point of view will not radically change.

The highly industrialised partners like the U.S. and Japan want to expand sales in the less developed countries, to cut costs by artificially fragmenting technological process and transferring the most labour intensive operations, together with the sale of obsolete technologies. This is how technological superiority is preserved. It is something like an oriental saying: "the two partners sleep together, but have different dreams".

Again Indian experience shows that through technological and resource transfers, the industrialised countries build pressures to change the internal economic structure, impose their own economic structure on the aid-receiving country and above all transnationals are built.

To sum up, the problems of economic cooperation among the Asia-Pacific countries raise certain practical problems: They are:

(i) Can the problems of economic cooperation in this region be seen in isolation from the state of international economy and its impact on the region?

(ii) Can the coutries of this region reconcile their positions on trade negotiations on both goods and services?

(iii) Can some structure or mechanism be evolved for resource transfer from the developed countries of the region to less developed on the basis of equality?

(iv) Can the countries of this region set up an agency which works out modalities and concrete steps for intra-regional trade and the trade of the APC with other countries outside the region?

(v) Can the academics, experts and specialists make some intellectual contribution on their own and jointly in this direction?

It seems certain that to grasp complex and multi-faceted problems of economic cooperation, the process of dialogue, consultation and interaction should begin at least on the non-official level. The habit of discovering and agreeing to some minimum common interests can be firmed up only through this course.

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Historical Roots of Mass Poverty in India

Kalim Siddiqui *

Introduction

The phenomenon of mass poverty is not a continuation of the pre-colonial times economic order of India. By India I here mean Bangladesh, India, and Pakistan. In the early 18th century India's economic condition and its performance were significantly different from the European countries. In this article I shall argue that the British colonial policy created mass poverty in India.

We begin by defining the word mass poverty and later looking at this problem in historical context. Mass poverty is a situation where a large number of people in absolute terms suffer from a lack of basic essentials such as food, clothing, education, medicine, etc. In income terms one might say, the level of income is not enough to secure the minimum food items required for survival. It has been estimated recently that in India, nearly 38 to 40 per cent of the population has incomes below or around the subsistence level.

The European traders in their quest for wealth, penetrated into India, demolishing ancient civilizations in their path to plunder. India was at the mercy of colonial rulers, which resulted in a serious deformation of its economic, political, social, and cultural development. They also undermined the very foundation of the country's productive forces. The surplus extracted in India by violence and plunder provided Britain with very important sources for her industrial development.

The plunder of India promoted the development of industries in Britain. Britain became more prosperous and a major industrial power

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in the world, while India became poor and its economy deteriorated rapidly. According to official data, the British extracted from India a direct income exceeding 100,000,000 from 1757 to 1812.[1] The colonial tribute provided huge primitive accumulation for the development of capitalism. Observed Karl Marx: "The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for commercial hunting of black skins, signalized the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief moments of primitive accumulation".[2]

However, the pre-colonial villages in India were nowhere undifferentiated egalitarian societies. The village structure varied from region to region. But it generally contained a top layer—usually a group of high-caste; middle layer—peasants, and a bottom layer–low castes. The latter were poor peasants, who contributed an important work force in the agriculture sector. The bottom layer people were living below the subsistence level. This is a logical assumption for an economy producing an abundance of basic consumer goods, and that for consumption rather than exchange.

Indeed, the drain of Indian economic resources had been a major factor behind the creation of mass poverty in India. In 1871, Dadabhai Naoroji in his study entitled *Poverty and British Rule in India*, not only tried to estimate the magnitude of drain but also sought to prove that the mass poverty in India was a direct consequence of the 'drain'.[3] During the colonial rule, a large-scale abandonment of cultivation was a direct response to the unbearable revenue demand. The colonial policy brought epidemics, malnutrition, and starvation causing death of millions—has had no record in earlier Indian history.

