YELLOW BOOK

MODERN HISTORY

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CONTENT

BRITISH ADMINISTRATIVE & ECONOMIC POLICY

British Administrative Policy

British had acquired the vast empire of India. Now they needed to devise suitable methods of government to control and administer it. During 1757-1857 the administrative policies changed frequently.

Such policies' main objectives were

- To make profit to Company.
- To enhance the profitability of its Indian possessions to Britain
- To maintain and strengthen the British hold over India

All other purposes were subordinated to these aims. The administrative machinery of GoI was to serve the above objectives. Main emphasis was on maintenance of law and order, so trade and exploitation of resources can be carried out with without disturbance.

The Structure of the Government: After acquiring control over Bengal in 1765, EIC had little intention of making any innovations in its administration. Their only desire was to carry on their profitable trade and to collect taxes. During 1765 to 1772, there was Dual Government in Bengal. The Indian officials had responsibility but no power while the Company's officials had power but no responsibility. Similarity between two officials was – both were venal and corrupt men. In 1772 the Company ended the Dual Government and undertook to administer Bengal directly through its own servants. EIC was a commercial body designed to trade with the East, but it had acquired political power over millions of people in India. This anomalous state of affairs posed many problems for the British Government. It was closely interwoven with party and parliamentary rivalries in Britain, the political ambitions of English statesmen, and the commercial greed of English merchants.

Opposition of Company by Merchants: Company and its officials were making a lot of profits. Many sections of the society and merchants who were kept out of the east started to attack the monopoly of company. Everyone wanted a share in the profitable trade and riches of India which company and its servants were enjoying alone. The administration of company in Bengal was attacked. Officials of company who returned to Britain were special targets. They were called as "nabobs" and ridiculed in press and on stage.

Boycotted by aristocracy. They were condemned as the exploiters and oppressors of the Indian people. Two main targets were Robert Clive and Warren Hastings. In parliament also, members of parliament and ministers wanted benefits from acquisition of Bengal. They forced company to pay tributes which was to be used to reduce the taxation or public debt of England.

Opposition of Company by Members of Parliament: Many political thinkers and statesmen of Britain were afraid that the powerful Company and its rich officials would completely debauch the English nation and its politics, so they wanted to control company and its politics.

During this time parliament of British was extremely corrupt and retired officials used their agents to purchase the seats in house of commons. If company was not controlled, the Company as master of India would soon come to control British administration and be in a position to destroy the liberties of the British people.

Opposition of Company by Economists: Rising school of economists representing free trade manufacturing capitalism also attacked the exclusive privileges of company.

Control over Company by Parliament: Thus, reorganization of the relations between the British state and the Company's authorities became necessary and the occasion arose when the Company had to ask the Government for a loan of £ 1,000,000. Company was having enemies with power, but it also had friends in Parliament like King George III, was its patron. And so, company was able to fight back. In the end parliament made a balance between company and various influential sections of British society. Parliament decided that British Government would control the basic policies of the Company's Indian administration so British rule in India remained in British upper-class favour.

Regulating Act of 1773: The first important parliamentary act regarding the Company's affairs. Court of director's constitution was changed, and their actions were supervised by British government. Directors have to correspondence of civil, military and revenue affairs with ministry. It designated the Governor of Bengal as the 'Governor-General of Bengal' and created an Executive Council of four members to assist him. The first such Governor-General was Lord Warren Hastings. It provided for the establishment of a Supreme Court at Calcutta (1774) comprising one chief justice and three other judges. This act was having some flaws. It had not given the British Government effective and decisive control over the Company. Governor general was at mercy of his council. The Governor-General's control over the other two Presidencies also proved inadequate in practice. It had failed to resolve the conflict between the Company and its opponents in England

Pitt's India Act: It corrected the defects of regulating act of 1784. It gave the British Government supreme control over the Company's affairs and its administration in India. It established six Commissioners for the affairs of India, called as "Board of Control", including two Cabinet Ministers. Board of Control was to guide and control the work of the Court of Directors and the GoI. In important and urgent matters, it had the power to send direct orders to India through a secret committee of Directors. The Act placed the GOI in the hands of the Governor- General and a Council of three, so the Governor-General can have say with even one-member support. It clearly subordinated the Bombay and Madras Presidencies to Bengal in all questions of war, diplomacy, and revenues. It started a new phase of the British conquest of India. The Company having saved its monopoly of the Indian and Chinese trade was satisfied. Its directors retained the profitable right of appointing and dismissing its British officials in India. The company was directed not to indulge in offensive war & battles in India. It was asked not to enter in any treaty with native states. It laid down the general framework in which the Government of India was to be carried on till 1857. Later enactments gradually diminished the powers and privileges of the Company.

