CHAPTER III

GOVERNMENT AND ECONOMIC LIFE (1761-1947)

1. Government and Administration

The nature of the state and the Government of India under the British Crown was that of a dependency in the 'British Commonwealth of Nations', slowly and steadily rising to and finally acquiring the status of a sovereign republic in the Commonwealth.

The basic question is: 'How did Britain secure a title to rule India?'. Legally, her title was found, as the lawyers say, in the conditions preceding it, namely the dissolution of the Mughal empire and the cessions by and the conquests from the Marāṭhās, the Sikhs and the other territorial sovereigns from 1757 till 1857. But this is only a partial truth. Sovereignty in India involved, under the British constitutional law and under the 'law of Nations' as expounded in Europe, the authority of the British Parliament and the recognition of all civilized nations. The grant of a charter carried sovereign status to the East India Company, and the treaties of Paris and Versailles and the Congress of Vienna conveyed international recognition to this status. So far as the sovereignty of the British Parliament over Indian affairs was concerned, it was enunciated by Lord Chatham in 1767 thus: "No subjects could acquire the sovereignty of any territory for themselves, but only for the nation to which they belonged". This position continued until challenged in India after 1938 by the nationalists who demanded a 'Constituent Assembly' of Indians to frame a new constitution, and this right was conceded in 1946. Both the political and legal sovereignties were thereby transferred to India. The Indian Independence Act of 1947 placed a legal stamp on it.

Sovereignty of the British Crown. With the establishment of British rule, the mantle of sovereignty was transferred from the Mughal emperor and the Indian princes to the British Crown. For political and diplomatic reasons, there was considerable delay in the public assertion of this right. It was only after Napoleon was vanquished and the Marāṭhās were enfeebled that the Charter Act of 1813 referred to 'the undoubted sovereignty of the Crown of the United Kingdom' over its Indian possessions and the claim was recognized by the Treaty of Paris (1814). About the same time, the phrase proclaiming the Governor-General to be 'the servant of the emperor' was also omitted from his official seal. This delay did not, however, come in the way of the exercise of *de facto* power and authority.

Parliament and Indian Affairs. Throughout the British rule it was the British Parliament—the King, the House of Lords and the House of

Commons—that possessed unrestricted power of legislation. But this legal sovereignty of Parliament over British India was expressly declared nowhere as an enactment. This power was absorbed imperceptibly and indirectly until 1853, as stated in the Charter Act of that year. The affairs of a vast, alien and distant dominion could not, however, be attended to in any great detail by Parliament with similar if not more arduous responsibilities in the colonies and possessions all over the world. Hence it confined itself to laying down the general constitution of the country and the principles by which it was to be governed.

Moreover, there were aspects of the Government in India which lay beyond the interference of the British Parliament, such as the relations with Indian states and the right to land revenue, which related to purely administrative duties. Naturally, Parliament could do nothing about them. Until 1853, however, there was a general, comprehensive Parliamentary inquiry every twenty years, i.e., when the East India Company applied for the renewal of its charter. The absence of such inquiries in the subsequent period was responsible, according to the Montagu-Chelmsford Report (1918), for the British failure, "in the face of a growing nationalist feeling in India, to think out and work at a policy of continuous advance". As a matter of fact, the irresponsible behavior of Parliament in all debates for constitutional reforms in India was so unpardonable that the Government of India had ceased to be an organism with elements of self-growth and became by July 1918 a mechanism or tool 'too wooden, too iron, too inelastic, too antediluvian to be of any use for the modern purposes which we have in view.' One such purpose was obviously 'in the face of a growing nationalist feeling in India to think out and work at a policy of continuous advance', as announced in the House of Commons by the Secretary of State for India, Edwin S. Montagu, on August 20, 1917 and the introduction of diarchy in 1921 in all provinces.

But it is ironical that this revival of Parliament's interest in Indian affairs after 1917 led logically and ultimately to Independence in 1947, and stood in contrast with its interest in the days of the East India Company. In 1858 the Act 'for the better government of India' was passed, but in 1947 a dominion was lost, as a result of Parliament's direct action.

