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British Economic Policies and India's Suppressed Industries

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ABSTRACT

Before the arrival of the British, India had a strong and robust system of economy. At that time, there was a balance among various sectors of industries. If the country's economy had continued to function normally, large-scale modern industries would have been established in India over time. However, the arrival of the British and their establishment of rule in India severely damaged the country's economy. British colonial economic policies caused a systematic suppression of India's vibrant industrial, commercial, and trade establishments. Instead of progressing, the economy started moving in the opposite direction due to the exploitative policies of the British. This caused the Indian economy to regress rapidly to become an underdeveloped economy. Consequently, there was rapid rise in poverty, and unemployment, and the once prosperous and strong India now found itself in a destitute state. In the above context, this paper discusses Indian economic philosophy, and the developed economy before the British rule, and then systematic deterioration of the economy due to the British policies.

Keywords: British Rule, Arthashastra, Kautilya, Trade, Industrial Revolution

INTRODUCTION

Based on the prosperous art, skills, and technology, India's share in the world's total domestic production was up to 25-30% (Maddison. 2003). However, due to the continuous foreign plunder for centuries and specially due to the British exploitation, its share in the world's total domestic production decreased to just 3% at the time of India's independence.

The oppressed and helpless community sought refuge in God for deliverance from the disaster. During the two hundred years of British rule, the intellectual class of the West began propagating that Indian society only concerns itself with the afterlife and is escapist, having no regard for economic matters. However, contrary to this notion, from ancient times, the Indian intellectuals have extensively deliberated on the fundamental principles of economics through various theories and rules. Examples of this can be found in our scriptures and treatises.

Descriptions of economic policies in India are found in the *Rigveda, Yajurveda, Atharvaveda, Manusmriti*, Kautilya's *Arthashastra*, Shrimad Bhagavad Gita, Kathopanishad, and so on. These texts not only emphasize wealth and work but also give importance to morality and

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liberation, focusing on human development and well-being over capital or machinery. As a result, our production remained sustainable and continued to advance despite not being based on modern industrial machinery.

Historically, India has maintained strong trade relations with foreign countries. From the 8th to the 16th century, which is a crucial period in India's economic history, many foreign travellers visited India and described the country's geographical, historical, political, and economic activities.

In the 14th century, the Vijayanagara Empire made unprecedented efforts for the revival of trade and industry. National protection was also provided for economic revival during this period. In Krishna Deva Raya's book '*Amuktamalyada*,' it is mentioned regarding the progress of trade and commerce that:

"Every king should develop the ports of his kingdom and encourage trade in a way that horses, elephants, precious gems, sandalwood, pearls, and other goods can be freely imported into his country. He should establish a system where foreign sailors stranded on his country's shores due to storms, sickness, or fatigue can also be taken care of" (Verma, 1989: 465).

This statement elucidates the governmental policy for the progress of trade and commerce. The people of the Chetti community in South India were quite active in trade. Foreign trade in South India was prosperous, and the balance of trade was in favour of India before the arrival of the British.

In this article, we discuss Indian economic thinking after the section of introduction. In the following sections, we discuss the characteristics of Indian economy, commerce, and trade before the arrival of the British. In the subsequent sections, we extensively discuss the decline of our economy during British rule, leading up to a conclusion.

THE ESSENCE OF INDIAN ECONOMIC THINKING

Before the industrial revolution in India, when there was no modern transport system, every village in India was self-sufficient economically, especially in production, consumption, and distribution. This led to prosperity in our country. On the other hand in the present scenario, those countries claiming physical prosperity through modern technology and resource exploitation (accelerated due to the industrial revolution) face severe economic downturns periodically. The cyclical recession causes massive regression of the welfare and happiness of the masses. This implies that the principle of modern Western economic development is not sustainable.

Why did India experience sustainable development for a very long period of time of human civilization? The answer to this can be found in the Indian economic philosophy. The economic thinking was based on the following key principles in addition to human-centric economic thinking (Gupta, 2018):

1. Aptitude for skill development and creativity, work according to the capability and social needs, wages according to the work, moderate participation in the use and consumption in accordance with necessity.