Charter Act of 1813: Abolished company's trading monopoly except tea trade and trade in China. Asked company to keep aside a sum of rupees 1 lakh per annum for promotion of learning of education in India. The act guaranteed full support to Christian missionary act. As a result of this they become extremely aggressively in India. It provided for the separation of company's commercial and territorial revenue. Company continued to appoint its official in India. The debts of company were taken over by GOI. Thus, the various acts of Parliament completely subordinated the Company and its Indian administration to the British Government. Parliament recognized that day to day administration of India could not be run or even superintended from a distance of 6,000 miles.

The British created a new system of administration in India to serve their purposes.

The purposes which it was designed to serve were to accomplish the aims and objects of its rulers. Chief aim - to enable them to exploit India economically to the maximum advantage of various British interests. In 1793, Lord Cornwallis defined TWO primary objectives – 'ensure its political safety'. 'Render the possession of country as advantageous as possible to the EIC and British nation.'

British Economic Policies

Commercial Policy: From 1600-1757 EIC was a trading company which exchanged goods with Indian goods like textiles and spices. These textiles and spices were sold abroad, and it tried constantly to open new markets for Indian goods in Britain and other countries. Thereby, it increased the export of Indian manufactures and thus encouraged their production. That's why the Indian rulers tolerated and even encouraged the establishment of the Company's factories in India.

But British manufacturers were jealous of Indian textiles popularity.

- ❖ Light cotton textiles of India began to replace the coarse woollens of the English.
- ❖ Because of pressure by British manufacturers, government restricted and prohibited the sale of Indian goods in England.
- ❖ Heavy duties were imposed on the import of plain cloth.
- ❖ Other European countries, except Holland, also either prohibited the import of Indian cloth or imposed heavy import duties.
- ❖ In spite of these laws, however, Indian silk and cotton textiles still held their own in foreign markets, until English textile industry began to develop on the basis of new and advanced technology in middle of 18th century. After the **Battle of Plassey** company acquired political power and by using political power, company established monopoly in trade and production in Bengal by ousting the Indian traders.

Revenue of Bengal was used to finance its export of Indian goods. This should have encouraged Indian manufacturers, but it didn't happen because of –

- ❖ Weavers of Bengal were forced to sell their products at a cheaper and dictated price.
- ❖ Many of them were compelled to work for the Company for low wages and were forbidden to work for Indian merchants.
- ❖ Company eliminated its rival traders, both Indian and foreign, and prevented them from offering higher wages or prices to the Bengal handicraftsmen.
- ❖ Sale of raw material at higher prices to weavers. Thus, the weaver lost both ways, as buyer as well as seller.

Indian textiles had to pay heavy duties on entering England to protect its rising machine industry whose products could still not compete with the cheaper and better Indian goods. The real blow on Indian handicrafts fell after 1813 when they lost not only their foreign markets but market in India itself.

The Industrial Revolution (IR) in Britain completely transformed Britain's economy and its economic relations with India. During 18th & 19th century British had undergone through social and economic transformation and British industry expanded rapidly.

This development was aided by several factors –

- Expansion of Export industries because of monopoly in many foreign countries (colonies).
- Particularly true of the cotton textile industry which served as the main vehicle of the Industrial Revolution in Britain.
- Colonies exported raw materials at low cost while Britain sold the manufactured products at high prices.
- Capital – sufficient capital was there for investment in new machinery and the factory system.Capital concentrated in hands of merchants and industrialists.
- Immense wealth drawn from colonies.
- Cheaper labour – population growth had helped in availability of cheap labour.
- Government influenced by commercial and manufacturing interests and ready to fight other countries determinedly for markets and colonies.
- Developments in technology – demands for increased production met by developed technology.
- Inventions by Hargreaves, Watt, Crompton, Cartwright, and many others.

Drain of Wealth

EIC exported part of Indian wealth and resources to Britain for which no return was there. 'Economic Drain' is peculiar to British rule. Even the earlier rulers spent the collected revenue in one form or another. But British were foreigners i.e. they came in India, plundered it for their benefits and left while the earlier rulers came and settled in India. Indian government was controlled by a foreign company of merchants and govt. of Britain.