(a) 1761–1919

It was implicit in the theory of British sovereignty and the Parliament's supremacy in Indian questions that an India Office was a *sine quo non* in Whitehall. The establishment of this office was a matter of slow growth and in course of time it was spoken of in the Indian political system as 'Home Government'.

At first, the East India Company claimed its territorial acquisitions to be its private property, since they had been acquired in the course of its commercial activities. Such a view could hardly be sustained. Initially Parliament was not disposed to challenge the claim seriously but contented itself with exacting an annual tribute of £4,00,000. It was, however, clearly unsafe to leave the administration of a growing empire entirely in the hands of the merchants of Leadenhall Street. But, at the same time, the British Government was afraid of assuming direct control over the administration owing to the danger that the vast Indian patronage, whether vested in the Crown or the Ministers, might jeopardize the smooth functioning of democracy in the country. It remodelled the governing body of the Company and established a Governor-General and Council and also a Supreme Court. It left the question of ownership unsettled. All these measures were seriously defective though valuable in principle. As Pitt remarked, supreme power in this respect 'could not, with safety or propriety, be placed in any other hands than those of the genuine and legitimate executive power of the constitution', namely, the British Cabinet. The India Act of 1784 allowed the Company to administer India and make appointments to offices as before, but its Court of Directors was placed, except in respect of patronage and trade, under a Board of Control, which had a Minister of the Crown for its President. In practice, the Board had only a nominal existence and all the power was wielded by the President. There was a natural shift in the centre of power from the Court to the Board, but the Company's Directors continued to have 'no unsubstantial share in the home direction of Indian affairs'. Pitt's India Act of 1784 thus created 'the double government' system, the essence of which was the passing of the substance of authority from the Company to the Crown, with the Company deemed to be 'the trustees for the Crown' after the renewal of the Charter in 1833.

This system continued till 1858 when the Crown assumed the direct Government of India. The change was in spirit but in structure it was the visible sign of the incorporation of India into the British empire, without disturbing the unity of Indian Government.

Under the Act of 1858, a Secretary of State for India took the place of the President of the Board of Control, assisted by a Council which took the place of the Court of Directors. This raised a controversy about the character of the Council and the status of the Secretary of State in relation to the Governor-General of India.

This Council, known as the Council of India, was composed largely of persons having experience of Indian affairs and enjoying an independent tenure. It was attached to the Secretary of State largely as an advisory and, in some measure, a controlling body. He was empowered to act independently of his Council in the Secret Department as well as in making war or peace, in laying the policy respecting the Indian states and in proceeding with matters for which a majority in Council was not necessary. He had also a general overriding authority. But the concurrence of the body was made obligatory before any expenditure out of Indian revenues was incurred or loans could be raised on their security. Some strong Secretaries of State complained that it had too much power, while others held that it was weak-kneed and did not display much energy or independence in vital matters. The acid test of the importance of the Council as against its own President was whether it could help to bypass the House of Commons and subordinate or even sacrifice the interests of India which was not represented in Parliament, to the British or Imperial exigencies or interests. It was the right arm of the British Cabinet in administering India. Indian nationalists, therefore, considered it to be a reactionary body and a burden on the exchequer and were not satisfied until it was abolished by the Act of 1935.

Although certain statutory provisions gave rise at times to doubts and difficulties in the legislative sphere, the authority of the 'Home Government' to supervise, direct and control the authorities in India in all matters was unquestioned. But it was realized from the beginning that the Government of India must, on the whole, be carried on in India itself, and for this purpose there must be a wise delegation of authority.

In practice, Dundas, Argyll and Salisbury tried to exercise strict control, but Governors-General like Ellenborough and Curzon sought to have their own way in every matter. Minto and Morley, Montagu and Chelmsford, Irwin and Samuel Hoare, and Pethick-Lawrence and Mountbatten were models of co-operative, constitutional rulers. The initiative of the Governor-General of India was respected, the Home Government 'revised' and 'approved' or 'vetoed', and the Parliament 'passed', generally speaking, in the stormy days of unrest and agitation from 1907 till 1947.

