Chapter I

INTRODUCTION AND BACKGROUND

Establishment of Colonial Rule in India

The first detailed and coherent critique of colonialism in its various aspects was made by the early Indian nationalists during the period 1870-1905. In the interwar period, first the Comintern and its journals and then several scholars - such as Owen Lattimore, Keith Mitchell, and Joseph Barnes - writing in the journals Far Eastern Quarterly, (New York) and Amerasia (New York) and associated with the Institute of Pacific Affairs in New York made important contributions in the study of specific areas. At Yale, Leland Jenks promoted the study of American imperialism in different areas of Latin America. Leonard Wolf provided insights into the working of colonialism in Africa. A major non-Marxist approach came from J. S. Furnivall. At a popular plane, Kumar Ghoshal’s work deserves mention. In India, nationalist economists - K. T. Shah, C. N. Vakil, Bal Krishna, Wadia and Merchant, among others - continued to provide empirical and theoretical support to the early nationalist approach. But the most significant and structured contribution came from R. Palme Dutt in his India Today and then by A. R. Desai in his Social Background of Indian Nationalism.

The cultural aspects of colonialism have been discussed by A. Cabral, Franz Fanon, Renato Constantino and Edward Said. This field is also being yearly enriched.

The study of the colonial state and colonial political institutions and their relation to colonial economic and state structures and to the metropolitan state structure, political system, and political institutions is yet awaited, as also a serious study of colonial ideology. (To my knowledge, the only discussion of the former, i.e., the colonial state, though very brief and synoptic, is in my article Colonialism, stages of colonialism and colonial state [reproduced in the present volume] and my recent work, The Indian National Congress: The Long-Term Dynamics.)
I would like to discuss here in a generalizing manner some important aspects of colonialism when viewed as a structure. I will start by pointing out some important aspects that I will not be dealing with. I will not take up in detail the impact of colonialism. I will not at all take up the reverse impact of colonialism on the economic development of the metropolis which was rather significant during the eighteenth and nineteenth centuries. I will also not be able to discuss the political, administrative, cultural and social aspects of colonialism - nor the ideological justification and legitimation of colonial domination earlier or today by imperialist statesmen, administrators and academics. Thus I will not be able to make a critical examination of the spate of writings of economic historians who deny the role of colonialism in the under-development of the colonies and. whose most recent compilations are the New Cambridge History of Europe and the Cambridge Economic History of India, vol. 2. (Those interested in a critique of the latter may see Social Scientist, nos. 139 and 140.)

I believe that significant commonalities as also differences exist between colonialism and semi-colonialism (as in pre-1949 China or twentieth-century Latin America). I treat the two as the same, except in two basic aspects, i.e., the nature of the state and role of class struggle, which will be analysed.

Also, recognizing that specific features of colonialism in individual countries are crucially related to the specific nature of the precolonial country or society and its history, as also its size, geography and geographical location, I have resisted the temptation to deal with the subject.

What I hope to deal with here are: the colonial structure, including the colonial state; the stages of colonialism; colonial classes and class struggles; and the inner contradictions of colonialism.

**Main Structural Features of Colonial Rule**

Colonialism is best seen as a totality or a unified structure. All the changes and the newly formed institutions and structures form a network, mutually interconnected and reinforcing each other, which sub serve and bring into being the colonial
structure. To see colonialism as a structure is also to realize that it will go on reproducing itself unless it is shattered.

The first basic feature is the complete but complex integration and enmeshing of the colony with the world capitalist system in a subordinate or subservient position. Subordination means that the fundamental aspects of the colony's economy and society are not determined by its own needs or the needs and interests of its dominant social classes but by the needs and interests of the metropolitan economy and its capitalist class. It is important to note that subordination of the colony's economy and society is the crucial or determining aspect, and not mere linkage or integration with world capitalism or the world market. The latter i.e., linkage and integration with the world market, is true even of independent capitalist economies; nor does such linkage automatically lead to colonialism or semi-colonialism. (This aspect is often missed, leading to newly independent capitalist countries being branded as neo-colonies. This also leads to a failure to theorize the difference between Manchu China after 1840 and Japan after 1868. One of the many sources of this error is the failure to take into account the role and nature of the state - weak or strong, dependent or independent.)

The second feature of colonialism is encompassed by the twin notions of unequal exchange (Aghiri Emmanuel) and internal disarticulation of the colonial economy and the -articulation of its different disarticulated parts, through the world market and imperialist hegemony, with the metropolitan economy (S. Amin and Hamza Alavi). For example, the colony's agriculture does not directly relate to the colony’s industrial sector; it does not articulate internally. Rather it articulates with the world capitalist market and is linked to the metropolitan market which buys its products. The industrial products of the metropolitan economy are imported into the colony and sold in the rural market thus closing the circuit of commodity circulation. The, colony thus experiences “a disarticulated generalized commodity production”.

The third feature of colonialism is the drain of wealth or unilateral transfer of social surplus to the metropolis through unrequited exports. This aspect was the heart of the early Indian nationalists’ critique of colonialism and their explanation of the
economic underdevelopment and poverty of India. Marx’s rethinking on the role of colonialism in India was also strongly influenced by this aspect. In the 1950s, through the writings of Paul Baran, once again the question of the utilization of social surplus became centre stage in the discussion of colonial underdevelopment. Early Indian nationalists, as also recent writers, also pointed to the fact that a great deal of the colonial state expenditure on the army and civil services in the colony represented a similar external drain of surplus.

