In 1878 a Famine Commission was appointed to consider the problem of the growing famines. Its Report, published in 1880, found that "a main cause of the disastrous consequences of Indian famines, and one of the greatest difficulties in the way of providing relief in an effectual shape is to be found in the fact that the great mass of the people directly depend on agriculture, and that there is no other industry from which any considerable part of the population derives its support."

> "At the root of much of the poverty of the people of India, and of the risks to which they are exposed in seasons of scarcity, lies the unfortunate circumstance that agriculture forms almost the sole occupation of the mass of the population, and that no remedy for present evils can be complete which does not include the introduction of a diversity of occupations, through which the surplus population may be drawn from agricultural pursuits and led to find the means of subsistence in manufactures or some such employments." (Indian Famine Commission Report, 1880.)

With these words Industrial Capital passed judgment on its own handiwork in India.

VIII. Modern Imperialism in India

"Administration and exploitation go hand in hand."—Lord Curzon in 1905.

Since the war of 1914-18, imperialism in India is widely regarded as having entered on a new stage which has little in common with the preceding period.

In the political field the old absolutism is judged to have ended with the Declaration of 1917, which promised the new goal of "the progressive realization of responsible government in India as an integral part of the Empire"; and the succeeding history is seen as a history of gradual evolution (marred by periods of mass hostility and non-co-operation) through successive constitutional reforms, of which the recent 1935 Constitution is the latest example, toward the ultimate realization of this aim at some future date.

In the economic field the old *laissez-faire* hostility to Indian industrial development is regarded as having given place to a new angle of vision, which is transforming India into a modern industrialized country under the fostering care of British rule and with the aid of British capital.

A closer examination of the facts of the period since 1918 will show that they are far from bearing out this picture of a progressive imperialism in its declining days.

The distinctive forms of nineteenth-century exploitation of India by industrial capital did not exclude the continuance of the old forms of direct plunder, which were also carried forward and at the same time transformed.

The "tribute," as it was still openly called by official spokesmen up to the middle of the nineteenth century, or direct annual removal of millions of pounds of wealth to England, both under the claim of official "home charges" as well as by private remitting, without return of goods to India (except for the proportionately small amount of governmental stores from England), continued and grew rapidly throughout the nineteenth century alongside the growth of trade. In the twentieth century it grew even more rapidly, alongside a relative decline in trade.

If this increase in the direct tribute from India to England (which leaves out of account the further exploitation through the difference in the price level between Indian exports and imports) since the middle of the nineteenth century is set out in tabular form, it suggests at a glance in very striking fashion the advance in the exploitation of India by England in the modern period, even though it does not yet reveal more than a part of the total process.

GROWTH OF TRIBUTE FROM INDIA TO ENGLAND
(In £ million)

	1851	1901	1913-14	1933-34
Home Charges	2.5	17.3	19.4	27.5
Excess of Indian Exports	3.3	11.0	14.2	69.7

Or taking the five-year periods to give a more balanced picture for the trade relations:

ANNUAL AVERAGE OF FIVE-YEAR PERIODS
(In £ million)

	1851-55	1897-1901	1909-10 to 1913-14	1931-32 to 1935-36
Excess of Indian Exports	4.3	15.3	22.5	59.2

What is here revealed in this steeply accelerating curve of exploitation is something more than a quantitative increase; it reflects a change in the quality and methods of exploitation.

The enormous and rapid increase in the tribute from India to England during the second half of the nineteenth century and accelerating increase in the twentieth century conceal in reality the emergence of new forms of exploitation, developing out of the conditions of the period of free-trade nineteenth-century capitalism, but growing into the new twentieth-century stage of the finance-capitalist exploitation of India.

The requirements of nineteenth-century free-trade capitalism compelled new developments of British policy in India.

First, it was necessary to abolish once and for all the Company and replace it by the direct administration of the British Government, representing the British capitalist class as a whole. This was partially realized with the new 1833 Charter, but only finally completed in 1858.

Second, it was necessary to open up India more completely for commercial penetration. This required the building of a network of railroads; the development of roads; the beginnings of attention to irrigation, which had been allowed to fall into complete neglect under British rule; the introduction of the electric telegraph, and the establishment of a uniform postal system; the first limited beginnings of an Anglicized education to secure a supply of clerks and subordinate agents; and the introduction of the European banking system.