As a result, all the moisture was sucked from Indian land and rained to Britain. In other words, whatever taxes and revenue was collected from India was used in Britain for reducing tax burden or public debt etc.

It started in 1757 when company servants started to take immense wealth extorted from kings, zamindars, and common people. From 1758 to 1765 they sent £ 6 million. This didn't include trading profits of the Company which were often no less illegally derived.

After acquiring Diwani of Bengal in 1765 company drained more wealth than its servants. Company purchased goods out of revenue of Bengal and then exported these goods to Britain. These purchases were known as 'investments'

By the end of 18th century drain was 9% of India's national income. Actual drain was even more than that. It consists of large parts of the salaries and other incomes of the English. Actual amount of drain of wealth was differently estimated by different historians but it was at least from 1757 to 1857 was widely accepted by British officials.

It also continued even after the 1857 but British administrators and imperialist writers now deny it. By 19th century – 6% of India's national income and 1/3rd of it saving the drain was one of important factor in IR in Britain. During that time, it was 2% of Britain's national income.

What are Home Charges?

Expenditure carried out by company up to 1858 and by British government after 1858 in London on behalf of India. Home charges include – Dividend paid to shareholders by company. Interest paid by company on the loans raised in London. Salary and pensions of officials working in London. Pension of officials worked in India but had retired to London. Cost of civil and military purchases from London

Impact of drain of wealth –

- Portion of national income not available to Indian people. Extreme exploitation.
- No capital investment in India.
- Indian handicrafts ruined.
- Rapid industrialization in British.
- Impoverished India.
- Later helped in emergence of nationalism.

Development of Means of Transport and Communication Up to the middle of the 19th century, the means of transport in India were backward. Confined to bullock-cart, camel, and packhorse. British soon realized that a cheap and easy system of transport was a necessity if movement of goods have to be done easily and fast.

They introduced steamships on the rivers and improved the roads. Work on the Grand Trunk Road from Calcutta to Delhi began in 1839 and completed in the 1850's. Efforts were also made to link by road the major cities, ports, and markets of the country.

Railways

The first railway engine designed by George Stephenson was put on the rail in England in 1814. Railways developed rapidly during the 1830s and 1840s. The earliest suggestion to build a railway in India was made in Madras in 1831. But the wagons of this railway were to be drawn by horses.

Construction of steam-driven railways in India was first proposed in 1834 in England. It was given strong political support by England's railway promoters, financiers, and mercantile houses trading with India, and textile manufacturers. Real improvement only with the coming of the railways. Opened the vast and hitherto untapped market in the interior of the country and to facilitate the export of Indian raw materials and food-stuffs to feed their hungry machines and operatives. The British bankers and investors found railway development in India as a channel for safe investment of their surplus capital. Reasons- If railways come then it may help GoI to administer the country more effectively and efficiently, stop rebellion or external aggression by enabling more rapid mobilization and movement of troops.

First proposal – 1831 – horse drawn railways.

Second proposal – 1834 - steam drawn railways.

It was decided that the Indian railways were to be constructed and operated by private companies who were guaranteed a minimum of 5% return on their capital by the GoI The first railway line in India was Bombay to Thana - opened to traffic in 1853. Lord Dalhousie, Governor-General of India in 1849, was an ardent advocate of rapid railway construction. In 1853, he laid down an extensive programme of railway development. By 1905, nearly 45000 kms of railways had been built. Three important aspects of the development of Indian railways should be kept in view. First - over 350 crores of rupees invested in them was provided by British investors, Indian capital contributing negligible share of it. Second - they were for the first 50 years financially losing concerns which were not able to pay interest on the capital invested in them.

Third - in their planning, construction and management, the economic and political development of India and her people were not kept in the forefront. The primary consideration was to serve the economic, political, and military interests of British imperialism in India.

The railway lines were laid primarily with a view to link India's raw material producing areas in the interior with the ports of export. The needs of Indian industries regarding their markets and their sources of raw materials were neglected. Railway rates were fixed in a manner so as to favour imports and exports and to discriminate against internal movement of goods.

Postal System and Telegraph

The first stamp of independent India shows the new Indian Flag. It was meant for foreign correspondence.