2. Righteous acquisition through the path of wealth, representation of the divine or trustee in production, righteous utilization of wealth, and distribution in society.

3. Every hand should find suitable work, and schemes should be people-centric rather than capital-centric.

4. A sustainable economy that is resource-efficient, technically competent, and a social system capable of absorbing resources efficiently.

Due to these significant principles and regulations, our industry, commerce, and trade have prospered on a sustainable path. Our scriptures elaborate on key points to outline these principles such as the concept of fair pricing, measures for consumer protection and market regulation, the idea of fair wages, understanding appropriate interest rates, codes of financial conduct, guarantee of livelihood or minimum necessities, ethical distribution system, legal distribution system, security mechanisms for producers and traders, etc.

Thus, the credit for India's illustrious economic history goes to Indian economic principles and regulations. Whereas the mismanagement during the time of independence can be attributed to the oppressive policies during two centuries of British rule. Even today, poverty, inequality, significant depletion of natural resources, corruption, and other obstacles stem from imperialist and hedonistic ideologies in India and globally.

THE STATUS OF INDIA’S INDUSTRIES, TRADE AND COMMERCE BEFORE BRITISH ARRIVAL

Before the advent of the British, India's trade and financial system were quite developed. The business and merchant class were the most powerful group in the middle class. Wholesalers (Seths or Bohras), shopkeepers, moneylenders, and brokers formed different professional groups. They had mastered the art of transporting goods from one place to another. All these people belonged to the economically thriving class and were not state-sponsored. Even during Mughal-era India, traders played a crucial role in the economy. Moneylenders had expertise in money transactions, keeping money as deposits, lending money, and sending money from one place to another in the form of hundis. Hundi was a type of promissory note. Payments through hundis were made by cutting a certain percentage, sometimes including the amount of insurance, so that if goods were lost or damaged in transit, the cost could be recovered. Through these means, Indian traders could easily send their goods to Western Asian countries by ships and send them to places where Indian banking institutions had a presence. Thus, the existing contemporary system can be considered as the stepping stone or the precursor of the modern banking & financial institutions.

The commercial community in India was very large. Among them were some very wealthy merchants who lived a life of luxury. The prominent ones were Virji Vohra, who had a significant hold over the Surat trade for a long time and also owned a massive ship. The Coromandel-based Malay Chetti and Abdul Gafur Vohra were a few other examples. (Verma 2006: 441) has mentioned some merchants who possessed wealth of up to 80 lakhs rupees, which was equivalent to the trading power of the East India Company.

There were some prominent communities across India whose role as merchants contributed significantly in the economic prosperity of the nation. We have examples of Komatis and Chettis on the eastern coast, Khatris in Punjab, Jain Marwaris, and Hindus in Rajasthan, Parsis, Bohras, and Baniyas in Gujarat. Muslim merchants of foreign origin, who had settled in India, had established their significant positions in trading in Bengal, Gujarat, and the Deccan. By the 18th century, Marwari bankers and financiers had spread across various parts of the country.

Indian merchants engaged in the Indian Ocean trade played a crucial role in the country's foreign trade in the 16th and 17th centuries. Gujarat merchants primarily controlled India's maritime trade in the 15th century; these merchants traded in the Indian Ocean and dominated all sea routes from Cambay to Malacca. Indian ships sailed west to the Red Sea and Persian Gulf. Indian coasts had many international ports where Indian, Javanese, and Chinese merchants traded their goods. The government occasionally intervened in merchant affairs; it aimed to maintain peace at ports so that there were no obstacles to collecting government revenue. The government did not provide any protection to Indian-Foreign trade. Emperors had established peace and order in a vast region, which encouraged commercial and business activities.