All this meant that, after a century of neglect of the most elementary functions of government in Asia in respect of public works, the needs of exploitation now compelled a beginning to be made, although in an extremely one-sided and lop-sided fashion (while thwarting and strangling industrial development), directed only to meet the commercial and strategic needs of foreign penetration, and on extremely onerous financial terms to the people.

But this process of active development, and especially of railway construction, necessitated by the requirements of industrial capital for the commercial penetration of India (as well as for a market for the iron, steel and engineering industries), carried with it an inevitable further consequence, which was to lay the foundations for a new stage—the development of British capital investments in India.

In the normal formula of imperialist expansion this process would be spoken of as the export of capital. But in the case of India, to describe what happened as the export of British capital to India would be too bitter a parody of the reality. The amount of actual export of capital was very small. Only over the seven years 1856-62 in the whole period up to 1914 was the normal excess of exports replaced by an excess of imports, totaling £22.5 million for the seven years—not a very large contribution for an ultimate total of capital investments estimated at close on £500 million before the war. Over the period as a whole the export of capital from Britain to India was more than counterbalanced many times over by the contrary flow of tribute from India to England, even while the capital was being invested. *Thus the British capital invested in India was in reality first raised in India from the plunder of the Indian people, and then written down as debt from the Indian people to Britain, on which they had thenceforward to pay interest and dividends.*

The nucleus of British capital investments in India was the Public Debt.

In the hands of the British Government the Public Debt doubled in eighteen years from £70 million to £140 million. By 1900 it had reached £224 million. By 1913 it totaled £274 million. By 1936 it totaled £719 million, divided into 458 crores of rupees (£343.5 million) of Indian debt, and £376 million of sterling debt or debt in England. Thus in the three-quarters of a century of British direct rule the debt multiplied more than ten times.

Much of the debt was built up by the system of charging to India every conceivable charge that could be remotely or even fantastically connected with India and British rule in India, even to the extent of debiting India for the costs of a reception to the Sultan of Turkey in London, for the maintenance of the diplomatic and consular establishments of the United Kingdom in

China and Persia, for a war on Ethiopia, or for part of the expenses of the Mediterranean fleet.

The development of railway construction with State aid and guarantees for the private companies undertaking them, as well as later with direct State construction, enormously swelled the debt. With the development of railway construction, and also with the development of tea, coffee and rubber plantations and a few minor enterprises, private capitalist investment from Britain in India began to advance rapidly in the second half of the nineteenth century.

In the same period private British banking began to advance in India after the removal of the restrictions of the Company's monopoly. By 1913 the foreign banks (Presidency Banks and Exchange Banks) held over three-fourths of the total of bank deposits, while the Indian Joint Stock Banks held less than one-fourth.

For 1909-10 Sir George Paish, in a paper read before the Royal Statistical Society in 1911, estimated the total of British capital investments in India and Ceylon (excluding private capital other than of companies—*i.e.*, capital for which no documentary evidence was readily available) at £365 million. This estimate was admittedly a conservative estimate, leaving certain unknowable elements out of account. Other estimates of British capital investments in India before 1914 placed the total at £450 million (H. E. Howard, *India and the Gold Standard*, in 1911), and at £475 million (the *Economist* of February 20, 1909, in an article on "Our Investments Abroad").

While the basis for the finance-capitalist exploitation of India was thus in general laid before the first world war, its fuller working out was only to be reached in the subsequent period.

The new basis of exploitation of India by British finance-capital was, from the outset, auxiliary to the trading process and not replacing it. Nevertheless, a change in proportions developed of decisive significance for the modern era.