Morecver, the production of relative surplus value involves an increase in labour productivity, and in order to achieve this under capitalism, the methods of production must be changed. By stopping India from developing its own engineering industries, colonialism forced India to use left over technology. Under such conditions the prolonging of the working hours became the important method to raise the surplus value. In many regions in India, under British rule, even simple reproduction was out of question. The population fell victims to mass diseases that wiped out entire communities.

Myth of Overpopulation

The prevailing image is that the mass poverty in India is due to over population. Many Western agencies such as the World Bank and International Monetary Fund (IMF) have long voiced their concern about the harmful effects of the population growth in India. They also blame the existence of mass poverty due to a high rate of population growth, especially after independence.

In the 17th century, the population in India was nearly one-eighth of the present. On the question of income level per head, Kuznets estimated that the income per head of population in India was probably higher than that in the pre-industrial phase of modern industrialised nations. The quality of land in the pre-colonial period in terms of yield was much better, as noted by Abul Fazal in *Ain-I-Akbari*, who gives the average yield per unit of three qualities of land—good, medium, and inferior quality.[4]

According to various estimates, the yield of wheat for Fazal's medium quality land was not less compared to the current yield on land under the 'green revolution'. Early 19th century accounts of yields per acre in the eastern part of the United Province (U.P.), which was known as a high fertility region but now almost a barren land, was higher compared to the yield per acre in England in the same period.

The fact is that the population growth of the European stock rose at a faster rate during the 19th century than earlier times, while the population in the Indian sub-continent remained nearly stable. As Kuznets noted: "The people of European stock rose from about 150 million in 1750 to about 800 million in 1950, a rise of 433 per cent; whereas the rest of the world population grew about 580 million to about 1,600 million or less than 200 per cent.[5]

Pre-colonial India

It is incorrect to assume, as sometimes done, that the economy of India under Mughal was based on village self-sufficiency and had little use for money. In fact, the money circulation was well established. The Mughal Emperor Akbar, for instance, left on his death a hoard of Rs. 70 million in cash. The annual expenditure from his treasury amounting in the later years of his rule to about Rs. 15 million. The income and expenditure of the state treasury in the 31 years of Shahjahan's reign amounted to Rs. 28 million. And in the 35th year of the Aurangzeb's reign to Rs. 37 million. As for the empire, total assessed revenue, according to *Ain-I-Akbari* (1595-6) was about Rs. 90 million. The extent to which banking had developed in the Mughal period should be seen in the context of the wide use of money. No wonder that Tavernier has to write as follows: "In India a village must be very small indeed, if it has not a money-changer, called Shroff (Sarraf), who acts as banker to make remittances of money and issue letters of exchange.[6]

Besides testing and changing money, the Sarrafs of the 17th century also issued and discounted '*hundies*', 'indigenous bills of exchange'. The sole purpose of a hundi was to allow one to send money to any place one wanted. If a person wished to send money, without incurring risks on the way and cost of the transit, he went to the Sarraf and deposited his money with him. In return, he was given a *hundi* issued in his name and addressed to the agent or a Sarraf at the other place. The *hundi* was an order for payment for the amount deposited. At the same time, there existed a tolerably well organised system of insurance (*bima*). It was carried out by the Sarrafs. The insurance was generally undertaken in respect of goods in transit and in respect of ships. There was no evidence that a house was insured.

There is no doubt that some kind of banking did exist in the Mughal period. The Sarrafs took deposits and advanced loans. The Sarrafs employed the money received in deposits in lending at higher rates of interests, the difference between the two rates being their gains. It seems that the Sarrafs, concentrated mainly on commercial credits. The rate charged by them ranged from 1 to 2.5 per cent per month. The loan was advanced to cultivators and artisans to be repaid in the form of produce or manufactured materials. There were also professional money-lenders known as *Mahajan*, who commanded considerable resource of money. The village headman too gave loans to peasants to help them in their cultivation. All indications show that in pre-colonial period, India had money economy to a considerable extent, that there existed a commercial paper, a system of insurance (*bima*) and deposits and lending. Thus, India on the eve of British conquest had an extreme spread of merchants and traders. It indicated a marked development of commodity-money relationship. The local financiers (merchants or traders) also often financed the Indian kings. For example, Aurangzeb sought a loan of Rs. 500,000 from a trader in Delhi. Some of them had accumulated vast fortunes and enjoyed great influence. The banking house of Jagat Seth was famous for its wealth. In western India the

banking houses of Arjunji Nathaji, Nagar Seth, Atmaram, etc. were well known in the early 18th century.[7]

