Introduction
PRE-COLONIAL PERIOD

India in the pre-colonial period had a stable economy. Self-sufficient agriculture, flourishing trade and rich handicraft industries were some of the features of the Indian economy. In spite of the fact that the Indian villages were largely self-sufficient units and the means of communication were primitive, India enjoyed extensive trade both within the country and with other countries of Asia and Europe. A balance of the imports and exports was maintained. The items imported into India were wool, dates, dried fruits and rose-water from the Persian Gulf; coffee, gold, drugs and honey from Arabia; tea, sugar and silk from China; gold muck and woolen cloth metals like copper, iron and lead and paper from Europe. The main items exported from India were cotton textiles. Besides cotton textiles which were famous all over the world, India also exported raw silk indigo opium rice, wheat, sugar, pepper and other spices precious stones and drugs¹.

The major features of Indian trade in pre-colonial times were (i) a favourable balance of trade and (ii) a foreign trade most suitable to the level

¹ Gadgil, D.R. *Industrial Evolution in India*, Pp: 57-60 (Calcutta, 1950)
of manufacturing in India. A favourable balance of trade meant an excess of exports over the imports i.e., India exported more than it needed to import. Since the economy on the whole was self sufficient in handicrafts and agricultural products, India did not need foreign imports on a large scale and continued to enjoy a healthy trade. Secondly, India’s foreign trade suited its requirements very well. In other words, the commodity pattern, so important to any country’s foreign trade was in India’s favour. India exported the items it specialized in and imported ones it needed.

One major change that occurred in India’s foreign trade from pre-colonial to colonial times was in its commodity pattern. Although India continued to have an export surplus, the pattern of foreign trade turned up side down and thereby ruining India’s rich traditional handicrafts.

India was a land of extensive manufacture. Indian artisans were famous for their skills all over the world. In fact, the reason for India’s favourable foreign trade was its excellence in indigenous production. India involved in large scale manufacture of cotton and silk fabrics, sugar, jute,
dyestuffs, mineral and metallic products like arms metal wares and oil. Towns like Dacca and Murshidabad in Bengal, Patna in Bihar, Surat and Ahmedabad in Gujarat, Jaunpur Varanasi, Lucknow and Agra in UP; Multan and Lahore of the Punjab, Masulipatnam, and Visakapatnam, of Andhra; Bangalore of Mysore and Coimbatore and Madurai of Madras were flourishing centers of textiles industry. Kashmir specialized in wooden manufacture Maharashtra, Andhra and Bengal were prominent centers of ship building industry. Many European companies brought India's ships for their use.

Towards the end of the 18th century India was undoubtedly one of the main centers of world trade and industry. This status of India was completely destroyed under colonial times. Its beginnings can be traced to the after-math of the industrial revolution in England. The machine-made cloth of England began to replace indigenous manufacture, Indian artisans were forced out of production. It was this pressure from British goods, which led to the decline of India's traditional centers of economic activity mentioned above. The number of weavers also declined.

Colonialism is a system of domination, exploitation and underdevelopment of one society by another. The stages of colonialism may be classified into three:

The first stage of the colonial rule was that no basic changes were introduced in the colony in administration, the judicial system, transport and communication, methods of agricultural or industrial production, forms of business management or economic organization, education, culture and social organization.

The second stage of colonialism was the making of the colony into a subordinate trading partner which would export raw materials and import manufacture. The colony’s social surplus was to be incorporated through trade on the basis of selling cheap and buying cheap.

Politically and administratively, the third stage of colonialism meant renewed and more intensive control over the colony.
Regarding colonialism in India, the crucial role was played by the colonial state i.e. Britain in the subordination of India to her and in constructing, determining and maintaining other features of the colonial structure. India’s policies were determined in Britain in the interest of British economy and the British capitalist class\(^3\)

It may be stated here that sharp differences have always existed and continue to persist among scholars and historians of the west regarding their evaluation of the impact of the British colonial rule over the economy, society and polity of India. According to many western scholars, British rule provided political unity and stability of governance to India. British scholars have maintained that the British rescued India from chaos and provided political stability.

Indian political unity was at first myth, an abstract concept that was characterized into reality by British rulers. In the absence of political unity, eighteenth century India had a very low level of Commerce and capital

---

accumulation and its implication was that British rule to India has to deal with a very low level of economy. This argument of western writers challenges the nationalist argument that India was economically very attractive and profitable for British.

Western writers have suggested that the history of India revealed a very low level of agricultural productivity because it was based on a 'nonanimalpowered agriculture'. According to many Western historians the absence of any worthwhile technology kept a large proportion of India Virgin land as late as 1870. The British in India introduced Tobacco, potato and peanut cultivation.

