Chapter - I

THE CONCEPT OF CAPITALISM AND ITS DEVELOPMENT IN INDIA

Capitalism, from its very inception, is known to be associated with a system of private acquisition. It has come into vogue replacing the older economic system known as feudalism. This significant shift from feudalism to capitalism is not imminent but a gradual and continuous historical process associated with many factors. It is, of course, not difficult to understand the emergence of modern capitalism linked with two historical episodes of revolutionary changes, e.g. the French Revolution and the Industrial Revolution in Europe.

Economic historians, in the process of scientific enquiry, find it too cumbersome a task in formulating a specific reply to the origin of capitalism. The Oxford English Dictionary mentions the use of first reference to capitalism during 1854. The term was used by Karl Marx approximately during 1870 in his correspondence with his Russian followers. His references of 'bourgeoisie economy'; 'capitalist mode of production' and 'capitalist accumulation' were indicative of the system of capitalism. But the popularity this term got in recent times


was hardly acknowledged as such in economic theory by the classical writers. But it did not mean that capitalism as a system was not operative prior to this.

There are many who are known for their denial of capitalism to be defined historically since any historical interpretation is full of numerous events with complexity. Maurice Dobb seems to be more susceptible in his acceptance of capitalism as an historical entity. To him, "capitalism is abstractly an economic notion, not an historical one; and to trace back the origins of any such system is generally a vain pursuit that can have no end".

But if one tries to find out the answer to the question concerned, though not exactly, it can be found that capital accumulation has been a human tendency since time immemorial. Obviously, every historic period, since man got his first tools, has been capitalistic. There was capitalism even before a word was written about it because of human nature being highly acquisitive. In recorded history there has always been merchants and traders. Vasco da Gama, Christopher Columbus, Sir Francis Drake, are well known for their discoveries of new trade routes

3. "The term is not found in Gide, Cauwes, Marshall, Seligman or Cassel, to mention only the best known texts. In other treatises such as those of Schmoller, Adolph Wagner, Richard Ehrenberg and Philip Povich, there is some discussion of capitalism, but the concept is subsequently rejected.


and civilizations not known to the medieval world. Through trade, process of plundering began and wealth flowed into Western Europe. The Arab traders were also famous. Sometimes, the slave labour was also a source of capital accumulation for the masters. "Constant warfare among the Greek states was supplemented, as a source of supply, by piracy and purchase from neighbouring countries, where there was little scope for the employment of slave labour.... Slavery became especially important in Italy from the third century B.C.... An organised slave market grew up on the island of Delos, where upto 10,000 slaves are said to have changed hands in a single day". The prisoners of wars were treated as slaves. Slavery was so common in Ancient civilization.

It is, of course, true that to mark any clear-cut demarcation of the origin of capitalism would be a confusing task. Even before the advent of modern capitalism, the civilizations of Ancient Rome and Greek were advance in science and technology which they could not attain again till the seventeenth and eighteenth century. In the words of John Vaizey, "Science reached a peak that was certainly not recovered till the seventeenth century and possibly even later on: Roman roads were technically in advance of any means of transport till the canals of eighteenth century England. Roman agriculture produced crops which in yield and quality were possibly not equalled till the eighteenth century. The aqueducts and roads, temples and

houses were triumphs of civil engineering. The Roman empire, especially, produced huge supplies, which were available for investment. There was a large class of merchants and traders, which traded as far as China and India.\(^6\)

Generally, the period of Middle Ages, (of nearly about 1,000 years) begins from the Ancient World to the beginning of modern capitalism in sixteenth and seventeenth century has been associated with mercantilism. The capitalists in this age were primarily engaged in trade and banking. The craftsman and peasant being the owner of small means of production produced on limited scale catering for their own needs and for their feudal superior; only the superfluity went into the market. Main characteristic of this period is that capitalists were chiefly associated with trade of traditional consumer goods, rather than industrial goods. The early capitalists like the Fuggers in Augsburg and the Medicis in Florence — were merchant turned bankers.\(^7\) The merchants who were so engaged in trade became some of the wealthiest men in Europe. Trade, especially with Asia, Africa and America was the source of capital accumulation in the hands of merchant class which helped to create prior condition fruitful for the development of industrial capitalism.