It is known from European and Persian texts of the 17th century that merchants from wealthy and royal families were also involved in business activities. Jahangir, Nurjahan, and Prince Khurram had their own personal ships involved in trade in the Surat and Red Sea. Princess Jahanara also had her own ships which were used to transport goods for the Dutch and English. Dara Shikoh and Aurangzeb had their own ships as well, engaging in trade through the ports of the Red Sea and the coastal areas of Africa. Prominent nobles such as Mir Jumla, Asaf Khan, and others were also involved in commercial activities with their ships (Verma,2006: 449).

It is a wrong assumption that the economy was limited to production and consumption before the advent of the British and the British rule contributed to the exchanges, with a currency based economy and the production of commercial goods in India (Verma, 2006: 448). Kelvarton mentioned "As a result of sharp intelligence, subtle skills, and creative talent, Indian industries were relatively ahead of Western countries. In those centuries when Western navigation was completely undeveloped, India had built heavy cargo ships." (Desai, 1976: 12)

Textile was a major industry in India, producing cotton fabrics nationwide. It was highly admired, and was in demand worldwide. Dhaka's world-renowned muslin was a symbol of excellence. The Indian silk fabrics created a frenzy in foreign markets. The fame of Kashmiri shawls and their craftsmanship spread throughout Europe. Metalwork, sugar, paper industry, indigo dyeing, and other industries flourished in the 13th, 14th, and 15th centuries.

Some regions also saw the development of industries related to pottery, woodwork, and leather goods. Dyeing was a major industry in many parts of the country. While in some regions, work with gold threads and embroidery reached its peak. Mining for dyes, mercury, and to some extent iron extraction and glass manufacturing were also significant and developed industries. Similar to China, the pottery industry using Chinese clay was quite developed in India as well. Various products like ivory combs, beds, rings, anklets, earrings, beads, and many others were made, and there was a significant demand for them in the entire world, particularly in Europe. Even precious stones were worked with great skill (Desai,1976: 12).

Before the arrival of the English in India, craftsmanship was highly skilled in cities, which was artistically of a very high standard. According to Kelvarton:

"In ancient times, when Indian textiles, wall hangings, brassware, mosaic, gems, and jewellery were used in private and public buildings in Rome, the whole world was fascinated with India for attractive and beautiful objects until the beginning of the industrial revolution. " (Desai,1976: 12)

In most parts of the Mughal Empire in the 17th century, a developed market system existed. This system was based on currency, where bills, insurance, banking, and all commercial methods were present. Despite all these features, the characteristics of capitalism did not evolve in India because, though the development of the banking system was aligned with commercial expansion, this commerce was based on the traditional system of handicraft production. There was no control of the banker's capital over the production process.

These industries, while advanced, were fundamentally cottage industries. With the progress of industrial revolution in Britain, and the colonial expansion in India, it lagged significantly with modern industrialization in Europe. The British rule and policies played a significant role in dismantling these old industries. Behind all this, British imperialist policies were at work. Destroying the old Indian industries and undermining India through internal and external trade are indicators of their imperialist policy. The British were attracted towards trading with India due to high demand for Indian goods in Europe which made the trade quite profitable for them. Diffo expressed concerns about the high demand for Indian cotton textiles, "Indian cotton has entered our homes, private rooms, and sleeping quarters: our curtains, carpets, chairs, and even our beds were nothing but Indian fabric." (Shukla 1978: 52)

Initially the list of the East India Company's imports had now made this cotton fabric a significant replacement for cinnamon, pepper, and indigo. Due to the import of cotton textiles from India, the silk and wool industries in Britain were suffering significant losses. It caused protests by the manufacturers in Britain to ban the import of cotton textile. British merchants also claimed that a large amount of money was flowing from Britain to India due to this trade. In 1700, the British government imposed a ban on the use of imported coloured or printed cotton textiles. However, the demand for white cotton textiles continued in England even after this legislation. To reduce the import of white cotton textiles in 1702, a 15% import duty was imposed on white cotton textiles. Further, a new law was enacted in 1720 as an attempt to halt this import. However, it also proved unsuccessful, as there was an increase in the import of cotton and silk textiles from India to England. Such protective policies were not only adopted by England but other European countries as well. Except for Holland, all other European countries had significantly increased import duties on Indian textiles or prohibited their use. In 1760, a woman in Britain was fined 200 pounds for using handkerchiefs made from Indian cotton.