According to them, India could not claim any great achievements in manufacturing because it lacked technology. Although India had some excellent craftsmen and produced textiles and few other manufactured goods, but they were the result of hard work and not of any developed technology. The evidence for this viewpoint is gathered from the seventeenth century records of the English that point out to the inelasticity
of textile productivity in India. W.H. Moreland and many other scholars have used the evidence of early European travellers to prove that Indian technology was poor. On the basis of such evidence, Morris observes that, “The Indian sub continent was a region in which per capacitor income was relatively low in the country before 1800. Given the lack of political stability, low agricultural and non agricultural productivity and insignificant commerce no other conclusion is supportable.4

If the opinion of Morries D, W.H. Moreland, or European travelers or British factory records are accepted that India was underdeveloped when the British gradually conquered it, then the implication is that the British conquest of India was beneficial for the economy, society and polity of this country. India achieved benefits from British rule and they are enumerated by the western scholars thus: The British provided political unity; they developed a system of roads and rail transport which had a positive impact on the economic development of India; they developed irrigation and other public works which facilitated the growth of agriculture, commerce and manufacturing activities in India.

The western writers made two points clear regarding the impact of British rule over India. First, on the eve of colonial expansion, the British found a highly underdeveloped India with productivity in agriculture very low per capita income and absence of any developed technology or tools for manufacturing. The benevolent policies of the British helped in the establishment of political unity, a system of governance and it laid the foundations of economic development in India.

As against the western view-point, the Indian nationalist scholars put forward a different hypothesis. Dadabhai Naoroji, Ramesh Chandra Dutt in the nineteenth century and Rajni Palme Dutt in the twentieth century represented the Indian nationalist perspective. The two important aspects of British colonial rule over India highlighted by them were the ‘drain theory’, and the theory of ‘de-industrialisation’.

The drain theory, as formulated by the Nationalists, referred to the process by which, a significant part of India’s national wealth, was being exported to England for which India got no economic returns. In other
words, India was made to pay an indirect tribute to the English nation. Needless to say, this drain of India’s wealth to England in the form of salaries to the British officers posted in India, home-charge and the profits made on the British capital invested in India, benefited England and diminished the sources for investment in India. The British benefited immensely from the plunder and exploitation of India. Lord Curzon wrote: “India is the pivot of Europe..... if the empire loses any other part of the Dominion we can survive, but if we lose India the sun of our Empire will have set”

The company obtained Dewani or Civil administration rights over Bengal, Bihar and Orissa in 1765 and this opened new opportunities for plunder by the Company because of Diwani rights caused land revenue to be remitted by the Company to England. This monopoly of plunder and exploitation by the Company continued till the end of the eighteenth century when England moved from mercantile capitalism to the industrial revolution and the emerging industrial capitalists in Britain started demanding the end of Company rule in India.

---

5 Gopal, S. - *British Policy in India, 1858-1905*, Pp: 175-77, New Delhi, 1975
Besides the external drain theory, the nationalists argued that British rule led to the de-industrialisation of India. India was an exporter of cotton manufacture and this was how the Company started its trade but gradually India became an exporter of cotton manufacture and thus Indian artisans, craftsmen and important trading centers collapsed and whatever manufacturing activity existed was destroyed under the impact of imports of cotton manufacture almost exclusively from Britain. Amiya Bagchi observed "for more than seventy-five up to 1913, India remained the major importer of cotton goods from Britain, often taking more than forty percent of the British exports".

Thus the industrialization of England was accompanied by the decline and destruction of the Indian cotton on manufacturer. From the early 19th century onwards India witnessed a steady decline in population dependent on indigenous industries and a consequent over burdening on agriculture as a result, Sumit Sarkar has summed up these proved injurious to both political ramifications up.

---

6 Bipin, Chandra, Colonialism, Stage of Colonialism and the Colonial State
"The sufferings of artisans have to be kept in mind as a significant factor in the understanding of many movements of our period; both in the way in which de-industrialisation stimulated patriotic sentiments among intellectuals alike in the Moderate Extremists and Gandhian era, as well as more directly, in occasional urban and rural explosions of various types".7

The decay of Dacca, Surat, Murshidabad and many other flourishing towns bear testimony to de-industrialisation of India. Sir Charles Trevelyan observed in 1840.