Adam Smith, the founder of the classical school of Economics, was not acquainted with the term capitalism, though

\(^6\) Vaizey, John; Revolutions of Our Time Capitalism (London; Weidenfeld & Nicolson, 1971), p. 17.

\(^7\) Ibid.; p. 27.
his classical writing has been considered as a foundation stone of the philosophical interpretation of capitalism. In his endeavour, he has attempted to explain burning questions such as the problems represented by the colonial regimes, the trading companies, the mercantile systems, the monetary questions and taxation, market systems, specialization and division of labour. In his own words, "A nation is just a workshop, where the labour of each is however diverse in character, adds to the wealth of all". Adam Smith supporting the laissez-faire system with his new dictum 'invisible hand' seems entirely to be in favour of the private enterprise. Thus Adam Smith should, directly or indirectly be regarded as a prophet of industrialism and hence capitalism.

To Werner Sombart, who spent most of his time in writing on Modern capitalism, the evolution of capitalism is a result of 'bourgeoisie spirit', of calculation and rationality. At different times different economic attitudes have always reigned, and that it is this spirit which has created the suitable forms for itself and thereby an economic organisation. To him pre-capitalist man was 'a natural man' whose economic activity was based on simplicity catering for his natural wants. Capitalist system developed by the process of uprooting and dethroning of the 'natural systems, primitive and original outlook and values.

of life'. Sombart chose the year 1902 to date the birth of modern capitalism.9

In spite of many similarities with Sombart, Max Weber defined this 'Capitalist spirit' in different manner, in relation with capitalism influenced by Protestantism, i.e., turning religion to capitalistic ends. Martin Luther also had tried to introduce asceticism and religious ways to the everyday life. Weber's effort was thus to reform capitalism and the Puritan doctrine of 'Calling' employed to combat capitalistic ambitions; and thus he used the 'spirit of capitalism' to describe that attitude which seeks profit rationally and systematically.10

Another way of defining capitalism begins with the Marxian angle. Marx analyses capitalism not as a 'capitalistic spirit' or a 'system of production' but a 'particular mode of production' in which the means of production are owned and the resultant social relations are formed from the production process. To the owners of the means of production he called bourgeoisie and those who are propertyless workers and labour in their industries are called proletariat. The propertyless wage earning class depends upon the mercy of bourgeoisie who by their continuous exploitation pile up their riches in substantial degree and finally give rise to capitalism.

Sometimes the term capitalism is made synonym with the doctrine of laissez faire, Individualism, or 'Free Enterprise', where no state intervention is assumed. This view of capitalism leads us to suspicion whether such 'pure capitalism' could have ever existed. After the general depression of the 2nd quarter of the present century, state regulated capitalism has become a dominant feature. Lord Keynes was the propounder of the theory of "state intervention" to keep unemployment and over-production balanced. Pure Individualism is replaced by the corporate enterprise, monopoly or quasi-monopoly.

The inherent character and contradictions within capitalism have resulted in mammoth following and violent opposition, although, the term, as frequently as it is in use today, scarcely known exactly what it is. To those, who embrace Capitalism and identify their mentality with its institutional growth, which ultimately boost up their pride and superiority of race, put separate set of meaning to 'Capitalism'. According to them, the characteristic feature of modern Capitalism is 'mass production of goods', destined for consumption by the masses. Many of its


12. This view is admittedly proved by the available statistical measurement as Angus Maddison analyses the economic performance of the sixteen advance countries for the past 160 years. He found that total product of these countries increased sixty-fold while increase in population was little more four-fold and per capita product thirteen fold. Annual working hours reduced from 3,000 to less than 1,700 indicating increase in labour productivity about twenty fold. Life expectation almost doubled. This tremendous change in standard of living and economic growth has been deemed as 'Capitalist epoch', obviously indicating capitalism as most dynamic system of production.

beneficiaries, it seems already to have brought in that ideal state where there is a 'Chicken in every pot'\textsuperscript{13} a cottage for every family and where poverty is no more. The result is a tendency towards continuous improvement in the average standard of living, a progressing enrichment of many. Capitalism deproletarianizes the 'Common man' and elevates him to the rank of 'bourgeois'.\textsuperscript{14} Capitalism to its sympathisers, denotes a system of production in laissez-faire economy in which capitalists took especial pride for fulfilling the 'Civilizing mission' of capitalist expansion. Capitalism thus began its mission of expansion from North Atlantic region and reached almost every nation in the world controlled by European stock. This feature of capitalism was deemed as an inevitable consequence of 'triumphant capitalism'.\textsuperscript{15}