The fourth basic feature of colonialism is foreign political domination or the existence and role of the colonial state which plays a crucial role in the colonial structure. While this feature was recognized by most of the nineteenth-century Indian nationalists only after bitter political experience, and was given full place in their analysis by the Marxists, the fuller historical role of the colonial state still awaits analysis. In fact, there is an urgent need for a theory of the colonial state and for a historical study of the nature of the colonial state and its relation to colonial society. Such a study would not only enable a better understanding of colonialism but would also facilitate a superior analysis and understanding of post-colonial states and societies. Here I would like to make a few preliminary remarks on the subject.

**Nature of Colonial State**

The colonial state is a basic part of the colonial structure. At the same time, the subordination of the colony to the metropolis and other features of the colonial structure evolve and are enforced through the colonial state. The parameters of the colonial structure are constructed through, and determined and maintained by, the colonial state.

The colonial state, thus, does not represent any of the indigenous social classes of the colony. It subordinates all of them to the metropolitan capitalist class. It dominates all of them. None of the indigenous upper classes share state power in the colony, *none of them are a part of the ruling class*. They are not even its subordinated or junior partners. The metropolitan ruling class may share the social surplus in the colony with the indigenous upper classes, but it does not share power with them. Not even princes, regents, landlords and compradores have a share in colonial state power.
It is, of course, true that the economic class position of the landlords and capitalists in the colony is “articulated through, and by, the colonial state.” But they are not part of the ruling class. Their interests are freely sacrificed to the interests of the metropolitan bourgeoisie.

On the other hand, this also means that even the uppermost classes and strata of colonial society are capable of turning against colonialism. Thus the anticolonial struggle can be led even by big landlords as in Poland or Egypt. This also explains the attraction of the elite theory of nationalism (the theory that nationalism was the result of struggle for power between the indigenous and foreign elites) to imperialist administrators and ideologues since the end of the nineteenth century and till today. For, this theory obfuscates the reality of colonialism and the imperialist ruling classes by equating the indigenous elite of colonial society with the imperialist ruling classes - suggesting that both were oppressors of the colonial people in the same manner or that the manner in which the indigenous elite were oppressors made no political difference to the anticolonial struggle. It was with this elite theory of nationalism that imperialist administrators and intellectuals tried to question the legitimacy of the actual anti-imperialist movement - a task which continues to be undertaken till this day, sometimes with radical stance and terminology. To avoid or see through this obfuscation, it is necessary to use the concepts of ruling classes and exploiting classes, on the one hand, and those of the nature of the colonial state and colonial ruling class or classes, on the other hand.

The colonial state differs in this respect from the most authoritarian of the precolonial states. In the latter case, the state, however oppressive, is an organic part of the indigenous society; it is not an instrument for the enforcement of subordination of the society to a foreign society or ruling class, or for the export of social surplus. (Interestingly, this was the ground on which Dadabhai Naoroji and. other Indian nationalists differentiated between the British Indian colonial state and the Mughal state.¹)

Lastly, it is to be noted that the colonial state is basically a bourgeois state. Consequently, in several of its stages it does introduce bourgeois law and legal
institutions as also bourgeois property relations, the rule of law and bureaucratic administration. It can, therefore, as is the case with the metropolitan bourgeois state, be authoritarian or even fascist as in many of the colonies in Africa and Southeast Asia or it can be semi-authoritarian and semi-democratic as in India. (It can, of course, never be fully democratic.) It can also, to a certain extent, create a constitutional space in the colony for itself. It can rule by the bayonet or can assume a semi-hegemonic character, depending on the character of the colonial society, its size, history and so forth, as also the character of the colonizing society and its polity. Yet the bourgeois character of the state and its superiority in certain aspects to some of the precolonial or even some of the post-colonial states does not change its basically colonial and therefore negative character.

**Main Stages of Colonial Rule and their Inner Contradictions**

It is to be noted that colonialism goes through several stages during which the fact of subordination is constant, but the forms or patterns of subordination undergo changes over time according to changes in the historical development of capitalism as a world system, the place of the individual metropolis within this system and the development of colonialism in the colony itself. Similarly, while the appropriation of the colony's surplus by the metropolis is a constant feature, the forms of this appropriation undergo changes from one stage to another. Stages of colonialism are thus basically differentiated by these two features - patterns of subordination and of surplus appropriation.

As a structure or social formation, colonialism is from the beginning riven with inner contradictions whose characteristics change from stage to stage. The colonial state evolves its policies in part as the effort to resolve these inner contradictions at each stage of colonialism. It may be said that colonialism and the colonial state, and its policies, are best illuminated through a study of the numerous inner contradictions of colonialism.

During the second and third stages of colonialism, the contradictions assumed a different form.
1. It was necessary to modernize and transform India in basic aspects so that its economy could become reproductive on an extended scale and subserve industrial and, later, finance capital of Britain - thus imperial Britain's need to develop India. This came up against the financial constraint. The revenues of India were growing marginally in a stagnant economy. This contradiction made the entire development effort limited and petty. It made the colony less useful than desired. It also made Indian people discontented, further limiting the possibilities of taxing the peasantry and other sections of Indian society.

2. Similar was the contradiction between civil and military expenditure and development expenditure, that is, between the need to develop India and the need for imperial control.