The British nineteenth-century industrial monopoly and domination of the world market began to weaken in the fourth quarter of the nineteenth century. In other parts of the world the decline before the new European and American rivals was marked. In India the decline was far slower, because the stranglehold was tenaciously held with the aid of political sovereignty. Even up to the war of 1914 Britain held fast nearly two-thirds of the Indian market against all the rest of the world. Yet also in India the decline slowly but steadily developed from the end of the third quarter of the nineteenth century. By 1914 the interest and profits on invested capital and direct tribute considerably exceeded the total of trading, manufacturing and shipping profits out of India. *The finance-capitalist exploitation of India had become the dominant character in the twentieth century.*

The war of 1914-18 and the subsequent period enormously accelerated this progress. The British share of the Indian market fell from two-thirds to a little over one-third. Japanese, American and eventually renewed German competition pressed forward, despite tariffs and imperial preference. Indian industrial production made advances, principally in light industry, despite very considerable obstacles, financial difficulties and the deadweight of official discouragement, which was open in the pre-1914 period and continued in more veiled forms in the period following the war.

But while the old basis was thus collapsing, the new basis of profits by finance-capitalist exploitation was steadily rising and extending in volume. By 1929 the total of British capital investments in India was estimated in the *Financial Times* by the former Secretary of the Bombay Chamber of Commerce, Mr. Sayer, at £573 million on the most conservative basis, and more probably £700 million. The most recent estimate, for 1933, put forward by the British Associated Chambers of Commerce in India, would make the total £1,000 million, represented by £379 million Government Sterling Debt, £500 million for companies registered outside India and operating in India, and the balance for investments in companies registered in India and miscellaneous investments.

This total of £1,000 million would represent no less than one-quarter of the estimated total of £4,000 million of British foreign investments throughout the world. When Sir George Paish made his estimate in 1911, he found that British capital investments in India represented 11 per cent of the total of British capital investments throughout the world. *The advance from one-ninth to one-quarter, from 11 per cent to 25 per cent, is a measure of the increasing importance of India to British finance-capital in the modern period, and a key to recent imperialist policy and the new*

Constitution, with its special provisions for safeguarding British financial interests in India.

After allowing the fullest margin of variation for the factors that cannot be exactly calculated, the broad conclusion is evident and inescapable that the exploitation of India in the modern period is far more intensive than in the old. It was estimated that in the three-quarters of a century of British rule up to the taking over by the Crown, the total of tribute withdrawn from India had amounted to £150 million. In the modern period, during the last two decades, it is estimated that the total *annual* tribute from India to England is in the neighborhood of £135 million to £150 million. This intensified exploitation of India under the conditions of finance-capitalism underlies the present gathering crisis and intensified revolt against imperialism in India.

The view is sometimes put forward that the development of the modern finance-capitalist era of British rule in India, especially since the 1914-18 war, even though leading to intensified exploitation, has at any rate led to advancing industrialization and economic development in place of the previous decay under the domination of free-trade industrial capitalism. Modern imperialist propaganda, which endeavors to present India as one of the "leading industrial nations" of the world, encourages this view, and professes in principle to adopt a benevolent attitude to industrial development in India.

An examination of the facts will show that this view is far from justified. A measure of industrial development has taken place in India in the modern period, both before the war of 1914 and especially since, but in no sense comparable to other major extra-European countries in the same period. Such industrial development as has taken place has in fact had to fight its way against intense opposition from British finance-capital alike in the financial and in the political field. It has taken place in a lop-sided fashion, principally in light industry, with very weak development in the decisive heavy industries.

Up to 1914, the opposition of imperialism to industrial development in India was open and unconcealed. Valentine Chirol wrote in 1922 of the official "jealousy towards purely Indian enterprise" which was open until the 1914 war:

> "Our record in regard to Indian industrial development has not always been a very creditable one in the past, and it was only under the pressure of war necessities that Govment was driven to abandon its former attitude of aloofness if not jealousy toward purely Indian enterprise." (Sir Valentine Chirol, in the *Observer*, April 2, 1922.)

Similarly the Government annual report of 1921 admitted:

> "Some time prior to the war certain attempts to encourage Indian industries by means of pioneer factories and Government subsidies were effectively discouraged from Whitehall." (*Moral and Material Progress in India, 1921*, p. 144.)

The discouragement of Indian industrial development was not confined to administrative action or inaction, but was supplemented by positive tariff policy. When the very weak Indian cotton industry began to develop in the eighteen sixties and eighteen seventies, agitation was immediately raised in England for the abolition of the revenue import duties which operated also on cotton goods.