Growth of Unitary System. The system of government which emerged by the interaction of historical events with the political ideas of the British statesmen for over two and a half centuries was unitary. The Government of India was supreme with undivided authority in spite of appearances to the contrary. The provincial governments in India were, of course, historically of an earlier origin and were more important from the citizens' point of view than the Central Government. The presidency system died out in 1833. Later, when the provincial governments were revived, it was based on 'devolution' and 'decentralization' which helped to make them autonomous in 1935. By that date government work had increased enormously, decentralization had proved a great success and the voice and share of the people of India in the government had been recognised.

The story of the evolution of this system of supreme and subordinate governments runs as follows:

The administrative system which developed in India began with the trade centres of the East India Company attached to one or the other of the three presidencies located at Madras, Bombay and Calcutta. The term 'Presidency' gained currency, because it was the headquarters of the President (or Governor) and his Council. There was no central authority within India and every presidency was directly responsible to the Company's Directors in London in all matters. Following the victory at Plassey, the Presidency at Calcutta was the first to emerge as a big province. The Regulating Act of 1773 designated its chief as 'Governor-General of Bengal' and placed the Governors and their Councils in the other two presidencies under his authority in matters relating to war and peace and transactions with Indian princes. Thus began a Central Government in India. While the authority of the Bengal Government was further strengthened by the Charter Acts of 1793 and 1813, the presidencies continued for a few more decades to be practically independent of each other and directly answerable to the authorities in England in all other matters.

A change in the system was necessitated by the further expansion of the British dominion in India. With the acquisition of the Carnatic and Mysore, the Presidency of Madras grew into a big province, and so also that of Bombay on account of the overthrow of the Marāṭhās. The growth of the Presidency of Bengal was phenomenal and in course of time the whole of north India was brought within its jurisdiction. At the same time, the need for a strong central authority was increasingly felt, owing to the growing responsibility attached to the administration of a vast dominion, the fast mounting complexity of government, lack of uniform principles in the administration of the different presidencies, and frequent complaints of wasteful expenditure. The impracticability of the administration of the three presidencies being effectively co-ordinated and controlled from London was soon evident. Therefore, the Charter Act of 1833 invested the central authority in Calcutta with comprehensive powers of control and reduced the local Governments to the position of mere agents. The significance of the change was made quite clear by changing the designation 'Governor-General of Bengal' to 'Governor-General of India.'

With the increase in the responsibilities of the Governor-General in Council, in respect of the Central Government, it was essential to relieve him of the burden of 'Local' charges. The province of Bengal, in which was located the headquarters of the presidency, was first placed in charge of the senior most member of the Governor-General's Council, and later, in 1854, a Lieutenant-Governor was appointed. The other areas were placed from time to time under Lieutenant-Governors or Chief Commissioners. Until 1919, British India was divided into provinces, each with its own 'Local Government': the three presidencies, each with a Governor and Council; the United Provinces, the Punjab, Bihār with Orissa, and Burma under Lieutenant-Governors; the Central Provinces, Assam and the North West Frontier Province under Chief Commissioners.

Certain minor charges, such as British Baluchistân, Coorg, Ajmer, the Andaman and the small enclave of Delhi were administered directly under the Governor-General in Council. Later, the Lieutenant-Governorships were abolished and raised to Governorships, leaving only two categories of local governments viz. the provinces each with a Governor at their head and those under Chief Commissioners. The different types of local governments differed much in status and power, the old presidency governments enjoying greater prestige and power than the others.

The centralized system of administration set up in 1833 was in operation until 1919. The assent of the Government of India was necessary for the legislative and taxation measures and annual budgets of the local governments. Permission was also to be obtained before expenditure above a certain minimum was incurred or appointments to high offices were made. Detailed instructions were issued from time to time, indicating the policy and procedure to be adopted in different fields. This led to increase in business at the Centre, clamour for funds in the provinces and deterioration in the sense of responsibility among the subordinate Governments, involving wasteful expenditure, and ultimately a feeling of frustration. The first attempt to depart from this central control of all administrative matters was made in the sphere of 'Finance' by Lord Mayo, and the principle continued with various enlargements upto 1918. There were, however, limits beyond which any relaxation of control could not go in view of the constitutional responsibility of the Government of India to Parliament for the supervision, direction and control for efficient administration and welfare of the country.

