden of debt on peasants started to increase leading to the forced liquidation of assets. As a result of continuous fall in the world prices and the exorbitant amount of rent charged by the British state; the peasants didn't receive the adequate revenue for subsistence and as a result were burdened under the debt.

During the great economic depression period, the government of India experienced a fall in public revenue from major heads, some of which are given in Table 1.

Table 1 Revenue earnings of Government of India

Year	Revenue (in million rupees)
Salt Tax Revenue	
1929-30	67

1930-31	68
1931-32	87
1932-33	102
Land Revenue	
1929-30	335
1930-31	302
1931-32	330

At the time of fall in prices worldwide, Sir George Schuster, the Finance Member of Government of India, stated that there might be remission of revenue at the time of a steep fall in the prices of agricultural produce. However, Sir Frank Noyce pointed out that the "remission of land revenue could be claimed when the crops failed, but that fluctuations in the price level had been taken into consideration whenever the respective settlements were made" (Rothermund, 1981, p. 3)

The government preferred to show leniency and postpone any discussion on the same. Due to such an attitude adopted by the government of India, the land revenue continued to increase despite the crashing of world economies. On the other hand, revenue from the salt tax increased considerably after the Gandhi-Irwin Pact; even with the Gandhi's salt march. In comparison with the salt tax, the government of India was not in favour of increasing the income tax. According to the secretary of the state, as cited by Rothermund (1981), "The income tax was paid by the most articulate sections of the people while the salt tax affected only the dumb millions whom one can afford to ignore" (p. 5). As far as the agitations were concerned regarding the salt tax, "this did not matter so the government felt encouraged to go ahead with it" (Rothermund, 1981, p. 5).

In terms of investment in agriculture, around one third of the public investment and less than a tenth of private investment was in the agricultural sector.

Table 2 Investment in Agriculture

Year	Net Investment in Agriculture	Net Investment to Income in agriculture
1901-13	0.9	1.2
1930-39	0.8	2.0
1940-46	0.5	1.4

Source: Tirthankar Roy, Economic History of India 1857-1947, Oxford University Press, 2014, pp. 93

As per table 2, the net investment in agriculture was declining continuously between 1901 and 1946. On the other hand, net investment to income was continuously low, implying that there is no re-investment taking place. Therefore, it is evident that even after extracting exorbitant land revenue from the cultivators, the government didn't prefer to re-invest back in the sector to increase its productivity.

Roy (2015) stated a few reasons for the low rate of investment in agriculture like low financial savings depicting an undeveloped financial sector in the economy. Even the landlords did not re-invest the surplus back in land which hindered the process of improvement in agricultural productivity. However, the moneylenders were not that evil in nature as their role has been portrayed because many debt transactions which took place were between the peasants, and not between peasant and the moneylender and not all borrowings were distress borrowings. Like in the case of Punjab, the farmers used the loan to buy lands. Even debt was characterized differently in different regions. In the case of Punjab, the debt was more market oriented, aiming to improve the agricultural output while in case of Bengal, the debt was subsistence oriented, due to its over-populated nature.

According to Aditya Mukherjee (2008), per capita agricultural output and per capita food grains decreased at the rate of 0.72 per cent and 1.14 per cent respectively per year during 1911-1941. Total loss of 29 per cent during this time period. Thus, agriculture was suffering during the colonial rule. The situation of farmers was poor because they were left with little land which was not sufficient enough to sustain themselves and the family. Due to the existing land revenue systems, the farmers were left with diminutive produce which was hardly suitable for his sustenance. For example, in Tamilnad, the cultivator got just 20 per cent of his produce under the prevailing *waram* system[2]. Moreover, it was due to the low food availability and lack of investment in public health measures, which kept the death rates high during the colonial period.

4. CONCLUSION:

Irrigation was one field where a decent amount of public expenditure was made throughout the colonial rule and should have continued to remain a dominant field even at times of depression. In the words of Rothermund (1981), "Expenditure on irrigation with its spread effects of employment and agricultural improvement should have

[2] Waram system was a system of crop sharing tenancies in Tamilnad under which the cultivator received only 20 per cent of the entire output and the owner supplied the capital to cultivate the land.

been a high priority in this period of depression" (p. 13). In contrast to this, the government of India reduced the capital outlay and refrained from taking up any new projects in irrigation which would require huge expenditure over a long period of time. By doing this, the government of India itself invited various protests from the National Congress, most popularly the Indian freedom movement. With such regressive policies adopted not just in the agricultural sector but in all sectors of the economy, the British government led the march towards the end of colonial rule in India.

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