Moreover, the living conditions of the artisans were very clearly illustrated in *Ain-I-Akbari* by Abul Fazal. The artisans were shown as wearing simple tailored upper and lower garments, head dresses and footwear—more than most of their contemporary counterparts could afford. The pay-scale mentioned covered from a reasonable to a very comfortable existence. The Mughal towns attracted artisans and workers in thousands, if not hundred thousands. In an agrarian economy with plentyful supply of land a shift to other occupation was always possible.

During the Mughal period, the Indian handicrafts industries were developed and were known for their good quality products to attract world buyers. The towns had been growing and the domestic and foreign trade were enlarging as well. There were mainly three reasons for the growth of the towns. First, the towns were the places of pilgrimage, religious, sacred places; secondly, they were capitals of the provinces; and thirdly, they were commercial depots, owing their importance to their peculiar positions along the trade routes.

The Indian artisans, whose skill in handicrafts had been of world fame, in order to meet the larger domestic and foreign demands, had to increase the scale of production: These industries were known as *karkhanas* and mostly owned by the artisans themselves. A famous Indian economist summarized it as follows: "During the Mughal period there was in India a considerable variety of arts and handicrafts which, indeed, exhibited a more advance economic and financial organisation than the crafts in contemporary Europe. In the first place, in several handicrafts, the specialisation of task advanced to the extent that particular groups of artisans came to undertake distinct process in the chain of production. Such integration and coordination of production were hardly reached in European handicrafts. Secondly, there were whole villages and towns which devoted themselves to the production of specialised products".[8]

Throughout the ages India occupied a unique position in the world as a main supplier of the world's several major items. And she had balance of trade in her favour. It was only settled by the export of treasure from Europe, who were commercially indebted to her. India did not import any machine or other products from other countries but precious metals.

The industrial supremacy of India up to the 18th century was because of her cotton and silk industries. India, "has manufactured and exported the finest muslins and other luxurious fabrics and articles, at a time when the ancestors of the British were living an extremely primitive life".[9] It was India's fabrics which made the Greek historian Herodotus (b. 484 B.C.) to write as such: "The excellent wild-cotton superior to sheep's wool, of which the Indians made their clothes".[10] In the 13th century Marco Polo, on his return from China via India had noted that Masulipatnum produced the finest and most beautiful cotton that is to be found in any part of the world. Describing the importance of cotton industry in pre-colonialism India the British colonial official Moreland had to concede : "The fact remains that the cotton weaving was by far the most extensive industry in India and I think it is fair to say that the aggregate production was one of the great facts of the industrial world of the year 1600".[11] Even as late as the early 18th century cotton weaving was a very important industry both in terms of foreign earnings and providing employment. Almost every town and village in Bengal had a cotton industry, and produced several varieties of cotton piece-goods. The spinning was carried out in most of the homes. The trade was carried out without the help of middle-men under pre-dominant competitive conditions.