Under these conditions industrial development up to 1914 was extremely slow and slight. By 1914 the number of industrial workers under the Factories Act was only 951,000.

With the first world war a complete reversal of policy was proclaimed by the Government. Industrialization was officially set out as the aim in the economic field, just as responsible government was declared to be the aim in the political field. The reasons for this proclaimed change of policy arose from the conditions of the war, and may be clearly discerned from the official statements. Three main groups of reasons may be distinguished—(1) military strategic reasons; (2) economic requirements to resist foreign competition in the Indian market; (3) inner political reasons. To maintain control of India during the war and in the disturbed period succeeding the war it was essential to secure the co-operation of the Indian bourgeoisie, and for this purpose it was necessary to make certain concessions and promises of concessions, economic and political, of a character to win their support. "The attitude of the Indian public," as Lord Hardinge was scrupulous to point out, "cannot be left out of account."

The method adopted to carry out the change of policy was the development of a protective tariff system.

At this point the hopes of the Indian industrial capitalists in an assisting forward policy on the part of the Government were raised high. This was the period of the Swaraj Party, or party of Indian progressive capitalism, which defeated the "non-co-operation" policies of the Gandhist leadership at the National Congress in 1923, and dominated the years 1923-26 with its policies, first of entering the Councils for the purpose of conducting the fight from within, and eventually of "honorable co-operation."

But these hopes were to receive heavy blows in the succeeding years.

The granting of protection and subsidies to the iron and steel industry in 1924 represented the high-water mark of Government assistance to industrial development after the war of 1914-18. Thereafter a recession can be increasingly traced.

The elaborate schemes of the Indian Industrial Commission for an Imperial Department of Industries, governing a network of provincial departments in each province, came to nothing. The achievement reached by 1934 was described in the following terms by a competent outside observer:

> "Unfortunately, the central organization has not yet been set up; and, with the constitutional reforms of 1919, the provincial organization was made, along with education, one of the 'transferred' subjects, and thus put in the hands of local governments responsible to elected legislatures. Unfortunately also, since the funds available have been wholly inadequate, no very important policies could be initiated. Furthermore, the encouragement of industry requires a far-reaching unified government policy concerning not only raw materials and methods of production, but markets as well. In fact, it must be associated with educational policy and almost every other great national interest. It is doubtful whether the mere provincial offices set up in India will have any considerable effect." (D. W. Buchanan, *The Development of Capitalist Enterprise in India*, 1934, pp. 463-64.)

The tariff system of the early nineteen-twenties, originally proclaimed as a means for assisting Indian industry, was transformed in the succeeding period into a system of imperial preference for assisting British industry (while giving India in return the privilege of favored rates for the export of raw materials and semi-manufactured goods—*i.e.*, the attempt to move backwards toward the pre-1914 basis). It is evident that this transformed considerably the significance of the tariff system. Even

the reactionary Curzon Government before the war of 1914 had opposed imperial preference for India as involving a net loss for India. It was against the British manufacturer as the biggest monopolist of the Indian market that the Indian industrialist desired protection, no less than against other foreign manufacturers. British capitalism, on the other hand, desired tariffs in India primarily against the invasion of the Indian market by non-British competitors. Hence the conflict of interests. This conflict found direct expression in the Indian Legislative Assembly, when the Trade Agreement of January, 1935, embodying and extending the Ottawa agreements to a still wider system of imperial preference, was defeated by a vote of 66 to 58. The vote was overridden by the British Government, which enforced the Agreement.

The same process may be traced in the wider economic field. By the end of 1936 the *Economist, Indian Supplement*, reported grimly on the progress of "industrialization":

> "The proportion of the population dependent upon industry as a whole has tended to decline, and in some industries—in particular, the jute and cotton industries—there has in some years been an absolute decline in numbers employed. . . .
>
> "Although India has begun to modernize her industries, it can hardly be said that she is as yet being 'industrialized.'" (*Economist, Indian Supplement*, "A Survey of India Today," December 12, 1936.)