Executive Authorities. The administrative mechanism in India included the Crown at the apex and the village *pañcāyats* at its bottom. 'One' will prevailed throughout all its movements, that of the Secretary of State for India, constitutionally. He could issue an order directly to any officer or upon any subject. It followed that the Viceroy had a personal responsibility to him and in their turn the heads of provinces obeyed the Viceroy. In actual practice, however, there was 'give and take' making way for 'man on the spot' theory. This principle of 'one' was introduced by the Regulating Act of 1773. Strangely, this individual responsibility of the Governor-General was put into 'Commission' by the Whigs who came into power after the Revolution of 1688. The 'Councils' which came into existence in 1773 did not cease to exist. In course of the 19th and 20th centuries they led on to the development of a cabinet-like government all over but with departmentalization and centralization progressing alternately within it to accommodate the principles of autocracy and democracy.

From the beginning of the Company's history, the Governor-General and the Governors had Councils attached to them; the Lieutenant-Governors and Chief Commissioners had no such associates. By the Government of India Act, 1919, the Presidencies of Bengal, Madras, Bomaby, and the provinces known as the United Provinces, the Punjab, Bihār and Orissa, the Central Provinces and Assam were declared as 'Governor's Provinces'. Each province had thus a Governor with an Executive Council to assist him. Prior to the Regulating Act, the Councils were rather large. This Act reduced their size to a mere handful. Thus in 1919, the Governor-General's Council had only six members besides the Commander-in-Chief, and those of the Governors three members each. Normally, leading public men of England were appointed as Governors-General and Governors. The Law Members at the Centre came from the legal profession, and sometimes, experts were appointed as Finance Members. The heads of the local governments and members of the Council, however, were selected from the Covenanted or Indian Civil Service. From 1909, Indians were also invited to hold office as Councillors.

In the early years of British rule, all decisions of the Councils were taken by a majority of votes, their chiefs having no special powers. However good the arrangement might have been when it concerned merely trade matters, it was far from satisfactory in dealing with problems of war and the administration of a growing empire. Nevertheless, the Whig fear of concentration of power in a single individual was so great that even the historic struggle for supremacy between the first Governor-General, Warren Hastings, and the members of his Council and the breadkdown of governmental machinery did not lead them to make any change in the system. In 1786, at the instance of Lord Cornwallis, the Governor-General and the Governors were empowered to overrule their Councils and act on their own responsibility, except with regard to enactment of laws and imposition of taxes, or when the Councils acted in a judicial capacity. Although the power was rarely exercised, it prevented rise of factions in the Councils and induced unity, discipline and strength in their daily working.

Further, throughout the period of the East India Company, the Councils sat as Boards, transacting business collectively. The procedure was cumbrous and dilatory. After 1861, under Canning's 'Rules of Business', the work of Government in the Secretariat was carried on under 'portfolio system', i.e., the ordinary work of the departments was distributed among and disposed of by the concerned members of the Executive Council, only the more important cases being referred to the Governor-General or the Governor, as the case may be, or dealt with at a full meeting of the Council, for final orders.

Legislative Councils. Law-making in India from 1833 till 1947 was based upon three principles. First, the British Parliament was the supreme law-maker for India, but it confined itself to settling the framework or organic laws of government. Second, the executive control over all legislature in practice was thorough and complete, whatever be the concessions to the people's representatives in form. Third, the Governor-General in his own person could make ordinances, but with the approval of his Council he could make regulations for provinces. The law, further, gave immunity to the Executive in India.

Until 1773, the presidency governments enacted laws by virtue of the authority derived from the Royal Charter. With a view to imposing a constitutional check in India on the authority of the Governor-General in Council, the Regulating Act of 1773 required all regulations to be registered with the Supreme Court at Calcutta. This had the effect of making the Supreme Court the final arbiter in legislative matters, which was clearly unsatisfactory and dangerous. Hence, the Statute of 1781 exempted from such registration laws applicable to areas outside the presidency town. But, within Calcutta, the anomalous provision, which had no precedent, continued to be in force until it was repealed by the Charter Act of 1833. This dual system of legislation was extended to the other presidencies in later years.