The silk and Kashmiree shawl industries attracted traders from all over the world. In Bengal silk cloths were produced in most of the towns. The silkworm rearing, spinning and weaving of silk also provided an important occupation for the people. Bengal had a number of well-known silk producing centres. The European merchants sold Indian silk wares to the whole world. Besides cotton and silk, in iron works too, India was second to none before British occupation. As Ranade noted : "The famous 'Iron Pillar' near Delhi... indicates an amount of skill in manufacture of wrought iron which has been the marvel of all who have endeavoured to account for it... there are comparatively very few factories where such a mass of metal could be turned out. Canons were manufactured in Assam of largest calibre. Indian wools and steel furnished the materials with a worldwide repution, and foreign merchants in old times came all the way to India to obtain these materials. The Indian steel found considerable demand for cutlery even in England. This manufacture of steel and wrought iron had reached a high perfection at least two thousand years ago."[12]

South India was also wellknown for its commercial link with the other countries. It exported commodities like, pepper, pearl, beryls

(aquamarine gem), etc. The trade link of South India with other countries had been described by Vincent A. Smith in the following words: "Tamil land had the good fortune to possess three precious commodities not procurable elsewhere, namely, pepper, pearl, and beryls. Pepper fetched an enormous price in the markets of Europe. The pearl fishery of South Indian sea had always attracted a crowd of foreign merchants and who bought these commodities and paid in gold and silver".[13]

The Colonial Policy of Underdevelopment

The British occupation of Bengal in 1757 with the defeat of the Nawab of Bengal was mainly due to the betrayal of his military chief. British rule in India, which lasted nearly 200 years, could be divided into three phases. As the balance of forces inside Britain changed, its methods of colonial exploitation in India changed as well. The first phase was from 1757 to 1813 and could be termed as the period of merchant capital. The British policy towards India was merchantalist exploitation. During this period 'East India Company' enjoyed a monopoly of trade between Europe and India. The second phase was from 1813 to 1890, known as phase of industrial capital. It established a new basis of exploitation of India. In 1813, East India Company's trade monopoly was abolished in India. But East India Company ruled India until 1858, when the great mutiny, or war of independence, changed the British policy. And India came under the direct rule of the British Parliament. From 1858 to 1914, the policy of 'free trade' provided new ways to extract surplus from India. The third phase, from 1890 to 1947, was the period of finance capital. In this period export of capital became dominant. During this period the British investment in India was one-sided and did not stimulate the overall industrial growth in India.

Moreover, vast funds were spent for unproductive purposes such as military, colonial administration, etc.. While productive activity was confined largely to the extraction of raw materials. Even bank and insurance companies were developed to stimulate the production of raw materials.

In pre-colonialism India, as I have noted earlier, the forces contributed to the development of capitalism were getting strengthened as accumulation of capital in their hands were growing. These rising forces of traders, artisans, bankers, etc. were flourishing in the towns. The British after occupying India, began to destroy all these forces. The colonial rulers first recklessly plundered and later carried out in an organised form. The maximum exploitation of India was the motive of the British colonisers as Karl Marx wrote : "There have been in Asia, generally, from immemorial times, but three departments of government : that of finance or plunder of interior, that of war or plunder of exterior; and finally department of public works.... Now, the British in East India accepted from their predecessors the department of finance and war, but they have neglected entirely that of public works".[14]

The policy of maximum plunder adversely affected the Indian artisans. They were physically and economically harassed and turned into semi-slaves of the Company. An English merchant, who witnessed the Company's atrocities in India, had described this inhuman policy in such a way : "Inconceivable oppressions and hardship have been practised towards the poor manufactures and workmen of the country, who are, in fact, monopolised by the Company as so many slaves... various and innumerable are the methods of oppressing the poor weavers, which are duly practised by the Company's and Indian sub-agents in the country: such as by fines, imprisonment, flogging, forcing bonds from them, etc. by which the number of the weavers in the country has been greatly decreased". He further added : "Weavers, also, upon their inability to perform agreement, which was forced upon them by the Company, have had their goods seized and sold on the spot to make goods deficiency; and the winders of raw silk, called 'Nagoads' have been treated also with such injustice, that instances have been known of cutting of their thumbs to prevent their being forced to wind silk."[15]

By the end of the 18th century, in Britain the capitalism had made marked advance. The interest of the industrial bourgeoisie was influencing more and more domestic and external policies.