The British also established an efficient and modern postal system and introduced the telegraph.

First telegraph line in 1851 – Between Calcutta and Diamond Harbour along the busy shipping route on the Hooghly. And then expanded from Calcutta to Agra - 1853.

Lord Dalhousie introduced postage stamps. Previously cash payment had to be made when a letter was posted.

He also cut down postal rates and charged a uniform rate of half an anna for a letter all over the land. Before his reforms, the postage on a letter depended on the distance it was to travel.

"In many ways, Lord Dalhousie was the founder of modern India." Elaborate. (200 words)

Youngest Governor General of India (36 Years), and also known as

- Father of Indian Telegraph
- Father of Indian Railways
- Father of Indian Postal system
- Father of Indian Engineering Services
- Maker of modern India
- Worked for social causes- Widow Remarriage, Educational Reforms (Woods Dispatch Act, 1854).

Land Revenue Policy

Why company needed Indian revenues?

- Purchase of Indian handicrafts and other goods for export (remember term "investment").
- To cost of conquest of whole of India.
- To Pay for employment of 1000s of Englishmen in administration and military positions.
- The Cost of economic and administrative and military charges.
- This enabled colonialism to fully penetrate Indian villages and far-flung areas. All the above had to be borne by Indian peasant or Ryot by paying revenue.
- Since time memorial part of agriculture produce was as land revenue.
- Directly collected by servants or indirectly by intermediaries like zamindars, revenue farmers etc.
- They kept a part of it as commission and deposited rest with authority.

Permanent Settlement Background: After getting the Diwani (right to collect revenue), in 1765, of Bengal, Bihar, and Orissa. The EIC made an attempt to continue the old system of revenue collection though it increased the amount to be collected.

Need of permanent settlement: In 1773, it decided to manage the land revenues directly. Warren Hastings auctioned the right to collect revenue to the highest bidders. This experiment failed. Because amount of land revenue was pushed high by zamindars and other speculators bidding against each other, the actual collection varied from year to year and seldom came up to official expectations. Neither the Ryot nor the zamindar would do anything to improve cultivation because they did not know what the next year's assessment would be or who would be the next year's revenue collector. In 1793 – Lord Cornwallis – introduced permanent settlement – in Bengal and Bihar Permanent settlement – fixing of land revenue at a permanent amount. John shore - the man who planned the Permanent Settlement.

Why Permanent Settlement failed?

Two special features of permanent settlement –

First – zamindars and revenue collectors were converted into so many landlords. They were to act as agents of the Government in collecting land revenue from the ryot. They had been given the ownership of land, and their right of ownership was made hereditary and transferable. Cultivators were reduced to mere tenants. They were deprived of long-standing rights to the soil and other customary rights The use of the pasture and forest lands, irrigation canals, fisheries, and homestead plots and protection against enhancement of rent were some of their rights which were sacrificed. So that zamindars might be able to pay on time the exorbitant land revenue demand of the Company. **(The tenant of Bengal was left at the mercy of the zamindars. Why?)**

Second - the zamindars were to give, **10/11th of the rental they derived from the peasantry to the state, keeping only 1/11th for themselves.**

The sums to be paid by them as land revenue were fixed in perpetuity. If the land revenue is increased of a zamindar's estate, he would keep the entire amount of the increase. The state would not make any further demand upon him. But, the zamindar had to pay his revenue rigidly on the due date even if the crop had failed for some reason; otherwise, his lands were to be sold. The initial fixation of revenue was arbitrary and without any consultation with the zamindars. Officials wanted to secure the maximum amount and so fixed rates of revenue was very high. Result of fixing high revenue rate was half of zamindari lands were put up for sale between 1794 and 1807. Before 1793 zamindars didn't have proprietary rights over most of the land.

What were the factors which guided to recognize the zamindars as proprietors?

First - political - need to create political allies - British realized that as they were foreigners in India, their rule would be unstable unless they acquired local supporters who would act as a buffer between them and the people of India.

Second – financial - financial security – constant financial crisis, finance army in wars, "investment".

Third – administrative expediency - expected to increase agricultural production. Permanent settlement was later extended to Orissa, northern districts of Madras and Varanasi.

Temporary zamindari settlement - Zamindars were made owners of land but the revenue they had to pay was revised periodically. Introduced in central India and Awadh.