"The population of the town of Decca has fallen from 1,50,000 to 30,000 or 40,000 and the jungle and malaria are fast encroaching upon the town....... Decca which was the Manchester of India, has fallen off from a very flourishing town to a very poor and small one; ‘the distress there has been very great indeed’."8

The twin processes of the drain and de-industrialisation were carried out extensively through the various stages of colonial rule. The process itself

8 Ibid, Pp: 70-71
started from 1757 when, with the battle of Plassey, the East India Company, representing the British mercantile class, took over Indian control. During the same period a fundamental change was taking place in Britain by a series of inventions leading to the Industrial Revolution. Before the inventions, the Bank of England was established in 1694 and the plunder of India helped capital accumulation and inventions helped in generating the Industrial Revolution. The transformation in England created new interests and to East India Company became the target of attacks in England and finally its fate was sealed by the War of Indian Independence in 1857.

The impact of British rule in the initial stage has been summed up by R.P. Dutt.

"While machine-made cotton goods from England ruined the weavers machine-made twist ruined the spinners. Between 1818 and 1836, the export of cotton twist from England in India rose 5200 times. The same process could be traced in respect of silk goods, woolen goods, iron, pottery, glass and paper."
The effects of this wholesale destruction of the manufacturing industries of India on the economy of the country can be imagined. In England the ruin of the old handloom weavers was accompanied by the growth of the new machine industry. But in India, the ruin of the millions of artisans and craftsmen was not accompanied by any alternative growth of new forms of industry ... ... The old populous manufacturing towns, Dacca, Murshidabad... Surat and the like, were in a few years rendered desolate under 'Pan-Britanica' with a completeness which no ravages of the most destructive war or foreign conquest could have accomplished”

The merchant capital of Britain, found new opportunities in India, when the Company started its conquests in which monopolistic buying of Indian materials was undertaken by the revenue earned from India and they were exported to foreign markets with maximum profits. The pre-industrial British capital, instead of making so called 'investments' were buying Indian commodities for profitable exports on the basis of money earned from revenue in India. Thus the conquest of India by the British East India

---

9 Dutt, R.P. India Today, Pp. 131–132, Bombay, 1979
Company gave it the 'power to levy and collect and revenue and other taxes', and on the basis of the gross profits the Company exploited Indian commodities. This 'Semi-bondage' situation in India made by British mercantile capitalism earn 'tribute from conquest'. According to professor Habib, during the later half of the eighteenth century the total British imports from India increased from 12 percent to 24 percent and the British exports to India increased from 6.4 percent to only 9 percent of the total British exports.\(^\text{10}\)

The phase of merchant capitalism gave way to the phase of Industrial capitalism towards the beginning of the 19\(^{\text{th}}\) century. Now the emphasis shifted from revenue collection and trade to new forms of surplus appropriation. Indian economy was now geared to serve the interests of industrial England. India was now used to provide new material to the industries of England and a market for the ready made British manufactured industrial goods. Indian resources continued to be drained out in England, although in different forms. Similarly the process of de-industrialization also got accelerated.

After 1857, when the British government took on direct control of India, some British capital also started pouring into the Indian market, along with the manufactured goods. This was the result of accumulation of capital at an unprecedented level in the leading industrial countries. Now England needed India, not only as a market for their goods but also as a favourable ground for the investment of their capital. As a result India started getting industrialized but only on foreign capital. All the major industries like Railways, Jute Iron and Steel (With the exception of cotton textiles) were being run by British Capital. Its result was a further drain of wealth, as all the profits made on British capital were going back to England. Thus up to the end of nineteenth century India was sucked by the British during both phases of colonialism i.e. during mercantile capitalism and the industrial revolution in England.

The term 'Madras Presidency' was applied to certain areas in South India which passed to the British through historical causes, in course of time and its basic formation was completed by the beginning of the 19th century.
Before that the East India Company's possessions included the northern circars, the Jagir of Chingleput district and a number of isolated 'factories' along the coast. Then the company obtained a large number of portions of Tipu's Kingdom including Malabar, Salem and parts of Dindigal. There was another considerable accession of territory, comprising Coimbatore, Canara and Wynad after the Mysore Wars. The administration of Tanjore was taken over from the Raja. The Nizam of Hyderabad relinquished the districts of Cuddapah, Bellary and Karnool, generally known as the ceded districts to the British. Then, the Nawab of the Karnatak was relieved of his territories and Nellore, North Arcot, South Arcot, Tiruchirappali, Madurai and Tirunelveli were added to the company's possessions. These areas constituted the Madras Presidency. Except North Canara which was transferred to the Bombay Presidency, the area continued as it, when India became independent in 1947.\textsuperscript{11}

The Establishment of the three Presidencies of Madras, Calcutta and Bombay was the natural outcome of the efforts of a foreign naval power to