British capitalist, in order to raise their profit, demanded India to be transformed into a market for their industrial goods, and a source of raw materials. Britain, who had been importing Indian cloth since centuries, began exporting cloth to India. And according to official statistics, from 1794 to 1813 cloth exported from Britain to India increased seven hundred folds. India bought nearly 40-50 per cent of the British cotton exports. For instance, the total British export of cotton goods amounted to 68.9 million in 1986, while India alone imported 28 million.[16]

The war in Europe in the early 19th century and the continental blockade of Napoleon cut off European market for the British manufacturers. This prompted the British manufacturers to search more enthusiastically for the new markets. Thus the economic retardation of India increased when the cotton manufacture goods were absent from her exports and was listed in her imports. India remained a major importer of cotton goods from Britain.

However, the destruction of handicrafts led to the de-industrialisation in India in late 18th century. As a result, the percentage of population depending on handicrafts industries declined and the proportion of national income generated in that sector decreased also. The people removed from the handicrafts had to depend on agriculture, which was already stagnant and became overburdened. In order to absorb the growing number of people in agriculture, needed a large-scale investment. In the absence of such investment in agriculture, the living conditions of the people depending on it became worse.

Nevertheless, very insignificant irrigation works were constructed by the colonial government; it mainly aimed to raise the production of commercial crops which in turn raised the revenue of the government. The introduction of railways, which connected the interior villages from the ports, provided more access of the Indian markets for the British goods. Moreover, the policy of 'free trade' ruined handicrafts industry, as a consequence the urban population declined. The only city which showed an increase in the population was Calcutta, whose population rose from 179,917 in 1821 to 428,328 in 1872. Otherwise, the population of all major cities declined. For example, the population of Dacca (Dhaka) declined from 200,000 in 1800 to 68,595 in 1874, Faizabad from 134,000 in 1838 to 82,564 in 1911, and Murshidabad from 165,000 in 1815 to 46,182 in 1874.

In the agriculture sector the impact of colonial rule was the strengthening of pre-capitalist exploitation and the commercialisation of agriculture had two basic features : Absence of private property in the land; and the land was not a commodity. Under British this was altered and the so-called private property in land was established. The zamindars (feudals) up to the decline of the Mughal empire were in essence revenue collectors and they had no proprietary rights in land. The British according to Daniel Thorner : "Transformed the tax gatherers of the defeated local dynasties into near replicas of English landed gentry and the actual cultivators into their tenants. Thus... was the private property in land introduced into India."[17]

In Bengal, under the British, the land revenue increased sharply. As a British official wrote : "The revenue nearly doubled since Akbar's reign or since Suja Khan. The annual revenues of Bengal and its tribute had continued nearly uniform from the establishment of the empire of Akbar to its dismemberment in the reign of Mohammed Shah. But in less than forty years after this event, we find the revenue nearly doubled."[18] The company not only raised revenue but also took over the control of the production and sale of salt and opium. The Company paid workers and peasants below the subsistence level, and they were not permitted to choose different occupations. The surplus extracted from Bengal was spent partly to extend the British rule over the rest of India and to balance the trade with China, with whom Britain had trade deficit till 1830.

The major part of the economic surplus was taken as a straight political tribute from India. India was also charged the cost of defence against revolts. It had to pay the salaries of colonial administration. These British officials received a salary scale which was higher compared to the average income of Indian. Most of the revenue secured in India was transmitted to Britain. These, which Britain called 'home expanses', were a tribute that Britain extracted from India.