Generally, the Executive was responsible for legislation in all the provinces. In the early years, there was no clearcut legislative process and it was difficult to distiguish 'laws' from 'executive orders'. In 1793, Lord Cornwallis laid down a set procedure for enactment of regulations, which were to be framed into regular codes and made easily available to the public. When the Company's Charter came up for renewal in 1833, the condition of laws was in such a confused state and the legislative machinery so unsatisfactory that drastic reforms were underaken and legislation was centralized. The Charter Act of that year made the Governor-General in Council the sole legislator for the whole of British India. Macaulay, a lawyer outside the Company's service, was appointed as an additional member of the Council to assist only in law-making. Existing vexatious limitations on legislative authority were removed, and, without prejudice to the supremacy of Parliament and the specific limitations imposed by statute, the Governor-General in Council, functioning as a legislature, was invested with "plenary powers of legislation, as large, and of the same nature, as those of Parliament itself". The authority of the Governor-General in Council now extended over the Supreme Courts and the areas and persons within their jurisdiction, as over the rest of the country. The legislative procedure underwent a marked change, effective provision being made for due deliberation in Council and wide consultation of officials and non-officials in respect of legislative projects. A Law Commission was also constituted to effect major improvements in the legal system. Macaulay was appointed the President of this Commission. But legislation continued to be a privilege of the executive authority and there was no trace of popular representation or control.

The failure of the project of codification by the Law Commission and the dissatisfaction voiced by the subordinate presidencies led to reorganization of the legislative machinery in 1853. Two judges of the Calcutta Supreme Court and a representative each of the Governments of Bombay, Madras, Bengal and N. W. Provinces were made members of the Governor-General's Council for purposes of legislation. The Law Member, who was hitherto the only additional member for purposes of legislation, became part of the government. The assent of the Governor-General was no longer required for all laws. This 'official' legislature threw open its proceedings to the press and the public, a step quite revolutionary for the times. A second Law Commission, with its office in England, was also constituted.

The legislature of 1853 had an impressive record of legislation to its credit and there was great improvement in standards. But it claimed controlling powers *vis-a-vis* the executive government and the authorities in England, and consequently it was accused of becoming a 'petty Parliament', and a clipping of its wings was considered essential. Besides, the Revolt of 1857 had also brought home the dangers of excluding Indians from the law-making body. The Indian Councils Act of 1861, therefore, decentralized legislative authority by establishing, in addition to the existing legislature at the centre, local legislatures in the presidencies and the Lieutenant-Governors' provinces. Not less than one-half of the additional members were to be non-officials (Indian and European) nominated by the executive heads. The judges could no longer be members. The powers of central and local legislatures were co-extensive but the latter exercised them only in respect of the territories made subject to their laws. A few subjects were reserved for the central council and, certain matters were barred from consideration by the local legislatures without the previous sanction of the Governor-General. All local and central measures also required his assent to become laws. To prevent the legislatures from developing into 'petty Parliaments', it was expressly provided in section 19 of the Councils Act of 1861 that they should attend only to the business in hand. Further, a majority of official members was studiously maintained to secure the authority of the government in the proceedings of the councils.

However, constitutional progress without rightful place and rights for the representatives of the people duly elected on a parliamentary franchise could not be halted with increasing contacts with the West and growing political consciousness. In 1892, in response to the demands of the Indian National Congress, the legislative councils were enlarged and provision was made for filling a number of seats reserved for non-officials on the basis of 'recommendations' by local legislatures for the council at the centre and by district boards, municipalities, and other corporate institutions for provincial councils, the expression 'election' being avoided to satisfy the British conservative sentiment. This method secured representation of certain interests. Further, questions could be put and budgets discussed without being voted upon. These were certainly elements of progress.