Conversely are the views of the thinkers of Marxian tradition to whom capitalism showed futility by its self-collapse in 1930's. The resultant economic crisis which caused by too much production was a cruel paradox which marked out capitalism from all previous forms of economic systems.Undoubtedly, the general crisis of capitalism was the product of capitalism itself. While Karl Marx in his vociferous prediction had referred much earlier to the increasing capitalism


\textsuperscript{15} Vaizey, John; Revolution of Our Time Capitalism, op. cit.; p. 29.
The 1929-33 crisis has a special place in capitalist history. After first world war, there was a higher growth rate of consumer goods. The more rapid increase in the production of consumer goods required purchasing power i.e. the size of real wages and level of employment. However, during the inter-war years the chronic labour unemployment and underemployment had great impression on real purchasing power i.e. the size of real wages and level of employment. Lord Keynes, the most eminent economist had alarmed the Capitalists', "It is certain that the world will not much longer tolerate the unemployment which, apart from brief intervals of excitement, is associated ... and, in my opinion inevitably associated ... with present ... day capitalistic individualism". The general crisis of Capitalism, which was an expression of contradictions within the capitalist system, a process of stronger concentration of capital in fewer "hands and finally monopoly capitalism. Certainly, it is the monopoly capitalism which has attained the stage of imperialism in the world economic order. Analysing this Lenin once said, "Monopoly, this is the last word in the latest phase of capitalist development"; that "Imperialism is capitalism at that stage of

development at which the dominance of monopolies and finance
capital is established"; and that "... in its economic essence
imperialism is monopoly capitalism".18

Such crisis are the result of higher craze of the
capitalists based on over-increasing profits. Marx saw in
capitalism numerous evils and held it responsible for social
and economic chasm and consequential bifercation of society
between the capitalist and the proletariat as the product of
rising capitalism. The fundamental principle of Marxian
Socialism lies in his theory of 'surplus value',19 — which means
surplus produce of the labourer is appropriated by the capitalist.
Within the capitalistic methods of production the industrial
operations are carried on by the capitalists to increase and
consolidate their gains through the appropriation of surplus
value.

Marx's originality of analysis is implicit by the fact
that he penetrates into the problem in a more coherent and
systematic fashion. If capitalism has received world-wide
recognition today, the credit should have gone to socialistic
thinking of Karl Marx who attempted to assess the nature and
growth of contemporary capitalism. Truely, classical economists,
in their formulations defended the capitalist order skillfully
but it was only Marx, who is known as the last of the classical

18. Lenin, V.I., Imperialism, the Highest Stage of Capitalism,
in collected works, Vol. 22, (Moscow; Progress Publishers,
1964), pp. 210, 266, 298.
economist who with the same analysis attacked capitalism to overthrow it with revolutionary fervour.

II

The beginning of capitalism in India is linked with the advent of colonial rulers and exhibited a feature almost common to all colonies. Initially, British colonial policy was to prevent any industrial development in India so as to keep away the risk of competition with the British industries. Hence, these colonies were treated by them for 'plunder and loot'. With the dawn of colonialism, the way of economic drain got enlarged. India's basic raw materials were plundered to meet the demand of British industries and import of machine-made finished goods came to ruin the world famous cottage industries of village economy. Indian ancient civilisation which was known for its riches became a legendary. According to Marx, "Merchant's Capital, when it holds a position of dominance stands everywhere for a system of robbery". The wealth earned by means of violence and plunder hence enhanced the pace of economic development of Britain. According to available statistics, the British colonialists derived from India in 55 years (1757-1812) a direct income exceeding £ 100,000,000. The policy of colonial rulers was thus to make India a permanent market for their

industrial finished goods and a source of raw materials. With the adoption of Free Trade Policy, England attained supremacy as an industrial nation claiming itself as a 'Workshop of the World', the great pureveyor of manufacture goods to all other countries. This brought colonies to a status of subjugation and systematic exploitation by the monopolists.

Another way of open exploitation of Indian people was consisted in Revenue from land tax. The tax revenue of Rs. 361 million in 1858-59 increased to Rs. 851 million in 1889-90. This indicates obviously the increasing tax burden of colonial loot. Actually India was the only colonial country burdened with such a high degree of direct and indirect taxes. Comparatively to British, India paid 14.5% of taxes while Britain had 6.92% share of her national income. For a poor and under-developed country like India, such a level of taxation was very excessive.