Table 1 The size of the colonial tribute was as follows[19]

Years	Yearly average (in thousand sterling)
1835-39	5,347
1840-44	5,930
1845-49	7,760
1850-54	7,458
1855-59	7,730
1860-64	17,300
1865-69	24,600
1870-72	47,400

The mechanism of the economic drain of India was well developed and resulted disastrously for the country. R.C. Dutt gave a fairly correct picture of this mechanism in the following words : "The annual economic drain to Britain is met directly from the revenue of India. A great part of the revenue of India is derived from the soil in the shape of the land revenue. The land revenue is realised, generally, from the cultivators in Southern India, and from the landlords in Northern India, who in turn extract rents from their tenants. Cultivators pay their revenue or rents by selling the greater portion of the produce of their fields and

keeping an insufficient stock for their own consumption. Exporting merchants have their agents all over the country to buy what cultivators are compelled to sell; and railways rapidly transport these purchases to seaports whence they are exported to Europe".[20] Karl Marx analysed the British colonial policy of loot in the following words : "What the British from India annually charge in the form of rent, dividends from railways that are entirely useless to the Indians, pension for military and civil servants, expenditure on the Afghan and other wars and so on and so forth, what they take from them without any equivalent, not counting what annually appropriate for themselves in India itself, that is the cost of only the unpaid produce which the Indians must annually ship to Britain, exceeds the total income of India's sixty million agriculture and industrial workers. This is a blood-thirsty outrage. One famine year follows another and the famine is of the proportion of which the European does not even suspect as yet".[21]

In the period of 1757-80 nearly 38 million was drained from Bengal by the colonial rulers.[22] It even increased from 1.78 million annually between 1783 and 1793 to more than 3 million annually between 1813 and 1822. Basing on these statistics, the external drain from Bengal was 3 to 4 per cent of the Gross Domestic Product annually in the early 19th century. Besides, nearly 2 to 3 per cent was war expenditure by the colonial government during the same period. Both of these expenditures together were 6 to 7 per cent, which annually was drained from India by the British, while British invested 7 to 8 per cent of National Income during its peak of her industrial revolution. It clearly shows that India greatly financed the British industrial revolution.

The colonial policy of maximum exploitation resulted in several famines, nearly a third of population died only in Bengal between 1769-71. The famine was created by raising revenue and buying all the grains during the harvest and thus creating grain shortage later. "Between 1766 and 1770 the English manufactured a famine in Bengal by buying up all the rice and refusing to sell it again, except at fabulous prices."[23] During the Mughal period, surplus was spent inside the country, which in turn created more demand for the local products and as a consequence provided more jobs. While under the British rule the economic surplus was drained away and was not spent in India. In Bengal, the efforts of the Company to organise a regular flow of revenue and the less orderly capacity of its servants, most of whom came to India on a pay of a pound a year and went back to England with fortunes estimated in millions. In Madras, for instance, the English creditors of the Nawab of Arcot held the revenue of several districts as ransom and acted more like usurious money-lenders than administrators.

Under the Mughal rule, the land revenue was assessed on the area actually cultivated, whereas British assessed land revenue on the basis of the amount of land a person was entitled to cultivate. Therefore, the revenue system under the British was a significant departure from the previous governments and assessment was made on the basis of what and how much the land ought to produce and not on the crop that was actually grown. In Madras, for example, between 1861-64 and 1894-98 the land revenue increased by 51 per cent, while area under cultivation increased by only 28 per cent. Moreover, the Mughals had calculated the land revenue in cash but collected in kind. The British calculated in cash and collected in cash. Under colonial rule, the peasant's inability to pay rent led to loss of land, while under the Mughals, this simply did not happen. The British did not introduce full private property in land. It was hindered due to the existence of intermediate tenure holders, indebtedness, etc. Thus, the realisation of full private property in land was incomplete.

The peasants were forced to grow crop that would enable them to pay rent in money. Blyn and Sivasubramanium have found a long-term decline in crop-yields except for tea, cotton and sugarcane.[24] The fall in the life expectancy between 1872 and 1921 strongly suggests for deterioration in the socio-economic conditions of the people. For example, life expectancy in 1872 for male was 23.67 and for female was 25.58, which declined to 19.42 for males and 20.91 for females in 1921. The peasants left with almost no surplus and mostly fell under debt bondage. Hence, they could not maintain the fertility of the soil or spend more money on cattle, fertilisers, etc. The increase in land revenue created a condition for further penetration of the money-lending in rural areas. This further strengthened the landlords' grip over the poor peasants. Money-lenders did exist in pre-colonial India but they could only appropriate goods or labour services and were unable to take away the land from the peasants. But under the British, with the removal of restriction on transfer of land and compulsion to pay land revenue fixed in money, many peasants joined the army of landless labourers.