Ryotwari Settlement Background

Introduced by Thomas Munro, Governor of Madras, Madras presidency in 1820 and in 1825 – introduced in Bombay presidency In 1792-99 - Alexander Reed carried out early experiments related to Ryotwari system in Baramahal region. Thomas Munro was subordinate to him. In 1817 – introduced in Coimbatore, Arcot and Nallore.

Why it had been introduced?

- Failure of Permanent settlement.
- Utilitarians were against the extension of permanent settlement in new areas.
- Removal of intermediaries will yield more revenue.
- Madras govt. was short of funds and it needed a settlement in which it could revise land revenue amount.
- It was kind of traditional Indian settlement and so probably suitable to Indian conditions

Features:

- The settlement was made with individual peasants- he was recognized as the owner of land and they had to deposit the revenue with company's official directly.
- Revenue was to be assessed with surveys and measurement of land. Quality of soil and types of crops were also considered.
- Rate vary from – 1/3 to 2/5.
- Peasants were free to refuse cultivation on land if they felt the burden of Land revenue was too high.
- This land was given to other peasants on same terms and if no one agrees the land was left fallow.
- After some time, positive elements were abandoned. The total production began to be estimated by officials through rough guess. The estimations were roughly inflated as a result of which the actual burden of land revenue on peasants was 80% more than of total produce.
- **The Ryot's rights of ownership of his land were also negated by three other factors:**
- In most areas the land revenue fixed was exorbitant; the Ryot was hardly left with bare maintenance even in the best of seasons.
- The Government retained the right to enhance land revenue at will.
- The Ryot had to pay revenue even when his produce was partially or wholly destroyed by drought or floods.

Mahalwari System

Mahalwari system was introduced in 1833 during the period of William Bentick. Mahalwari system is the modified version of the Zamindari settlement The revenue settlement was to be made village by village or estate (mahal) by estate with landlords or heads of families who collectively claimed to be the landlords of the village or the estate. Places where this system was introduced - In the Gangetic valley, the North-West Provinces, parts of Central India, and the Punjab. In the Punjab a modified Mahalwari System known as the village system was introduced.

Why it had been introduced?

- Failure of Permanent Settlement and Ryotwari Settlement.
- To protect the Government's revenue.
- Profits not go to cultivator; they should be reaped by British.

Features:

- In Mahalwari areas also, the land revenue was periodically revised.
- All over the country land was now made saleable, mortgagable, and alienable.

- This was done primarily to protect the Government's revenue.
- Now he could borrow money on the security of his land or even sell part of it and pay his land revenue.
- If he refused to do so, the Government could and often did auction his land and realize the amount.
- Beliefs that, only the right of ownership would make the landlord or the Ryot exert him in making improvements. The British by making land a commodity which could be freely bought and sold introduced a fundamental change in the existing land systems of the country. The stability and the continuity of the Indian villages were shaken. In fact, the entire structure of rural society began to break up.

Do you know?

Dadni System

- Dadni comes from the Persian word dadan or advance. One who made an advance as a mark of any business deal was called dadandar. The Dadni system was a phase of business management of the English East India Company in Bengal in the eighteenth century.
- The company used to engage local merchants to procure goods from the market on its behalf. They were called dadni-merchants, because they received advances from the company for delivering goods under stipulated terms.
- Money was advanced to them so that they could go into the local market and transfer the advance, if necessary, to the actual manufacturers for delivery of goods according to a stipulated time and specifications.
- Dadni merchants passed the dadan to actual manufacturers, either directly, or through a second-degree intermediary called dalals (agents) or paikars (local stockists).
- The dadni merchant did the job for a fixed commission, which he often shared with middlemen.
- Dadni system was abolished in 1753 on the ground that many dadni merchants failed to deliver goods in time and many even disappeared with company.

Mains Questions

1. Examine the impact of British rule on Indian Society in the 19th Century. – 15 marks (2004).
2. Examine the major factors shaping the British land-revenue policy in India. How it affected Indian society? – 10 marks (2007).
3. What role did the economic ideas play; the early phase of the British rule in the shaping of land tenure policy? - 10 marks (2010)
4. "The railways, instead of serving as the catalyst of an industrial revolution as in Western Europe and the USA, acted in India as the catalyst of complete colonization'."— Examine - 30 marks (2012).
5. Examine how the decline of traditional artisanal industry in colonial India crippled the rural economy. – 10 marks (2017).