However, there appeared a change in the industrial policy of the Imperialists early in twentieth century encouraging industrial development of India. But most of the Indian industries were controlled by the British industrialists. They used colonies for the investment of their surplus capital. Though it gave Indian economic system a momentum of capitalist structure and rise of capitalism took place in India under British control.

24. Ibid.; p. 179.
"While the Indian economy was forcibly included in the system of world capitalist economy that was taking shape, the colonial capitalist system developed in close association with British capitalism and was powerfully supported by it."  

Initially, the rising merchants and moneylenders came up to the stage of capital accumulation needed for the industrial adventure by means of exploitation of working masses and the peasants. This (exploitative) role of big capitalists and Zamindars was identified by the colonialists as a good channel for furthering their aims through class affiliation. Nehru observed in the 'Discovery of India' that in latter half of the nineteenth century "Commerce and industry grew slowly, and it is interesting to note that the classes who took to them were predominantly those whose hereditary occupations for hundreds of years had been trade and commerce. Trading and moneylanlending groups consisting of Gujratis, Marwaris, Sindhis and Chettys of Madras". In this way, big capitalists, traders and merchants came to be associated with imperialism not only through the commercial operations in which it collaborated with the foreigners, but also by its active participation in the exploitation of the peasants by methods of characteristic of feudal landlords and moneylenders.  

27. PAVLOV, V.I.; The Indian Capitalist Class, op. cit.; p. 389.
The land revenue policy of the British rulers of India served their interest a great deal. By introducing the zamindari system, they created an intermediary class of landlords within the country whose interests came up to be interlinked with the perpetuity of British rule in India. Zamindars and money-lenders dominated the village life and exploited the poor landless peasants.

Ultimately, British policy of self-aggrandisement brought about a complete annihilation of self-sufficient village economy, the ancient economic society, and the moral and spiritual values for which India was known in the world. The colonial ambitions of the Britishers resulted in increasing the misery of the Indian masses. Such was the Indian scene when Gandhi returned to India from South Africa where he had earned a good experience of fighting against the colonialists with the help of rich people of Indian society. He wanted to extend and enlarge his past experience in Indian national freedom movement taking capitalists, industrialists and landlords with him.

To achieve the national independence from the colonial rulers was not an easy job, primarily, because the colonialists had economic interests in India along with their political domination. Being a junior partner in this game, Indian business class so collaborated with them that it was an uphill task to divorce the latter. Capitalism in India flourished under colonial masters as they used it for investment of their surplus capital.
During the earlier period of 19th century, British established their market in India for the import of their machine-made commodities and export of Indian raw materials. In the middle, British capitalists showed larger interest in stepping up the export of raw materials especially cotton from India, but is could not be accelerated because of the lack of transportation. To do away with this difficulty, investment in railway remained the main object of British capital throughout the latter half of the 19th century. First jute mill near Calcutta was established by the British capitalists in 1850 and the cotton mills of Kanpur a decade latter.\textsuperscript{28}

The introduction of the methods of capitalistic enterprise (merchant's capital and later on industrial capital) prepared preconditions for the development in India. However, the 'grafting' of capitalism by means of British capital export (including reinvestments of profits derived from India) led only to the formation of capitalist relations in a very narrow section of industry and transport, i.e., in the main textile factories.\textsuperscript{29} Nevertheless, imperialist exploitation became a major factor for the beginning of capitalist activity in the colonial India. In the country-side, the traders and moneylenders were the main agents whose activities reflected the capitalist evolution though sluggishly. The Indian merchants, who collaborated with the colonialists for the intensification of trade, and moneylenders

\textsuperscript{28} PAVLOV, V.I.; The Indian Capitalist Class, \textit{op. cit.}; p. 175.

\textsuperscript{29} Ibid.; p. 185.
who were involved in the exploitation of the peasants needed a financial mechanism. This mechanism was, at the top, composed of the British managing agencies and the colonial banks, while Indian merchants and moneylenders were representing at the lower level. Even big Indian industrialists were unable to get direct long-term loans from the British Banks. The small moneylenders usually got loans from the rich shroff who happened to be of the same caste. Even without any security or the formal documents, members of the same caste could obtain loans easily. Consequently, the emergence of Indian capitalism was the result of those economic advantages which they could receive from their caste organisations and mutual relations between the trading and moneylending castes. The trading and moneylending groups consisted of Marwaris, Gujaratis, Sindhis and Chettiar, though these classes developed industrially very slowly.