After the introduction of the permanent settlement of land by the British, money-lending operation became more common. There developed between the cultivators and the zamindars (landlords) a series of

parasitic middlemen, each one of whom sought to make the maximum profit. With the introduction of *Royatwari* system in South India, the colonialist sought to maximise the extraction of surplus from the peasants. As the director of the East India Company himself had accepted in these words : "It cannot be concealed or denied, I think, that the object of this system is to obtain for government the utmost which the land will yield in the shape of rent."[25]

The process of sub-letting, and through the dispossession of the original cultivators by the money-lenders, feudalism has spread extensively in *Royatwari* areas. It was estimated that only 30 per cent of the land was cultivated by the owners in Madras and Bombay. In these provinces between 1901-21 the number of non-cultivating land owners increased from 19 to 49 per thousand. Similar trends were noted in Punjab also. According to Punjab Census Report for 1921, there was an increase in the number of persons living from agriculture rent from 626,000 in 1911 to 1,008,000 in 1921. In the United Province between 1891 and 1921 the number of persons deriving their main income from agriculture rent rose by 46 per cent.

The declining consumption of cloth between 1905 and 1932 further indicated the growing poverty among the peasantry. The average annual cloth consumption per capita for the country as a whole for certain years had been as follows:

Table 2 Consumption of cotton piece-goods per capita for the country as a whole[26]

Year	Yards
1905-06	13.21
1910-11	12.71
1915-16	13.27
1919-20	8.80
1926-27	11.31
1930-31	9.49
1931-32	10.40

The civil war in the United States provided cotton boom in India. The soaring cotton prices boosted the income of the cotton growers. But soon the colonial officials raised the land tax and appropriated a large share of this income. When the United States cotton reappeared in the world market, the prices of Indian cotton fell sharply, but land tax was not reduced. The result was rapid rise in the debts and starvation among the peasants. Indeed, the expansion of export led to a significant change in the pattern of agriculture production. Whereas formerly the farmers produced to meet only the needs of their family members and state revenue. But later they began increasingly for cash sales, as I noted earlier. The commercialisation of agriculture led to regional specialisation. Thus, the farmers instead of growing all the crops needed for their consumption began to produce one or two cash crops. The following table gives us the detail of agriculture products exported from India.

Table 3 The percentage of export to total production for principal Indian crops for the year 1913-14.[27]

Crops	Percentage of exports
Tea	96
Linseed	73
Raw cotton	56
Jute	51
Indigo	40
Ground nut	35
Wheat	14

Moreover, the colonial government investment in irrigation prompted the export of food and non-food grains. It undermined the cultivation of dry crops such as millet and pulses. These crops were staple food for the poor, and for the poor it was an important source of protein. There was likewise an increase in the shipment of raw materials from India to Britain. Indigo became a major item of export in the first half of the 19th century. British-adverse trade with China was met by the export of raw cotton and opium from India. In 1797 opium trade was banned in China but British traders smuggled opium into China. It was estimated officially that the opium export to China rose from 8 million annually in 1853 to more than 10 million in 1875. The British colonialist derived vast income from the opium shipments from India to China. The peasants in India, who were forced to grow opium, received less than one-fifth of the price paid by the Chinese consumers. A box of opium, for instance, cost the British about Rs. 250 in Calcutta, they sold it in China for Rs. 1600 to 1700.