STATE OF INDUSTRIES, COMMERCE, AND TRADE DURING BRITISH RULE

After the Battle of Plassey in 1757, the East India Company gained political power in India. After obtaining political power, the East India Company established its control over the tax revenue of Bengal. Using its political power, the company compelled weavers to sell their goods to England at low prices, unlike before when Britishers had to provide gold and silver in exchange for Indian goods. The company, leveraging its political power, forced weavers to work in the company's factories and prohibited them from conducting independent work. Describing this situation, William Bolts wrote in 1767:

"The way in which the country's internal trade is now being conducted is entirely export-oriented, and to a large extent towards Europe from this country, presents a scenario of relentless exploitation. Every weaver and manufacturer in the country has experienced its harsh and damaging effects. Each product's production has been given the form of a monopoly, where the English businessmen and black agents come together to decide how much material each manufacturer will provide and in return, at what price they will sell it for." (Shukla 1987: 53).

To maintain pressure on weavers, companies began the practice of offering advances in rupees. According to this, weavers were given an advance amount and made to sign an agreement stating that they would deliver cloth on a certain date, in a certain quantity, at a specified price. The price of the cloth was very low, causing significant losses to the weavers. This situation of unjust treatment was not only prevalent in Bengal but was also being carried out with weavers in Surat in a similar manner. Weavers were compelled to maintain commercial relations with the company, and if they refused, they were penalized to the extent that they were forced to abandon this means of their livelihood. The company adopted another method for exploiting weavers, which was full control over raw materials, meaning weavers had raw materials available at a higher price and they were not free to sell their produced goods as they pleased. In this way, weavers faced double oppression. As a result, it proved extremely harmful for the weavers. While the company's employees earned well, the weavers did not benefit enough to sustain their livelihoods. This dealt a significant blow to Indian industries. In 1769, the Company's resident in Murshidabad wrote "This excellent country, which remained prosperous under absolute and despotic rulers, is now heading towards destruction as the hands of the English have gained more power in its administration." (Shukla 1987:55)

Another policy that hindered Indian trade was the excessive import duties levied on Indian goods imported by England. Despite all this, the demand for Indian goods continued in England because the goods manufactured in India were better and cheaper than the goods made in England. The impact on India's domestic industries was significant when Indian traders couldn't sell their goods not only in foreign markets but also in their domestic markets.

The decline of handicrafts, such as the textile industry, began in the latter half of the 18th century with the establishment of British rule. With the establishment of British rule, regional rulers also suffered setbacks in their social status and economic situation. Due to the economic decline of Indian rulers, the demand for artistic goods diminished significantly. As British rule expanded, most native rulers, including their courts, gradually disappeared. As a result, the main support for the protection, encouragement, and demand of artisans rapidly declined. The remaining native states either lacked sufficient resources to maintain their old way of life or attempted to emulate the lifestyle of European people. The immediate impact of these changes primarily affected those involved in producing luxury goods and artistic products.

The decline of artisan guilds began with the establishment of British rule as European merchants and their agents started to directly contract with artisans, providing them with money, raw materials, and other facilities. They also began to dictate designs and patterns to artisans, leading to a reduction in craftsmanship and artistic creativity of the products. Consequently, they couldn't maintain their dominance in domestic and foreign markets. The interest of European merchants and agents was solely focused on increasing production for more sales and profits.

The industrial revolution brought about a significant change in the economic and commercial relations between Britain and India. The establishment of factories marked an unprecedented increase in production, making it challenging to sell the increased production in British markets, leading to a surge in the demand for raw materials, which was difficult to fulfil from domestic sources. Mass production in the mechanised factories led to Britain's need for markets for its manufactured goods, raw materials for factories, mineral resources, and food products, for which it looked towards India.