The national pride awakened by the victory of Japan in the Russo-Japanese War of 1904–5 and the rebellious spirit sparked off by the partition of Bengal, among other cumulative causes, led to further reforms (associated with Morley and Minto) in 1909. The councils were further enlarged. Since the presence of nominated non-officials was considered to be an adequate safeguard for the smooth passage of government measures and as the maintenance of a statutory official majority was no longer considered necessary, a 'nominated' majority, composed of officials and non-officials, was provided for and maintained; in Bengal, the elected element was even allowed to have a narrow majority. While the old system of indirect election through local self-governing and such other bodies was maintained generally, direct elections were introduced in respect of Muslim and land-holders constituencies. These measures marked further progress by introducing element of representation for important sections of people. However, the creation of special constituencies for Muslims in addition to their representation through the general constituencies was a dangerous step, destined to have a far-reaching socio-political consequence in the years to come, viz. the bitter struggle for the partition of India and the creation of Pākistān. As regards the powers of the councils, they were permitted to vote upon budgets after discussion.

While law-making bodies developed in the presidencies on the lines sketched above, newly acquired provinces (i.e. territories not brought within the regular administration of British courts and British laws) were administered by executive orders and regulations of the Governor-General in Council, modified to suit local circumstances. This distinction between the 'Regulation' and 'Non-Regulation' provinces was maintained for some time but practically vanished with the introduction of legislative councils in every one of them. However, the need for administration on paternalistic rather than on legal principles was felt in respect of 'backward' tribal areas, and special powers were conferred for the purpose on the local governments by the Government of India Act of 1870, and subsequent statutes.

Judiciary. At the commercial stage of its career, the East India Company had its own courts of law for administering justice among its servants. The local inhabitants of the factories were generally required to settle their disputes among themselves. In 1772, Warren Hastings took the first great step in providing a well-organized judicial system. *Dīwanī* (civil) and *niẓāmat* (criminal) courts were set up in each district, with *ṣadr* (chief) courts at the apex. This system did not prevent the scandalous and oppressive conduct of the Company's servants. So, the Parliament set up, without any reference to the changes effected locally by the Regulating Act of 1773, a Supreme Court at Calcutta with unlimited jurisdiction over the Company and its possessions and over all British subjects. It was also vested with the power to veto laws enacted by the Bengal Government. This plan of controlling the Company's government through this Court failed completely. Therefore, the Act of 1781 limited its jurisdiction to Calcutta and made it essentially an 'English Court' administering 'English law' to natural-born British subjects who were resident in the city. The Act recognized also the courts set up by Warren Hastings, which covered and had jurisdiction over the whole of Bengal except Calcutta. In course of time, the system of supreme and *ṣadr* courts was introduced into the other presidencies. This parallel system of courts, one subservient to the Company's government and the other independent of it, gave rise to many anomalies and complications, and by 1833 it was generally agreed that these should be amalgamated. But the opposition of the British residents, who were unwilling to accept the jurisdiction of the Company's courts, came in the way of early reform. However, after three decades of acute controversy, the Indian High Courts Act of 1861 provided for a common system of High Courts in all presidencies under Royal Charter. In the provinces which could have no such High Courts, Chief Courts and Judicial Commissioners' Courts were established by the Government of India under its own authority.

From the earliest times, appeals from the courts in India lay with the King-in-Council at London. But the improper exercise of their own powers, guarded against in the Regulating Act of 1773, could not be checked or punished until the constitution of a permanent Judicial Committee of the Privy Council in 1833; and the judges of the High Courts under the Crown came within the purview of this Committee so far as their judicial conduct was concerned. It was also the highest court of appeal from India.

Reference may be made to two recurring problems of constitutional importance in judicial administration. The first was the aversion of European British subjects residing in India to being tried by Indian judges, though the spirit of the Charter Act of 1833 was clearly against any form of racial discrimination. Beginning with Act XI of 1836, which removed distinctions based on birth or descent in civil proceedings, many important steps were taken to place Indians and Europeans on the same footing. But the opposition to this was so strong that reforms were slow in coming, and an element of discrimination in favour of the European community continued to the very end of British rule. The second problem referred to executive officers exercising judicial authority. In the beginning, members of the executive government served as judges of the *ṣadr* courts, but this practice stopped at the beginning of the 19th century. In subsequent years these courts were presided over by members of the Covenanted Civil Service and remained amenable to the control of the executive government in a general way; they maintained, however, a high tradition of judicial independence. It is only with the constitution of the High Courts under Royal Charters in 1862 that the independence of the highest judiciary in the country was fully secured. The problem was more practical but thorny and complicated in respect of the lower judiciary. While generally separate cadres of judicial officers were maintained and their independence was secured, opinion was sharply divided on the wisdom of making the Collector, who was a purely revenue officer, a judicial magistrate as well while being the head of police under his authority. In the background of India's paternalistic tradition, it was felt that the power and prestige of the Collector would greatly suffer if he was not also a magistrate responsible for the maintenance of law and order. So, the system of Collector-Magisstrate prevailed most of the time. Again, separate revenue courts manned by revenue officers were maintained to ensure greater speed and efficiency in revenue collection, and the intervention of the civil courts was limited in various ways.