3. There was the need to develop agriculture. The peasant had to be helped to save so that he could become a buyer of British goods, invest in agriculture, produce the needed raw materials, and in general develop agriculture on an extended scale. There was the counter need to make him pay for the defence and expansion of the empire, for its administration and development, and the need in general for the peasant to provide the social surplus for export. In other words, was the peasant to be the mainstay of the colonial state or the base of a reproductive colony? The end result of this contradiction was that all the schemes for capitalist development of agriculture led to its feudalization; and the, more British officials abused the moneylender, the more both the government and the peasant depended on him for revenue payment; and the peasant for even physical survival.

4. There was the contradiction between deindustrialization (and pressure on land) and development of agriculture, leading to rack-renting and feudalization.

5. There was the contradiction of balance of payments. Should Indian export surpluses be used for expending the Indian market for British goods or for remitting home profits?
6. There was the crucial contradiction between the need for economic development (making India a reproductive colony) and the objective consequences of colonialism which produced the opposite result. This gave rise: to the basic contradiction between colonialism and the Indian people, leading to the struggle for national liberation.

7. Similarly, even the limited transformation necessary to make India a “useful” colony led to the rise of social forces which began to oppose colonialism and organize a struggle against it.

Some aspect of Social Formation and Colonialism

Quite often the under development, and the economic obstacles to development, in the colonies produced during the colonial period have been seen as expressions of their precapitalist or traditional backwardness, or at least as the remnants of the precolonial past. Even when they are seen in ‘a historical perspective’, an understanding of the role of colonialism is drained out. Other's have seen colonialism as an effort at modernization, which did not fully succeed in some cases, as for example in India, because of the weight of the past backwardness and which thus led to a dual society, part modern and part traditional. This was the dominant view among the metropolitan writers during the nineteenth century, though they were convinced that modernization would be accomplished in, at the most, a few decades. Several twentieth-century writers have also seen colonialism as a transitional stage, though they do not ask the question: transition to what? Would the colony have developed, however slowly or gradually, into a “modern” or industrial capitalist society, i.e., the spitting image of the metropolis, if colonialism had continued to develop ‘naturally’ for a sufficient period, that is, without its overthrow?

Traditionally, colonialism is seen as the result of the ideology or personality of colonial administrators or, at the most, of colonial policy which is itself guided by the first two. Thus, if different colonial administrators can be shown to have different personal motives, ideas and policies, it is concluded that there is no such thing as colonialism in any meaningful sense, except as foreign political rule. Similarly, many
economists dealing with development theory, today, criticize the role of colonialism, but they consider merely the political domination aspect of colonialism.

In fact, both aspects and consequences of colonialism operated simultaneously. The so-called positive aspect was as integral a part of, and contributed effectively to the structure of, colonialism as was the negative aspect. The positive and negative stages of colonialism were rather stages in the cognition and understanding of the colonial phenomenon by its victims. Thus many colonial and metropolitan intellectuals, including Marx before 1859, failed to grasp the basic features of colonial societies in the early years of their structuring and accordingly had a certain positive image of colonialism. Later, as the reality surfaced, they were able to see its essentially negative features. Instead of seeing this change as an aspect of intellectual and political history linked to the early stages of colonialism, these intellectuals assumed that the reality had undergone a drastic reversal. Hobson’s and Lenin’s writings regarding a new stage, of imperialism in the last quarter of the nineteenth century added fuel to this misunderstanding.

Historically: colonialism developed through three distinct stages, each stage representing a different pattern of subordination of the colonial economy, society and polity, and, consequently, different colonial policies, ideologies, impact and response of the colonial people. The change from one stage to the other was partially the consequence of the changing patterns of the metropolitan’s social, economic and political development, and of its changing position in the world economy and polity. Stages of colonialism in different colonies are not bound by the same time horizons; but the basic content of the different stages is broadly the same in all the colonies. Moreover, the stages do not exist in pure forms; in a sense each stage is an abstraction. Nor is there a sharp break between one stage and another2. Forms of surplus appropriation and other features of colonialism in earlier stages persist in later ones. Each stage, however, is marked by distinct, dominant, qualitative features which demarcate it from the other stages. It is also to be noted that a particular form of surplus appropriation may become atrophied in a particular colony because of distinct historical factors. Thus the third stage of colonialism, finance imperialism, was
atrophied in India; the second, free-trade stage, in Indonesia, and the first and second stages, mercantilist and free trade, in Egypt.

**Stages of Colonialism**

**First stage: Monopoly trade and revenue appropriation**

During the first stage of colonialism the basic objectives of colonialism were: (1) the monopoly of trade with the colony vis-a-vis other European merchants and the colony's traders and producers, and (2) the direct appropriation of revenue or surplus through the use of state power. Whenever craftsmen or other producers were employed on account of the colonial state, corporation or merchants, their surplus was directly seized, not in the manner of industrial capitalists but that of merchant-usurers.

The colonial state or corporations required large financial resources to wage wars in the colony and on the seas, and to maintain naval forces, forts, armies and trading posts. Direct appropriation of the colony's surplus was also needed to finance the purchase of colonial products since the colonies did not import sufficient quantities of metropolitan products. Directly appropriated surplus also served as a source of profit to the merchants, corporations and the exchequer of the metropolis. The large number of Europeans employed in the colony also appropriated a large part of the colony's surplus directly, through, extortion, corruption and high salaries.