The larger part of the economic surplus extracted by the colonial rulers, was not invested in India, where it was created. It was either sent

to Britain or later to the colonies of white settlement such as Australia, Canada, the U.S.A., etc. This left very little for the native Indian bourgeoisie to expand their own base. This means the process of growth of the native bourgeoisie was undermined by the colonialism. Only Japan was able to develop a domestic capitalist base in the era of industrial revolution in Europe. For this purpose, Japan strictly did not permit the entrance of foreign capital to dominate its economy. In India this was not the case. But later, in the beginning of the 20th century, when competition and conflict among the colonial powers became more sharp and weakened their position, the native capitalist in India could demand for bigger share in the economy. Despite of this, the racial discrimination, which served to keep the non-white labour force in subjugation, also served to hinder the entrance of Indian capitalist from the most profitable avenues of investment.

Among the modern industries—jute, coal, plantation, etc. were the only major industries which the British capitalist found profitable to establish in India. The coal mining development was closely connected with the railway construction. Since the railway consumed a large share i.e. more than one-third of the total coal output, it should be noted that in these industries no major changes in technology took place between 1900 and 1940. These industries did not bring any change in general character of India's economy. India remained an agrarian and raw material adjunct of Britain. And in 1890 in Britain the finance capital interest dominated, which indeed intensified the exploitation of Indian peasants and working people. The finance capital captured the key positions in nearly all sections of the Indian economy. It owned the largest and modern industry in India. As the following table clearly indicates this point.

Table 4 British position in India's large scale industries in 1915[28]

Industry	Total number of units	British units	Employment in total(in 0000)
Cotton spinning and weaving	278	34	273.5
Jute mills	72	72	250.8
Dockyards and port trust work	9	9	112.24
Sugar	30	8	7.8
Wollen mills and carpets	23	2	11.9
Paper	7	2	4.7
Printing press	102	17	16.7

The railway construction in India was a major sphere of British capital investment, which was profitable field for the British capital. It also provided British goods access to the interior areas of India. The railway stimulated the production of raw material for export. And various parts of India became largely single-crop areas. Punjab specialised in wheat, Bengal in jute, Maharashtra in cotton, Assam in tea, etc. In contrast to what happened in Britain and in the United States, no railway equipment industry was developed during the colonial rule. Since India was forced to follow the 'free trade' policy, which was biased towards the purchase of railway goods from Britain, there was no facilities to give technical 'know how' to the Indian workers and all higher jobs were preserved for the British. The British capitalist had monopoly over all modern means of transport and communication—railway, telegraph, radio, etc. The technological backwardness of colonial India was pre-requisite for the extraction of colonial tribute. Thus the British monopolies extracted super profits from their investment in banking, railway, shipping, remuneration for the technical services, etc.

Conclusion

My findings contradict the prevailing myth that the existence of mass poverty in India is due to over-population. Such a myth implies that Indians are themselves to be blamed for their misery and impoverishment. It also completely ignores the phenomenon of the large-scale growth of landlessness and increase in the number of agriculture labourers, and occurrence of famines under the British rule. This is completely wrong to ignore the historical causes which under-rates colonialism and its impact on Indian economy; such as de-industrialisation, de-urbanisation, decline in the living standard of the masses, bottleneck to the growth of modern industry and the causes of shift to commercial crops such as indigo and opium during the British colonial rule in India.

The near total subjugation of the Indian market by the British capitalist generated only a weak impulse towards the capital formation and the economic growth in India. Colonialism ruined the Indian economy and created a very complicated situation. On the one hand, it created the large number of reserve army of labour, and transportation, on the other hand, it narrowed the limits in which development could take place due to the extraction of surplus from the native producers and the deliberate policy of 'free trade'.

Therefore, the domination of the Indian market by the British capitalist did not correspondingly generate capital which would have provided stimulus to development. Instead, it brought misery to the people by destroying Indian industries. The rebellion of 1857 and the abolition of the rule of the East India Company in 1858, marked the beginning of 'free trade'. The annual drain during this period has been estimated at 4 per cent of the national income. This means that India had to have a saving rate of 4 per cent of the national income merely to pay an annual tribute to Britain, that was one of the most important factors for the lack of internal stimulas for development, which created mass poverty and low per capita income in India.

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