AFTER THE INDUSTRIAL REVOLUTION IN BRITAIN

The economic structure of Britain changed after the Industrial Revolution. Following this revolution, a powerful industrial class emerged in Britain. This class aimed to end the monopoly of the East India Company in India so that all English traders could engage in business with India. This class compelled the company to adopt policies in India that would benefit British industries and make it easier to sell British goods in India. Britain initiated a policy of free trade in India. This policy was implemented in India at a time when Indian industries were declining. No taxes were imposed on goods imported from England to India, causing one-sided trade which was detrimental to India. India, once a major exporter of cotton goods, turned into a major importer of cotton goods from other countries.

Horace Wilson wrote about how the English expanded their industries at the expense of ours:

"The history of the trade in cotton goods with India is a sorrowful tale. It shows how a country that depended on India has treated it unfairly. If there were no resistances and laws, the mills of Paisley and Manchester would have shut down from the beginning, and they would not have survived competition even with the might of steam. The sacrifice of the Indian manufacturing industry led to the creation of British industries. Any self-defensive action that India could have taken upon independence was beyond its reach. It was dependent on the mercy of strangers. There were no taxes on goods made in Britain, and India was obligated to purchase these goods. British industrialists suppressed their Indian competitors with political supremacy and injustice, ultimately extinguishing them completely, even though they couldn't withstand fair competition." (Shukla 1987: 55)

In this way, centres like Dhaka, Murshidabad, Surat, etc., which were once major industrial hubs, rapidly declined, eventually leading to the collapse of numerous livelihoods and the end of the craft that sustained many people in India. Urban dwellers started moving towards villages, leading to an increase in the population of villages. Consequently, pressure on agricultural land in villages started to rise. People began to seek refuge in farming. There was a time when India was playing a leading role in sending industrial goods to countries around the world, whereas now it has turned into an agricultural colony for industrial Britain. In this way a specific colonial economic system was established in India, resulting in a market for raw materials from India to England and manufactured goods from England to India. Historians refer to this process as industrialisation. According to the studies of Rudradutt and Sundaram "The increase in population pressure on land due to the decline of handicraft industries became evident. Around the mid 19th century, about 55% of the population depended on agriculture, while by 1901, it had increased to 68%, and by 1931, it was 72%. The increase in population pressure on land resulted in rapid sub-division and fragmentation of land holdings." (Singh 1984: 231)

The main reason for India's industrial backwardness was that the government's policy was contrary to industrial development. The government formulated its commercial policies in a way that benefited British imperial interests. Due to pressure from the British empire, the Indian government was forced to abolish tariffs on imported cotton fabrics in 1818 and despite India's poor economic condition due to deindustrialization on the one hand, and, frequent famines, on the other, owing to British discriminatory policies in trade, commerce, and on land revenue made the condition of agriculture deplorable. Later, import duties were imposed on British cotton fabrics in India to increase revenue. Production tax was also imposed on the cloth of Indian mills, thus depriving Indian producers of the benefits they could have gained from import duties. The government's work in the name of the progress of

Indian industries was constrained to showcasing Indian goods in exhibitions in European countries and disseminating industrial and commercial information.

In the 1850s (Bhattacharya & Sabyasachi 1990), the British government in India accelerated public works to fulfil a number of vested interests. Railway construction began in India, roads improved and the railways adopted a policy of freight rebates for the goods to be transported to and from the ports at concessional rates. As a result of these changes, British goods began to reach the entire country quickly. Earlier due to the lack of transportation and communication facilities, rural artisans were shielded from foreign competition but now they got exposed at an unprecedented scale and speed. The self-sufficiency of villages was shaken due to the development of railways. Goods manufactured by British machines were cheaper and of better quality, leading to a rapid decline in demand for rural artisans' products. As a result, rural artisans also became unemployed.