Why was this so? Because the colonial mode of surplus appropriation via purchase of the colony’s urban handicrafts and plantation and other products, through a buyer’s monopoly and control over its revenues, did not require basic socio-economic and administrative changes in the colony. Such a mode of surplus appropriation could be super-imposed over its existing economic, social, cultural, ideological and political structures. Also, the colonial power did not feel the need to penetrate the villages in the colony further than their (indigenous) predecessors had done, so long as their economic surplus was successfully sucked out.

This lack of need for change was also reflected in the ideology of the rulers. There was, for one, no ideology of development. Not a changed colonial economy but the existing economy of the colony was to be the basis of economic exploitation.
There was also, therefore, not much need to criticize the colony's civilization, religions, laws, and so on, for they were not seen as obstacles to the then current modes of surplus appropriation. The need was to understand them so that the wheels of administration might move smoothly. Criticism was confined to the missionaries.

**Second stage: Exploitation through trade**

The newly developing industrial and commercial interests in the metropolis, and their ideologues, began in time to attack the existing mode of exploitation of the colony with a view to making it serve their interests. Moreover, as it became clear that colonial control was to be a long-term phenomenon, the metropolitan capitalist class as a whole demanded forms of surplus appropriation which would not destroy the golden goose. It realized that the plundering form of surplus appropriation is less capable of reproducing the conditions for its own reproduction than other forms. This is the secret of the critique of the colony’s exploitation which is often made during the first stage by the liberals and ‘radical’ democrats of the metropolis. In the end, sooner or later, the administrative policies and economic structure of the colony came to be determined by the interests of the industrial bourgeoisie of the metropolis.

Many of the critics of this stage of colonialism have argued that the exploitation of the colony occurs through the terms of trade which on the whole move against primary products. This is not always true. Export prices of the metropolis may fall faster than import prices, reflecting falling costs due to technological improvement and greater and better use of machinery, partly made possible by expanding trade and widening markets. Rising import prices and falling export prices may expand exports fast enough to lead to rising productivity in the industrializing metropolis and retarded productivity in the raw material producing colony. Hence, the basic question regarding this stage of colonialism is what happens to productivity in the metropolis and the colony.

**Third stage: Foreign investments and competition for colonies**

A new, stage of colonialism was ushered in as a result of several major changes in the world economy: spread of industrialization to several countries of
Europe, North America and Japan; intensification of industrialization as a result of the application of scientific knowledge to industry; and further unification of the world market due to a revolution in the means of international transport. There now occurred an intense struggle for new, secure and exclusive markets, and sources of agricultural and mineral raw materials and foodstuffs. Moreover, expanded reproduction at home and extended exploitation of colonies and semi-colonies abroad produced large accumulations of capital in the developed capitalist countries. There occurred simultaneously the concentration of capital and merger of banking capital with industrial capital in several countries. This led to large-scale export of capital and search for fields and areas where the imperialist countries could have a monopoly in capital investment.

All the three aspects, namely, markets, sources of raw materials, and capital export, were, interlinked, and none of them should be overemphasized at the cost of the others. For example, investment abroad would sustain the rate of profit at home (metropolis), aid the production of raw materials and create a market for home industrial products directly or indirectly. As the struggle for the division and redivision of the world among the imperialist countries was intensified, fresh use was found for the older colonies. Their social surpluses and manpower could be used as counters in this struggle: Colonialism at this stage also served an important political and ideological purpose in the metropolis. Nationalism or chauvinism, adventure, and the glorification of empire could be used to tone down the growing social divisions at home, by stressing the common interests in the empire. More specifically, the ideology of empire and glory were used to counter the growth of popular democracy and the introduction of adult franchise, which could have posed a danger to the political domination of the capitalist class and which increased the importance of the ideological instruments of hegemony over society. The idea of empire played an increasingly important role in constituting this hegemony.

The major reason why metropolitan capital was not invested in these colonies to a significant extent was that their economies had been wrecked or underdeveloped during the second stage of colonialism. If foreign capital was to be invested in the colonies, the resulting products had to be in the main sold in the colony; but the
failure to make them reproductive colonies during the second stage now stood in the way. More than capitalism at home, it was capitalism in the colonies that was in a moribund stage! Consequently, even the limited foreign capital was invested in only those agricultural or industrial enterprises whose products had a ready market outside the colony, or invested in providing infrastructure for such exports. The colonial market was of little use to the foreign capitalists, for it had already been captured, squeezed to the maximum, and wrecked, It must, however, be again stressed that as potential absorbers of foreign capital, these colonies continued to remain eldorados powerfully affecting colonial policy.

Efforts at the transformation of the colony's economy, society and culture continued during this stage, though once again with paltry results. However, now there developed a tendency to abandon social and cultural modernization, especially as the anti-imperialist forces began to take up the task. Colonial administration increasingly assumed a neutral stance on social and cultural questions and then began to support social and cultural reaction in the name of preserving indigenous institutions.

**The Colonial Rule in India**

India’s development after 1947 as also its economic policies have depended on and been conditioned by the constraints of the colonial legacy and the inherited structure and pattern of underdevelopment. At the same time, the strategic design and thrust of India’s development and its policies were deeply influenced by the hegemonic ideology of the national movement, which overthrew colonial rule, and by the framework of development that it had evolved since the last quarter of the nineteenth century.³

India’s underdevelopment was not traditional or inherited from the precolonial past. India of the eighteenth century was underdeveloped and not underdeveloped. On a world scale it was not less but perhaps more developed than many other national economics, as most of the world development has occurred after the eighteenth century and basically after 1850. In fact, there was not much of a gap between the economic condition of Mughal India and that of pre-industrial Europe and Japan. It
was under colonial rule, and as a consequence of it, that the Indian economy became underdeveloped in the contemporary context.