\textsuperscript{11} Rathnasamy N, \textit{Some influences that made the British administration in Madras, 1939, Page -2.}
secure footholds on the Indian subcontinent for enlarging its commercial prospects. These original factory settlements, meant purely for establishing trade contacts with the natives, later became three vital strategic points from which the British after eliminating the rivalry of the French, advanced simultaneously in the North, South and West in India. They formed the nuclei around which were grouped the territories that the British came to acquire by cession or conquest. Of the three Presidencies, Madras held a place of prime importance in the early history of British India. Fort St. George was built before the cession of Bombay and the founding of Calcutta. Above all, Madras was strategically the most vital place for English in the early stages of this consolidations. The Presidency of Madras was formed by the acquisition of territories from the native rulers through conquest and cession. Both war and diplomacy, played their parts in its formation.\(^{12}\)

Commerce, in the full sense of the dictionary definition, is "the interchange of merchandise on a large scale between nations and

individuals". Commerce may be said to have been born in Madras only towards the end of the year 1639\(^{13}\) Indian trade and crafts had been an important contributory factor from time immemorial to her immense wealth in the past. The finished products of Indian industry as well as her natural products such as pearls, perfumes, dyestuff, spices, sugar etc., were exported to distant counties and Indian imported gold, copper, zinc, tin, lead, wine, horses etc., but there was always an excess of exports over imports, which meant necessarily the influx of a large quantity of gold. In the first century Pliny, the Greek Geographer bitterly complained of the drain of gold from the Roman Empire caused by the use of Indian luxuries.

During the first hundred years of this survey, the trade and general prosperity of Madras increased with astronomic rapidity. But from the middle of the eighteenth century a long period of trade recession set in and the forward march was, for nearly a century, seriously checked. The main reasons for this are not for to seek, and may be recorded under three main headings.

\(^{13}\) Hodgson G.H. *Three Hundred Years of Madras commerce in Madras. Trycentenary Commemoration Volume*, P. 235, Madras.
Firstly, War and misrule in the interior as a result of which many thousands of the tillers of the soil left their villages and fled to the hilly tracts.

Secondly, the industrial revolution in Europe resulting in the gradual introduction of the steam-driven loom, and the growth of the factory system.

Thirdly, the policy of protection which resulted from this 'revolution'. One might also add a fourth cause, namely the long drawn-out wars in Europe resulting in the struggle for supremacy in India between France and England which centered mainly round Madras.

The indigenous industries declined by the 19th century. This was partly due to the competition of cheap goods produced by machinery and partly due to the unwillingness of the Government or the Company to protect or encourage Indian trade and crafts.

So, by the first half of the 19th century, India lost the proud position of supremacy in the trade and industry of the world which she had been

\[14\] *Ibid*, P. 237
occupying for well over two thousand years and, was gradually transformed into a plantation for the production of raw materials and dumping ground for cheap manufactured goods from the West.

The position did not improve even under the rule of the Crown. The Government did not think of protecting and rendering aid to indigenous industries because this would have adversely affected British trade and industry which was flourishing after the Industrial Revolution. This non-interference was defended on the academic ground that the British Government adhered to the policy of Laissez Faire as the best policy to be followed by the state in economic matters. This policy suited the interests of British, traders and industrialists admirably well, who were able to exploit the raw materials and the rich resources of undeveloped countries like India.

The Indian spinning and weaving trades were the most badly affected by foreign competition. Raw materials like cotton were exported to England where they were made into cloth. Finished cloth was imported into India and
sold in Indian markets at competitive rates. This ruined the Indian cotton industry and rendered the weaving community unemployed. "The rapid development of machinery and manufacturers and the cheapness with which cotton clothes were produced in England led to India being flooded with Manchester goods to the injury of the weaving classes"15

Another industry which had suffered foreign competition was the manufacture of iron. In this essay of Indian economics Mr. Justice Ranade wrote "The iron industry not only supplied all local wants, but it also enabled India to export its finished products to foreign countries. The quality of material turned out had also world – wide fame. The famous iron pillar near Delhi, which is at least fifteen hundred years old, indicates an amount of skill in the manufacture of wrought iron, which has been the marvel of all who have endeavored to account for it.... The Indian Steel found once considerable demand for cutlery even in England. The manufacture of steel and wrought iron had reached a high perfection at least two thousand years ago16.