The importance of waterways diminished due to the construction of railway lines. Many commercial centres based on handicrafts along riverbanks gradually started to disappear. For example, Mirzapur, known for its metal goods. The decline in river transportation led to its diminished significance. Cities such as Patna, Rivilganj, Saran, etc., which were prospering due to rivers, started to decline as trade shifted through railways. Consequently, craftsmen and artisans in areas with declining commercial significance became unemployed, prompting them to leave urban areas and move towards villages in pursuit of livelihoods. With agriculture being their only alternative source of income, rural artisans had already lost their full or part-time businesses and were forced to seek their livelihoods in the agricultural sector.

During the 19th and 20th centuries, Indian nationalists held the British government responsible for the decline of indigenous industries, trade, and commerce. According to them, this decline led to the process of industrialization, and increasing population pressure on land. Amiya Kumar Bagchi argues that, "deindustrialization during the 19th century (in India) was a result of capitalism in today's developed countries because despite high productivity growth in developed capitalist countries, it was necessary for developed capitalist countries to continuously invest resources from underdeveloped countries in order to maintain capitalist development in the 19th century , and thus exploitation of colonies was not sudden elimination by the predetermined activities (of handicraft industries), but was a prerequisite for the limited spread of capitalist prosperity." (Mishra 1997: 45-46)

During the Industrial Revolution, the decline of traditional handicrafts occurred in Western European countries in the 19th century. This decline led to the unemployment of all those involved who then found employment opportunities in factories as these emerged. Therefore, the Industrial Revolution in European countries created more job opportunities. This situation did not exist in places like India. The British did not establish industries or factories in India, which could have provided employment opportunities to the unemployed artisans. To mitigate the destructive effects of the industrial revolution, various protective measures were adopted in England. Protective measures were also implemented on a large scale in other European countries. However, no steps were taken to protect indigenous industries in India.

The Industrial Revolution began in Britain with the textile industry being the leading sector. The detrimental effects of the decline of textile industries were not felt by a large portion of the population there because manual spinning and weaving work were less significant compared to that in India. A substantial part of the demand for cloth in Britain was fulfilled through imports from India. In contrast, manual spinning and weaving were the largest traditional non-agricultural activities in India, involving a significant portion of the population directly and indirectly. Therefore, the destructive impact on this sector in India led to instability in the country's economy. While in England, the hardships caused by the decline of craftsmanship were quickly compensated to a large extent through employment and income generated by industrial factories. Indian artisans were paying the price for such industrial progress which was happening six thousand miles away from India as by the 1850s and 1860s, there were no existence of factories in India, and the economic progress continued to be disappointingly slow thereafter.

CONCLUSION

This article attempted to show that the Indian Economy including industry, trade, commerce, and financial institutions were quite developed and diversified before the advent of colonial period. Even during the medieval period of history, when there were frequent attacks by foreigners for plunder, India led in the contribution of the world's GDP and export. However, as this paper attempted to show, India witnessed massive deindustrialization with the collapse of indigenous industries under British rule. The British treatment of India reflects the true master-colony relationship with massive drain of wealth to support its industrial growth under the industrial revolution.

Due to British economic policies, industrialized India became an agrarian economy with huge pressure on the agricultural land. There were repeated famines in the country under British rule, with large numbers of people dying in villages due to starvation and disease. The economic plight of village residents led to a cycle of debt burden. The price of grains increased rapidly compared to wage growth, leaving employment stagnant. Foreign capital dominated the industrial and commercial sectors. Tax burdens increased, although there was no growth in national income. These economic trends caused increased suffering for the poor, discontent among the middle class, especially the educated class, and heightened political unrest among Indians. Thus, once a prosperous, and diversified economy transformed into an underdeveloped economy with disproportionate dependence on agriculture.

The evidence presented in this article suggests that credit for India's Golden Economic History should be attributed to Indian economic thinking. It is evident that the economic downturn even after Independence can be attributed to the oppressive policies of the British over two centuries of rule.

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