The basic feature of colonialism in India in its long history since the 1750s was the appropriation by Britain of the social surplus produced in India. Also while the forms of surplus appropriation underwent changes through the difference stages of colonialism – direct appropriation of surplus, employment of ‘our boys’, unequal exchange, profits of industrial capitalism and interest on public debt – the fact of surplus appropriation remained constant and basic. There were, of course, many changes and some of them were positive – for example, the development of the railways – when seen in isolation. But these changes came within and as part of the colonial framework and became, therefore, part of the process of underdevelopment.

Colonialism is best seen as a totality or a unified structure. The newly developed institutions and evolving structures formed an inter-connected and mutually reinforcing network which subserved and brought into being the colonial structure. To see colonialism as a structure is also to realize that it would have continued to reproduce itself until it was shattered. The four basic features of the colonial structure in India are discussed in the following section.

**Economic Development During 1858-1905**

Among the British, and even more so among the Indians, ideas on economic development were developed and propagated by non-professionals. On the British side, the task was undertaken mostly by British Indian officials, though some of the general guidelines were to be found in the writing of John Stuart Mill. The Indian writers on economic problems – Dadabhai Naoroji, M.G. Ranade, G.V. Joshi, G. Subramaniya Iyer, R.C. Dutt and numerous others – were politically active nationalist intellectuals who were, however, well versed in contemporary economic writing and analysis.

The two sides shared the common assumption that economic development constituted the heart of a society’s development, the chief measure of its health and progress, and the most important goal of government policy (for the British, see
The broad context for the discussion of problems of economic development was provided by rival perceptions of the existing economic situation and of the nature of economic changes, both quantitative and structural, taking place in India during the nineteenth century.

I. British’s vision towards Economic Situation

The British writers denied that India was economically stagnating and becoming backward and that Indians were poor or growing poorer. They saw India as a country that was in the midst of a process of rapid economic development, comparable to that of any European country. A few representative quotations may suffice. Henry Sumner Maine wrote as follows of India’s progress 1859 to 1887:

> taking the standards of advance which are employed to test the progress of Western countries, there is no country in Europe which, according to those criteria, and regard being had to the point of departure, has advanced during the same period more rapidly and farther than British India ... [There has occurred] a process of continuous moral and material improvement which in some particulars has attained a higher point than has yet been reached in English. (Maine 1887: 486, 494, 518, 524.)

And the scholarly W.W. Hunter, the compiler of the first series of Imperial Gazetteers of India, wrote in 1880 that the figures of growth of foreign trade and industries “are so great, and the material progress they indicate is so enormous, that they elude the grasp of the imagination” (Hunter 1903: 123). In 1887, he compared India’s economic growth with that of the United States: “The progress of India during the past fifty years has been not less wonderful, and, considering the lower level from which India started, in some respects, even more rapid” (4). (See also Temple 1882: iv, 93 ff., 493-5; Mangles 1865: 96; Future of British Empire 1870: 51; Lee-Warner 1879: 386-7; 1881: 58, 63, 74; Campbell 1882: 68; Grant Duff 1887a: 12-3; Lyall
1884: 9; 1889: 421; 1895: 17; Dilke 1890: 21; Strachey and Strachey 1882: chap. 1; Strachey 1894: 301, 303; Chesney 1904: 394; Elgin 1899: 360-1.) And in 1904, Lord Curzon, the viceroy, asserted that India was “exhibiting every mark of robust vitality and prosperity”, and in 1905 he said that the economic progress of India was “without example in previous history of India and rare in the history of any people” (Cruzon 1904: 389; 1906: 212; also 1900: 158; 1902: 165, 288-90; 1904: 148-9; 1906: 36-7, 211-2).

II. Impact of British Rule and Indian Intellectuals’ Views

In the first half of the nineteenth century, Indian intellectuals too started out with an optimistic view of British economic impact on India. Contact with and rule by the most advanced economic nation of the time, they hoped, would lead to India becoming an economic replica of Great Britain. But as the inner contradictions of colonialism grew and surfaced and their own consciousness developed with time, their evaluation of current economic reality underwent a drastic reversal. During the last three decades of the nineteenth century, they increasingly put forward the view that India was economically regressing, the visible manifestation of this regression being the deep and ever-deepening poverty – “the wretched, heart-rending, blood-boiling condition” – of the Indian people. Moreover, they tried to relate this poverty to the impact and nature of British rule. They saw this poverty not as inherent and unavoidable, but as man-made and, in fact, a direct consequence of British rule (Naoroji 1901: 216-7; 1887: 368; n.d.: 225, 228, 396; Joshi 1912: 785-6, 818; Dutt 1897: 144; 1901 and 1903: prefaces; Indian National Congress 1891: resolution 3; 1892: resolution 9). Consequently, this fundamental problem of the extreme poverty of the people became the starting point of their analysis of colonial economic policies. In trying to discover the causes of this poverty and the needed remedies, the Indian intellectuals evolved their ideas on economic development and the nature and mechanism of British colonialism in India and its relationship to India's economic backwardness.