Undoubtedly a measure of industrial development has taken place, carrying forward a development which had already been proceeding before 1914 in the face of British official opposition. Decisive, however, for industrialization is not the development of the textile industries—which in any case had won their basis in India before 1914—but the development of heavy industry, of iron, steel and the production of machinery. And it is here that the weakness of India stands out. India remains still wholly dependent on abroad for machinery.

> "Engineering and textiles partake of the nature of home industries even though people are massed in power-driven factories. In a cotton factory it is a question of adding loom to loom or spindle to spindle. Engineering in repairing shops is essentially an individual affair. The

real change comes in any country when the iron and steel industries begin to be successful.... The development of the metallurgical industries means the real industrial revolution. England, Germany and the United States of America all started their iron and steel industries on the modern scale before they started their textile factories." (L. C. A. Knowles, *Economic Development of the British Overseas Empire*, p. 443.)

This necessary order for real industrialization has been still more powerfully shown in the great socialist industrial revolution in the Soviet Union, which concentrated in the first Five-Year Plan on heavy industry, in order then, in the second Five-Year Plan, to carry forward the advance in light industry. India shows the typical inverted economic development of a dependent colonial country.

If we compare the proportions of the population in industry and agriculture before 1914 and today, the low level of the industrial development in the intervening period becomes still more apparent. According to the census returns, the numbers dependent on industry actually decreased between 1911 and 1931, while the numbers dependent on agriculture increased. The proportion of the population returned as dependent upon industry fell from 11.2 per cent in 1911 to 10.49 per cent in 1921 and to 10.38 per cent in 1931.

The conclusion is inescapable. The picture of the "industrialization" of India under imperialist rule is a myth. The overcrowding of agriculture has still further increased in the latest period of imperialist rule.

> "Large as are the few industrial centers, factories furnish direct support for a smaller group than was supported by handicraft before the factory appeared. The country is still annually importing far more manufactures than it exports. While the proportions are gradually changing, Indian economic life is still characterized by the export of raw materials and the import of manufactures. In spite of her factories and her low standard of living, India is less nearly self-sufficient in manufacturing products than she was a century ago." (D. H. Buchanan, *Development of Capitalist Enterprise in India*, 1934, p. 451.)

The total number of workers under the Factories Act in 1931 was 1.5 million, or less than 1 per cent of the working population; if we add to these the 260,000 miners and the 820,000 railwaymen, the resulting total of 2.6 million industrial workers in modern industry is still only 1½ per cent of the working population.

While in discussion outside India attention has been widely fixed on the lavish talk of industrialization, on the tariff concessions and on the weakening British hold in the Indian market, there has been less awareness of the real tightening grip of British finance-capital on Indian economy and its active measures to maintain that grip against Indian advance.

Despite the advance of Indian capital, British capital remains in effectively monopolist domination in banking, commerce, exchange and insurance, in shipping, in the railways, in the tea, coffee and rubber plantations, and in the jute industry (where the now numerically larger Indian capital is under British control). The whole political system works to maintain this domination. In iron and steel Indian capital has been forced to come to terms with British capital. Even in the cotton textile industry, the home of Indian capital, the degree of control of British capital through the "managing agency" system is considerably greater than is generally realized.

Most important, however, for the controlling power of British finance-capital is the role of the foreign banking system working in conjunction with the Government's financial and exchange policy. To talk of independent Indian economic development, so long as financial power remains monopolized in British hands, is, and can only be, an empty illusion.

Sir M. Visvesvaraya, Chairman of the Indian Economic Inquiry Committee appointed by the Government in 1925, gave as his considered judgment in 1936:

> "One of the chief difficulties in starting industries in India is finance. This arises from the fact that the money power of the country is under the control of the Government, which, as we have seen, does not see eye to eye with Indian leaders in regard to industrial policies. Banks under the control of Indian business men are very few, and many of the larger banks are either under the influence of Government, or are branches of British and foreign

banks." (Sir M. Visvesvaraya, *Planned Economy for India*, 1936, pp. 64-65.)

A careful examination of the detailed provisions of the Government of India Act of 1935 will abundantly show that there has been no intention to allow the constitutional reforms to weaken the real grip of British finance-capital of India, but that the whole elaborate network of special reservations and safeguards has been devised to strengthen and confirm that hold.