Concomitantly with the evolution of one state and one law analysed in the preceding sections, there was the establishment of one exchequer and the preparation of one budget as a means to it. If constitutionalism is the idea in any administration, the budgets are the method by which the idea is realized. Between 1700 and 1947 the Parliament was the ultimate sovereign in respect of all revenue and the ultimate authority for all expenditure incurred by the Government of India. But in actual practice there has been delegation of powers which slowly and steadily served as the solid foundation of autonomous states from 1919. This delegation of powers was converted into a constitutional, democratic right. Even so, the 'budget' statement of the Secretary of State like those of the Governor-General and the Governors related only to an integrated budget and a single account, and the theory was that while any of these authorities could incur and control expenditure, the taxes could be imposed only by a single authority namely Parliament. No provincial government could raise a public loan; no legislative council could of its own right introduce a bill for taxation or discuss fiscal questions except under rules prescribed therefor; no debate on finance could make the finances better or worse in the current year. But provincial governments were allowed a large margin of practical autonomy from 1870, by which the Government of India made over to them a fixed sum out of their own revenues for the internal administration of provinces and it was in their interest to develop their own resources and to expend them to the best advantage.

While free use was made of Indian forms and institutions inherited from earlier times, the administrative system under the British was largely determined by the ideas and practices then prevailing in England. A pyramidal structure with a chain of commands was developed, with local and subordinate authorities at the base, with the local governments, the

Government of India and the Home government in the middle and with the Crown and Parliament at the apex. There was a broad uniformity in institutions throughout British India, and this had no inconsiderable influence over the Indian states. Another outstanding feature of the system was the growth of district administration.

Administrative Organisation. In the initial stages of British rule, the major governmental activity concerned the collection of revenue (largely land revenue), administration of justice and maintenance of law and order. The 'district' was the administrative unit, and each province was divided into a number of districts. These were in charge of Collectors (Deputy Commissioners in the Non-Regulation Provinces) who were directly responsible to the local government. At times, in some provinces, the divisional Commissioners intervened, but these were generally considered to be a fifth wheel of the coach.

In the early stages the Collectors were in charge of all government work at the district level, exercising executive and judicial functions. To the British people nurtured in ideas of personal freedom and limited governmental authority, the spectacle of an administrative officer being a judge of his own actions was surprising and even revolting. But to the British officers with Indian experience, there was nothing sacrosanct in it. Moreover, throughout Indian history local officers usually collected revenue, maintained peace and administered justice, their authority was supreme in all matters and they were considered to be *mā-bāp* of the people. The system was thus wholly in consonance with Indian tradition, and the people held that it was just and proper. A change, to satisfy English sentiments, they argued, would only make the government less strong and effective. Throughout the British rule, these two schools of thought battled for predominance. Cornwallis who belonged to the 'English' school, separated revenue from judicial and police functions and placed them in different hands. Munro, Elphinstone and Lawrence who belonged to the 'Indian' school persuaded the Parliament to accept their views, one of which was the restoration of the Collector-Magistrate. Consequently, there were frequent changes in policy in the subsequent years until after the Revolt of 1857 the system of Collector-Magistrate was firmly established. The District Collector became responsible for collection of revenue, magisterial and police functions, while the District Judge took over major tasks pertaining to criminal justice.