The Indian nationalists also pointed to the backwardness of Indian agriculture, its overcrowding due to deindustrialization, its failure to modernize and use modern
techniques of production, the declining trend in its productivity (Joshi 1912: 227, 333, 753, 832-6, 841-4, 852, 871, 874; Gokhale 1916: 19; Iyer 1903: 218; Ranade 1898: 66; Nundy 1898: .109, 120-1; Mudholkar 1898: 45, 47; Pal in INC 1898: 159), and the vast unemployment and underemployment in the rural sector (Joshi 1912: 790-2, 804, 849-52). They took note of the limited modernization represented by the development of foreign trade and railways. But these two, they said, had precisely become instruments not for the development but the underdevelopment of the Indian economy (see section VII below). They also pointed to the exploitative character of British rule as well as to the foreign domination of the Indian economy - both through foreign trade and direct foreign control of Indian industries and plantations - and to its subservience to the needs of British industries. The overall result of colonial rule was that, far from developing into a modern industrial economy, India had become an exporter of raw materials and foodstuffs and an importer of manufactures; or, as Ranade put in 1893, “a Plantation, growing raw produce to be shipped by British Agents in British Ships, to be worked into Fabrics by British skill and capital, and to be re-exported to the Dependency by British merchants to their corresponding Firms in India and elsewhere” (Ranade 1898: 99; also 18, 183; Chandra 1874: 99, 100; 1876: 14-5; Joshi 1912: 675-6; Gokhale 1916: 52; Dutt 1904b: 42-3, 108, 113; 1901: viii, 276; 1903: vii, 114, 129, 518; Iyer 1903: 116-7, 123-5, 518; Hindu 16 Jan. 1885; Banerjea 1902: 691-2).

III. Integrated Approach of the Nationalists

What constituted economic development? Most of the British officials and writers used the phrase “development of resources,” but they used it rather vaguely. While the phrase included the concept of some industrialization and the use of modern technology, most of these writers implied by this phrase, so far as India was concerned, the development of agriculture and foreign trade. It is therefore not difficult to identify the factors which, in their view, were, leading to rapid economic growth in India.

The nationalists developed an integrated approach towards economic development and refused to treat advances in isolated sectors such as finance,
transport, foreign trade, and in area under cultivation, as in themselves constituting development. All these were to be seen in their relationship to the economy as a whole. Within this integrated framework, they held that the core of economic development, if not its sole criterion, lay in rapid industrialization on the basis of modern science and technology. This commitment to the complete economic transformation of the country on the basis of modern industries is brought out by M. G. Ranade’s exhortation to his countrymen:

Further, the nationalists said that in India, industrialization had to constitute a basic feature of economic development for a few other reasons: According to them, economic backwardness or underdevelopment characterized a society in which industry played a minor role in the total economic life and most of whose labour force was devoted to agriculture (Ranade 1898: 22, 25-7; Joshi 1912: 642, 827-31, 851-3; Dutt 1901: preface; 1904a: 24-5; Ray 1895: 97; Iyer 1903: 266).

Agriculture was incapable of bearing the burden of this labour force, which consequently suffered from unemployment and disguised underemployment. Most of the arable land in India had already been brought under cultivation, and the limits of agricultural expansion had already been reached. Agriculture was, moreover, subject both to the uncertainties of weather and to the law of diminishing returns. Industry was the only agency through which the pressure of population on land could be eased, rural unemployment and underemployment reduced, and the peasants’ condition improved (Ranade 1898: 25-6, 207; 1881a: 42; Joshi 1912: 368, 642, 667, 751, 804-5, 851-3, 868; Ray 1895: 97-8; Iyer 1903: 64-5; Mahratta 1881: 23 Jan., 19 June, 4 Sept.; 1882: 1 Jan., 12 Feb.). Industrial development was therefore a precondition for economic development.

A close link was, of course, seen between the development of agriculture and industry. But it was industrial development that was seen as crucial and was even thought to be a precondition for the development of agriculture. The overcrowding of agriculture had to be relieved through absorption of its excess labour in industry, otherwise agricultural development would be impeded (Ranade 1898: 25-6, 207; Joshi 1912: 368, 642, 667, 751, 804-5, 851-3, 868; Ray 1895: 97-8; Iyer 1903: 64-5;
For example, so long as there was excessive competition for land, the rack-renting of tenants, the subdivision of land and the absence of the motive to improve land on the part of the cultivator would continue (Joshi 1912: 350, 352, 870-2). The reverse was also of course true—development of agriculture was necessary for industrial development (Ranade 1881a: 53; Mahratta 4 Sept. 1881).

Though strong champions of modern technology-based industrialization, the nationalists believed that for a long time to come the traditional or indigenous handicraft industries would play an important role in the economy, especially in providing employment to the millions. They therefore made the protection, rehabilitation, reorganization and modernization of such industries an important part of their economic programme. However inevitable the process of ultimate decay of these industries might be, the nationalists wanted it to be so adjusted as to cause the least possible dislocation, so that the transition to large-scale industry was made a relatively painless process (Chandra 1876: 2; Joshi 1912: 368, 680, 738, 753, 785; Ray 1895: 98, 145; Iyer 1898: 193; 1903: 171; Dutt 1903: 163, 519, 528, 612; 1904b: 128; INC 1896: Resoln. XII; 1897: -Resoln. IX; 1899: Resoln. XIII; 1902: Resoln. III).