The transition from trade and moneylending to capitalist activity, however, remained incomplete so long as the British capital held sway and feudal survivals dominated the countryside. The conversion of merchants, moneylenders and middlemen to the industrialist class emerged from those sections of the propertied classes that had a long association with British capital in the colonial exploitation of the country.

According to the report presented by Industrial Enquiry Commission in 1918,

"The Indian Capitalists (meaning merchants and money-lenders) generally have followed their ancestral traditions of rural trade and have confined themselves to the finance of agriculture and of such industries as already existed. When communications were improved and India was brought into effective touch with the outside world, traders took advantage of the changed situation merely to extend the scale of their previous operations. Like the landlords, they lent money to the cultivators and found a profitable investment in landed property. In trade and moneylending and, to a smaller extent, in financing village artisans, the trading classes found that large and certain gains were to be made, while modern industries required technical knowledge and offered only doubtful and in most cases apparently smaller profits".  

Capitalism in India began when the Western Europe and North America had entered into the stage of monopoly. Indian capitalists, emerging from the merchants and moneylenders were still attracted to the methods of British capital organisations.

Under the directions of Dadabhai Naoroji, Ferozeshah Mehta and M.G. Ranade, first big group of Indian industrialists emerged in Bombay. With the collaboration of British capital and Gujarati shroffs, the big merchants of Bombay were the first Indians to build cotton mills during the middle of the 19th century. In the initial stages, the Indian capitalists built

factories in regions where British capitalists had enterprises before. Mehta observed,

"It was only after 1921 that a few enterprising Indian, industrialists with modest resources but great organising ability came to the field. They mostly belonged to the trading class of Indian merchants who had vast business experience but little technical training".32

Indian factory owners borrowed from the British the form of the 'managing agency'. A joint-stock company founded in 1858 was controlled by the managing agency of Framjee and Co. The 'Oriental Mills', first cotton mill in Bombay and later on various factories in Bombay and Ahmedabad, too came under the control of some managing agencies.

Certain leading big business houses through managing agencies developed some connections with engineering firms in Britain. But they could get only outmoded equipments from the British manufactures. Also in India it costed double or triple to establish a textile mill similar to that of British.

The industrialists, like Tata's, Wadias, Petits, Currimboys, Jeejeeboys and Gokuldas became the big Indian commercial and industrial capitalists who for a long time had close connections with the colonialists as middlemen and traders. The period of national political activities, particularly the

rise of Swadeshi movement in 1905-1908 and the national liberation struggle in 1919-1922 coincided with a relatively rapid growth of Indian capitalism.

In its report in 1919, the Indian Industrial Commission found that,

"Most of the capital invested in the cotton mills of Bombay consisted of profits derived from the opium export to China and, of course, of the gains which the cotton boom brought to industry in the 1860's".  

The Bombay merchants laid the foundation stone for the factory industry in India and thus emerged as the biggest capitalists of Bombay. In 18th century as middlemen to the British commodities they had links in overseas markets — in the Middle East and in China. Precisely because of their past experience and commercial relations with the British, the Bombay merchants selected cotton mills. This has further been elaborated by an economist:—

"Some of these Parsi merchants realized that Bombay itself could provide a very good venue for the manufacture of yarn from the Indian cotton for export to the China market. The import of coal from England solved the problem of power and the first cotton mill in Bombay was started in 1851 by Cowasji Nanabhoy Davar and by 1860 two more mills were added."  

The subsequent development of cotton mills reached its highest peak only in Bombay. "At the outbreak of the first world war, the industrialists of Bombay and Gujarat had owned more than a hundred mills i.e., approximately 70% of the productive capacity of Indian cotton industry. The big bourgeoisie of Bombay and Gujarat worked as agents of the British. But when they began to build modern industrial enterprise, this determined the contradictions of its economic and political interests".\(^35\)

The big capitalists such as Birla, Dalmia, Thapar, Singhania, Narang and many others started sugar factories which diversified their activities to another field of business. The profits from these mills not only enhanced capital formation but also added to the growth of indigenous monopoly groups. Sugar mills increased at a rapid rate.