---

15 Srinivasa Raghvaingar, S. The Memorandum on the progress of the Madras Presidency during the last forty years of British Administration P.P. 117-118.
The Salem District Gazetteer states, "Iron-smelting in Salem District is an art of extreme antiquity. The remains of slag mounds and furnaces in numerous villages, not only in Attur, Salem, Omalur and Tiruchengodu but also on the border line of Hosur and Krishnagiri taluks, and even in the heart of Anchette jungles, testify to the wide extent and importance to the industry."  \(^1\)

It is a fact that British did not develop this industry. Of course elaborate enquiries were made in the last decade of the nineteenth century as to whether the iron ores of Salem District could be exploited on a commercial scale. But the idea was dropped on the pretext of the heavy expenditure to be incurred on fuel.

The destruction of indigenous manufacturers had the effect of impoverishing the artisan classes and driving them to agriculture which owing to the capriciousness of the seasons was a precarious industry and the

\(^1\) *The Salem District Gazetteer*, P. 272
result was that the population as a whole was growing poorer and poorer everyday and losing in stamina. The position of the labourers had thus deteriorated under the rule of the Crown.

Not merely did industries suffer but indigenous trade also declined. Foreign trade rapidly increased during the nineteenth century. Internal trade was accelerated on account of marvelous improvements in communications. Nicholson in his Manual of the Coimbatore District has so well described the revolution in trade effected by the improvement of communications in that district that his remarks may be usefully quoted. He stated 'from various reports it is known that in 1800 there were practically no roads, but merely tracks, there was not a cart in the district and what the traffic existed was carried on by pack bullocks, and by ponies and by basket boats on the Cauvery.\textsuperscript{18}

Laying of roads, the gradual introduction of railways and other communications like the post and telegraph have increased the volume of

\textsuperscript{18} The Manual of the Coimbatore District – Vol. II, P. 131
trade during the nineteenth century but, in the absence of real industrial development in the country, this development of trade only benefited Western industrialists, helping the exports of raw materials from India and import of Western manufacture.

The volume of overseas trade began to increase enormously with the opening of the Suez canal. In 1855-60 the average annual value of Indian trade was about fifty-two lakhs of rupees. During the five years beginning with 1869 when the Suez canal was opened, the average annual value of exports amounted to nearly crores of rupees. The average in 1900 exceeded two hundred crores. But, this did not satisfy the Indians because trade was to a large extent monopolized by foreigners who had ousted the natives of the soil from their legitimate fields of enterprises. Further these improvements were utilized for impoverishing the people still further. They were able to procure raw materials from remote parts of the Presidency and export them to their country in order to import them as finished products.

---


The State took no interest in industrial development till the 20\textsuperscript{th} century. The following instance shows this apathy. Alfred Chatterton, Director, Public Instructions of the Madras Presidency, wanted to improve technical education in the Madras Presidency and even set up a department of industries in 1906. Handloom- weaving, chrome tanning and aluminum industries were encouraged and pioneer government enterprises were even set up. This roused the alarm of European business interests.

Lord Morley, the Secretary of State for India in London ordered the closing of the department. The government was confined to collect industrial information and provide some technical education.\textsuperscript{21}

The efforts of Alfred Chatterton to improve indigenous industries were not encouraged by Britain. The public resented this anti-national economic policy of the Government, hence developed the Swadeshi Movement.\textsuperscript{22}

\textsuperscript{22} Madras Year Book, 1924, P.344
An ardent advocate of Swadeshism in South India was V.O. Chidambaram Pillai who with devoted patriotic followers spread the ideals of swaraj and swadeshism all over South India. He did not content himself with merely addressing meetings exhorting these ideals to the people. He also took concrete steps in that direction and started a Swadeshi Steam Navigation Company at Tuticorin.

In 1906, the National Fund and Industrial Association was formed in Madras "for fostering and improving indigenous industries for the promotion of scientific and technical education and diffusion of knowledge on industrial matters among the people by means of demonstrations, lecturers, leaflets and the like, provision of scholarships for the study of industries in India or in any foreign country, the helping of students trained as above in the starting of industries, the establishment of a Bureau of Information relating to the industries, trade and commerce in India.

Chennai Jana Sangam was started on the 11th of January 1908, with an object similar in scope and aim to the National Fund and Industrial
Association and also having its special purpose in furthering nationalism in the city by delivering lectures on Swadheism, and boycott of foreign goods, by founding a school for physical culture, a reading room and library and by training young men to preach on Swadeshism. Such Sangams were established in different parts of the Presidency.

The British Government resorted to all sorts of tactics to put down the Industrial Association's activities. Besides, in the absence of facilities for technical instructions industrial advance could not develop. Another cause was the lack of sufficient capital. It is only gradually that Indian capitalists got over their shyness to seek investment in industries. However, the most important reason was that not only was the Government indifferent to industrial interests, it was generally antagonistic to the development of industry in India.