Satish Chandra Mukerjea, the editor of the journal The Dawn in Calcutta, was the only nationalist intellectual to raise his voice against large-scale modern capitalist industry. His position is of some historical importance, mainly because of its resemblance in some respects to that of Gandhi, on the one hand, and to that of the corporate system, on the other. He faulted modern industry on two grounds: it produced a small but highly organized class of capitalists who reduced the millions of workers into mere human machines and wage-slaves; and it led to huge labour organizations which posed a permanent social and political danger. The remedy lay, firstly, in organizing most of the industries on a family-handicraft basis, confining large-scale capitalist industry to such things as engineering, mines and railways, which were essential for the family-handicrafts; and, secondly, by organizing society on the principle of a “corporate ethical life” “by giving to each class a fixed recognized and independent place in the social organism but all cooperating in such
ordered coordination as to work for the advantage of the whole, as to further the spiritual evolution of each ascending trade and of the whole of Indian society” (Mukerjea 1900: 265-6).

**Structure of Colonialism**

Overall, the Indian nationalists had gradually acquired a deep understanding of the structure and basic features of India's colonial economy and their relation to its underdevelopment and stagnation; and this at a time when British writers on India and, in fact, British economists as a whole were still thinking in terms of stationary and changing societies in general, and viewing, in particular, the current economic transformation of India as rapid economic development. The Indians grasped that India’s economic backwardness or under-development at the end of the nineteenth century was not a carry-over of the traditional or precolonial past but a consequence of colonial rule, which had partially changed or modernized Indian economy, especially in the fields of trade and transport, to subserve British colonial purposes. Examining British policies issue by issue and putting forth their own alternative policies, they concluded that British policies sprang from the very nature and character of colonial rule, that is, its subordination to the interests of British trade, industry and capital.

The nationalists were also able to evolve a political economy of colonialism and point to the four basic features of the colonial structure which lie at the heart of recent Marxist analyses of colonial under-development. In fact, we may go so far as to suggest that the recent analyses have made an advance not so much in content as in better conceptualization and terminological exactitude. These basic features were as follows:

First, the integration of the colonial economy with world capitalism in a subservient position so that the basic issues of the colony's economy were not determined by its needs or the needs and interests of its dominant social classes, but by the needs and interests of the metropolitan economy and the metropolitan capitalist class. It is important to note that it was the subordination of the colony's economy which was seen as the crucial or determining aspect and not the mere, linkage or
integration with the metropolitan market.

The second feature is encompassed by the twin modern notions of unequal exchange (Aghiri Emmanuel) and internal disarticulation of the economy and the articulation of its different disarticulated parts with the metropolitan economy through the world market and imperialist hegemony (Samir Amin and Hamza Alavi). The Indian nationalists emphasized the same features by pointing to a specifically colonial structure of production whereby the colony specialized in the production of raw materials, exported to the metropolis, and the metropolis in manufactured goods exported to the colony; by pointing to the role of railways and foreign trade as subserving the interests not of the colony's trade and industry but the needs of metropolitan production; and by pointing out that colonialism led to a particular international division of labour by which the metropolis produced high-technology, high-productivity industrial goods, while the colony produced low-technology, low-productivity agricultural goods, thus making foreign trade an instrument of underdevelopment and exploitation.

The third feature of colonialists was the production of surplus in the colony but its accumulation and expanded reproduction in the metropolis through the drain or unilateral transfer mechanism.

The last basic feature of colonialism was foreign political domination; or the existence of the colonial state, which played a crucial role in the colonial structure. The colonial state not only brought into being and helped construct the parameters of the colonial structure, but the metropolitan ruling class commanded the colony’s social surplus, not primarily because it owned the means of production, but because it controlled state power.

The nationalists gradually came to the conclusion that colonialism in its many forms and the political domination which made it possible were in the main responsible for India’s economic stagnation and underdevelopment. Consequently, they demanded fundamental changes in the existing economic relations between India and Great Britain: The measures they suggested for overcoming India's economic backwardness would cut at the very roots of colonialism.
As the English East India Company (1600-1858) sought to establish direct commercial links with India during the seventeenth century, it entered a world dominated politically by the Mughal Empire (1526-1858). In India, unlike some other areas of the non-Western world where Europeans arrived in force and so overwhelmed the local political structure as to need to take little heed of it, Europeans were at first very much the soliciting intruder.

Before the English arrived, the Portuguese to establish a presence at the Mughal court. The Mughal Empire gradually dissolved into its constituent regions during the course of the eighteenth century. Various internal tensions and weaknesses, as well as the growing European presence, all contributed to the dissolution of many of the bonds that held the Empire together. The English East India Company thereby found itself playing an increasingly political part in Indian affairs, particularly at the regional level. Armed with European weapons and military tactics, even relatively small numbers of Company troops regularly overcame the military forces available to some Mughal provincial governors to many regional Rulers.

In this context, the initial commercial interests of the English East India Company still predominant among the Court of Directors in London gradually lost pride of place to political interests among many of its servants in India from the mid-eighteenth century onward. The Company's commercial agents stationed 'up-country' at courts such as that of the Nawab of Bengal in Murshidabad began to involve themselves in affairs of state on a more regular basis. In so doing, they began to imitate Mughal diplomatic practice, albeit with an admixture of European-based presuppositions and their own impressions of their particular situation.