In 1932-33 there were 57 sugar mills producing 290.2 thousand tons, while in 1931-1932 there were only 32 mills in the country producing only 158.6 thousand tons of sugar. In 1934-35 these increased to 1930 mills producing 578.1 thousand tons of sugar.\(^36\) Rise of sugar industry at a much faster rate indicated a highly concentration of independent capitalistic produce. Mainly these industries were developed where sugarcane had been produced on non-factory lines by the indigenous methods.

---

35. Levkovsky, A.I.; Capitalism in India, op cit.; p. 288.
The sugar mills were concentrated in districts of United Province and Bihar.

The period between the two world wars is marked with highly accelerated rate of development of capitalistic enterprises in the princely states and in Southern India. Nizam of Hyderabad established the Industrial Trust Fund, a special commercial organisation of Rs. 10 million capital. He started his own managing agency and was considered a big capitalist of his time.

Between 1921 to 1939 nearly 33% of total industrial expansion (measures in terms of factory employment) took place in the states i.e., Hyderabad, Mysore, Baroda, Kashmir and the Central Indian States. The rate of expansion in these states was also higher than in British India.37

The imperialistic methods of Britain to exploit the colony and evolution of capitalism in India brought about substantial changes in the business activities of Marwaris, though they remained purely a local community of merchants and moneylenders. They participated as dealers of cotton export and raw materials to England and sale of manufactured British cloth and other industrial commodities in India. Generally, Marwari dealers acted as intermediaries of the colonialists. However, this type of trade cannot produce substantial amount

for the investment of national industries. Thus, Marwari merchants and traders were involved in commercial transactions to serve the colonial masters. Even various groups of Marwaris projected their narrow interests against the rest of the Indian capitalists. During the Swadeshi movement in Calcutta when the local Marwari merchants refused to take part in the Boycott of British goods, they suffered heavy losses.  

During the First World War, the Industrial Commission noted that the Marwaris had substantial trade in their hands in Calcutta. They acted there not only as traders but were also involved in moneylending activities. They hardly made any investment in the industry of Bengal, though, a few Marwaris were the shareholders of the Jute companies controlled by the British capital. It was found by the Government investigation during the First World War that 55% of the shares of the Jute Companies in Bengal were owned by the Indians.  

Well known economist, R. Mukerjee observed the dominating role of Marwari's in Calcutta,  

"that of a total of 55 small mechanised enterprises which existed in Calcutta, at the beginning of the First World War, 19 belonged to the enterprising Marwari merchants".  

---

38. Pavlov, V.I.; The Indian Capitalist Class, op. cit.; p. 319.  
During the second half of 19th century, Marwari traders and moneylenders had penetrated into Andhra Pradesh.

"The weavers of both cotton and silk are largely in the hands of the capitalists who advance them the thread, take the finished cloths and pay them piece-work wages for their labour. These capitalists are often Marwaris and the purchases of yards and dyes and the sale of the manufactured article are managed by them". 41

Commenting on the role of Marwaris during the second half of 19th century, Nehru said,

"The Marwaris from Rajputana used to control internal trade and finance, and were to be found at all the nerve centres of India. They were the big financiers as well as the small bankers; a note from a well-known Marwari financial house would be honoured, anywhere in India and even abroad. The Marwaris still represent big finance in India but have added industry to it now". 42

Many Marwaris also became rich landowners because of their involvement in merchant and moneylending activities. For example, Jambu Prasad Agarwal Jain, had 21 thousand acres land in Saharanpur District of United Province. Several other members of Agarwal (Marwari) group owned 7 to 9 thousand acres in Saharanpur. Bhagwati Prasad Agarwal, a banker acquired the

41. Anantapur, Madras District Gazetteers (Madras; 1909), p.64.
42. Nehru, Jawaharlal; The Discovery of India, op. cit.; p.310.
land of 115 villages in Hamirpur. Marwari Gokul Das appropriated the land of 131 villages in the Mandla and Narsigpur Districts of Central India.

The famous house of Jagat Seth resembled the trade and moneylending houses of medieval Western Europe, Russia or Japan, who were earlier engaged in merchandise and moneylending and emerged as large and wealthy houses.