Following 1764 as well, the Company sent a political Resident to the court of the Nawab of Awadh. By the mid-eighteenth century, the Nawab of Awadh had emerged as the Wazir (Chief Minister) of the Mughal Empire as well as its most militarily powerful official. His goal had been to control the Empire through his hold over the person of the Emperor. His territorial ambitions had ranged across north India to Bengal and therefore across the lands then controlled by the Company. The Company's crushing victory at Buxar in 1764 had been. Over Mughal imperial armies
under his direction. Following his defeat at the hands of the Company, the Nawab of Awadh, while still extremely powerful in military and financial terms, turned from opposition to the English to cooperation with them. The Company Resident involved himself increasingly in the political affairs of Awadh from the time of this first appointment, although only toward the beginning of the nineteenth century did he gradually come to exercise indirect rule there.

The First Phase, 1764-97

As we have seen, prior to 1764 the Company maintained no regular political Residents. Occasional diplomatic missions engaged in negotiation with particular regional Rulers. Only after 1764, however, did the Company's administration establish permanent political Residencies at the courts of some of its more important neighbours. Between 1767 and 1783, the number and influence of these Residents grew significantly, as did the role of the Company in India. This period of uncertain growth had at its heart the most dynamic portion of Warren Hastings' leadership in Calcutta (Governor, then Governor-General of Bengal, 1772-85).

During this initial period of expansion in the Residency system, the Company functioned much as a regional state, powerful but treated as a peer by many of the other regional powers. The Residents functioned more as diplomatic representatives than as agents, exercising indirect rule. Many of the Residents were posted to the other regional powers by the Company because the local Ruler requested an agent through whom he could communicate to the Company. Thus by 1783, a number of Rulers, including those in Delhi, Lucknow, Poona, Gohad, Berar, Tanjore, and Gwalior had asked the Company to dispatch or retain a political agent for their courts. On their part, many of the princes maintained their own wakils in Calcutta, Bombay or Madras to represent them. As we shall see, the Company did not long tolerate such alternative channels of communication that detracted from its Residents.

The Second Phase, 1798-1840

The Company's closed frontier policy shifted in 1798 to an aggressive policy and thus began the dramatic expansion that characterized phase two. As seen clearly
in Chart I/ from 1798 to 1840 the Company entered its major period of rapid expansion of influence over large parts of the subcontinent. This advance created not only larger numbers of Residents, it also changed their roles; The Company, by means of its Residents, gradually assumed a position of indirect control over most of the Indian states including the largest ones; Awadh, Hyderabad, and Mysore. Although this clearly resulted from more than the actions of a single man, the forward policies initiated by Governor-General Wellesley (1798-1805) certainly gave additional impetus to this expansion. As Wellesley's Chief Secretary instructed the Resident at Delhi, looking back to the developments since 1798 and writing at the beginning of 1805.

**The Third Phase, 1841-57**

The final phase indicated on our Chart, that of consolidation, began around 1841. This year did not mark a radical shift in Company policy or practice. Rather, at this point the forces of consolidation overcame the forces of expansion; the peak of the growth of the Residency system had been passed and the pace of the Company's incorporation of the territories of Indian states into direct rule began to accelerate.

The facts of physical geography played a role in this transition to consolidation rather than expansion. By this time, the Company's armies had reached the physical boundaries of the subcontinent. Indicative that the Company had reached its geographical limits was the disastrous — for the Company — First Afghan War (1838-42). This war thus marked the furthest extent of the Company's hitherto virtually unchecked military expansion. The Company's failure to bring Afghanistan into its indirect control through a Resident revealed to British policymakers some of the limits of indirect rule. Since after 1841 the Company's extension of its influence over new states in India.

**The Residency System, 1858-1947**

After 1858 British imperial administrators and officials held up the system of indirect rule in India as the model to be followed by much of the rest of the Empire. The images of India's Rulers, loyal to the core, and of Residents as their paternalistic
guides, became a matter of faith within the Empire. Officials and politicians in the rest of the Empire used the success of the Residency system in India to justify their own advances and establishment of indirect rule, just as they used the basic principles developed empirically by the members of the 'political line' in India.

Having laid out these overall patterns above, I can now turn in the remainder of this chapter to a more concentrated examination of the role that Residents played. Each Resident's relationship to each Indian Ruler varied considerably but certain analytic patterns do emerge. The Company's expectations for the office of Resident also varied from state to state and over time. Nevertheless, here too, specific patterns are clear. Within the context of the origins and growth of the Residency system described above, I will turn to an examination of the role of the Resident. I will present a broad discussion of the general position of the Resident in an Indian court and then examine specific aspects of the Residency system in later chapters.

Conclusion

The East India Company shifted its character in India from primarily a commercial enterprise to increasingly a political entity from the late eighteenth to the early nineteenth century. As the Company gradually and inconsistently made this shift, the nature of its relations with the Indian states likewise altered. Reflecting these altered relations, the Company posted British Residents to those states and charged them with managing these relations.

To carry out their duties, Residents had to adopt practices and rituals drawn from the traditions of Mughal diplomacy. At the same time, the place of the Resident in the Indian court differed in fundamental ways from the place that had earlier been occupied by Indian Wakils as result, the Residency system grew into a unique institution, outside of either European or Indian precedents.
Notes and References


7. Smith R.B. Colonel'; Report, dated 25 May 1861, Calcutta, 1861,Sec.1, Para 5, p.3 and chart Nos. II & VII.