Another example is about Ghatate house, whose founder Gopalrao was engaged in business and moneylending in the middle of 19th century. In his lifetime he had earned Rs. 10 million. In 1920's, the third generation of Ghatate house owned 49 villages outright, and received 8 annas out of income from the peasants in 46 other villages, and less than 8 annas per rupee in 33 villages. In addition, the family owned 25 moneylending offices (3 of them in Nagpur) with business running, in million, and also a number of dwelling houses.

Increasing trade and moneylending activities constituted a way to capitalistic enterprise. About the well-known Marwari house of Abirchand of the Daga family, the Central Provinces Banking Enquiry Committee wrote:

"Under the definition the firm of Rai Bahadur Bansilal Abirchand is the only indigenous bank in the province. It has 8 branches in the province and 17 outside the province. Although,

it works outside the provisions of the Indian Companies Act, it transacts business on the lines of the modern European banks, including the system of payment of cheques. It differs from the joint-stock banks, however, in that it combines trade with banking and also advances loans on the security of removable property. The clientele of this firm includes the business community, persons dealing in cotton, grain, sugar, gold and silver, petty traders, farmers, small industrialists, and artisans.44

Another example of multi-activities is about the House of Mohatas, who engaged in moneylending, banking, industry and land. This house was the first among the Marwari Community to invest in textile industry. After the second world war the Mohatas had spinning and weaving mills, oil and rice mills, cotton ginning and pressing mills and mines. Gopaldas Mohata was also the head of the Lakshmi Bank in Akola.

Some of the big Capitalists of Gandhi's time were:

The House of Tatas

Nusserwanji Tata, father of Jamshedji Tata, was the most prominent figure among the Indian capitalists who began his industrial carrier in 1869. Their traditional occupation was priesthood and when he reached Bombay he was empty handed. In

The words of N. Saklatvala, "J.N. Tata was the first in the family to give up prayers for a business carrier, and that his pockets were empty when he arrived in Bombay". It was the period of 1857 which proved as boon for J.N. Tata when he earned good money for the first time on war supplies.

The Tata Steel Mills in Jamshedpur started its first iron mill in 1911 and steel mill in 1913 and the hydro-power station near Bombay in 1915. Practically, the Tatas initiated the successful ventures of Indian capital in the heavy industries.

Tata had great rivalry with British capitalists over markets, hence he named the factory he had opened in 1885 as 'Swadeshi Mills'.

The Tata Iron and Steel Co. operated at full capacity during the war, and sold the administration 300,000 tons of steel goods at £ 10 per ton on the overage, i.e., for a total sum of about Rs. 45,000,000. It was the chief supplier of rails to Britain's Near East fronts. War time profits, enabled Tata concerns with the assistance of Bombay capitalists to establish hydro-projected stations in 1916 and 1919.

Appreciating Tata's services, Lord Chelmsford Viceroy of India said in 1919,

"I can hardly imagine what we would have done if the Tata Company had not given us steel for Mesopotamia, Egypt, Palestine and East Africa".  

Maneckjee Petit

He was one of the richest Parsi merchants of Bombay. He started commerce when he was only of 18 and sailed to the shores of Arabia. While serving British firms as a broker in Bombay he consolidated his position and owned a large merchant vessel Charles Grant which had regular trips between India and China. For his loyalty and services to the British empire, he was made baronet by Queen Victoria.

David Sasoon

David Sasoon belonged to a rich Jewish family who started a business firm in Bombay on commercial and business transactions in 1832. The Sasoons extended transactions to the Chinese port and later on to Nagasaki, Yokohama, and other Japanese ports, sending ships with cargoes of opium. In addition to opium they also began trade in cotton. In 1860, David Sasoon also built docks for the repair of ships in Bombay. They also had factories for the processing of cotton and raw silk in Bombay. Later Sasoons joined the Bombay industrial community.

Dinshaw M. Petit

He started 'Victoria' spinning mill and 'Manekjee Petit' the weaving mill and was one of the biggest manufactures in Bombay. Petit was the only Indian Director of the Bank of the Presidency of Bombay. Combining commercial with industrial activity in collaboration with the British, was a characteristic feature of this Bombay businessman. The Petits opened a cotton mill in 1874 and another in 1883.

Equally important houses were of Birla and Bajaj. They came in intimate contact with Gandhi. Their interaction with him mark an important development in Gandhi's approach to his understanding of Capitalism. So it has been discussed separately in the following chapters.