Another significant development tended later to reduce the responsibilities of the Collector. With the expansion of the welfare activities of the government after the first World War, the other district officers responsible to their respective departmental heads at the provincial headquarters emerged such as the District Superintendent of Police, the District Engineer, the District Medical Officer, the District Education Officer etc. The growth of local self-governing bodies also imposed limitations on the authority of the Collector. Despite these developments, however, the District Collector continued to be the principal officer to whom both the government and the people looked for getting things done, and he was expected to co-ordinate and regulate the work of other district officers as well. Thus, until recent years, he was not merely the principal officer of the government in the district with his own duties, but also the government personified to meet emergencies.

The third significant institutional development was the growth of local self-government. Before the British rule, India had a well-developed system of village *pañcāyats;* but these vanished or lost much of their vitality with the strong centralizing tendencies of the British rulers. With their tradition of local self-government at home, the British set up municipal bodies even in the mercantile stage, and there were also incipient efforts to develop such institutions here and there in the fifties of the last century. But the movement got its fillip with the reforms of Ripon, which were intended to be not merely a means of improving administration but also as measures of political education. The institutions set up were true to English models, but the collective spirit behind them was not foreign to the country. Much depended upon the wish of the government, whether the scheme was to succeed or whether it was to fall short of expectations. Prior to 1914 the growth of a genuine democratic spirit in these bodies was greatly retarded by too much interference under the pretext of supervision and by unwarranted official domination in the guise of control.

Rule of Law. On the procedural side, the most important contribution of the British was the accent on personal rights as understood in the West, and the extension of the principle of the rule of law. Although there was a very influential school of thought which believed that grant of maximum discretionary authority to the governors and their officers was essential for sound and successful administration, there was a steady, and progressive growth of public law on western lines. The rights and obligations of the citizens were being clearly defined and enforced from stage to stage and there was a more or less independent judiciary to enforce them in proper spirit.

The administration set up by the British was, on the whole, more vigorous, more powerful and more comprehensive than any before. In evaluating its success, it has to be remembered that they had a number of advantages over their predecessors, such as printing press and wider diffusion of knowledge, epoch-making developments in science and technology, growth of more rational and systematic ideas in respect of government and public administration and the spirit of adventure.

Indian States. About three-fifth of the country came directly under British rule, while the rest continued to be ruled by the Indian princes, subject to the suzerainty of the British Crown. There were 562 States scattered throughout the country. They cut across boundaries set by geography, ethnography and culture, and were in most cases medieval feudal units. They varied greatly in size, population and revenue, ranging from the great state of Hyderābād to *zamīndāris* extending only over a few hectares. In the Chamber of Princes established in 1921, only 109 states were represented individually, 127 had twelve seats in common, and the rest were too small and inconsequential to be represented.

When the states came fully under British protection, they lost whatever international status and personality they might have had. When Britain transferred sovereignty to India in 1947, the princes were refused admission into the Commonwealth on their own rights. The British Government represented the whole of India in the comity of nations, and the princes and their subjects were 'British subjects' under international law. But, within the empire, their position was determined by the peculiarities of the British constitution. Paramountcy over the princes was vested exclusively in the Crown i.e., Parliament having nothing to do in the matter. Within India, the Indian states were not part of 'British India', and their subjects were not 'British subjects'. While the administration of British India was vested in the Governor-General in Council in subordination to the authority of Parliament, it was the Governor-General acting in his capacity as 'Viceroy' that exercised the powers of paramountcy on behalf of the Crown. Despite this lack of legal authority, Parliament's control was complete in matters pertaining to the states, because of its omnipotence under the British constitution. In 1858 and 1947 when revolutionary changes were made by Parliament in Indian political system, the states were considered as an integral part of India under the British Parliament.

Paramountcy originated in treaties concluded by the British Government with the princes, at first as between sovereign rulers but later modified by convention and practice as between a superior power and a subordinate or subsidiary or semi-sovereign power, and later still as between a paramount power and an autonomous power. In most cases, there was on the part of the princes only a transfer of allegiance to the British power and the British Government recognized in return the existing rights by granting *ṣanads* in the traditional form. Subsequently, owing to a variety of circumstances, the authority wielded by the paramount power greatly increased; the princes became too weak to resist; and they could not get legal redress in the courts of law, since the subject came within the Crown's prerogative and fell outside the Indian judicial system. In its fully developed form, paramountcy was no contractual relationship; its scope and authority knew no limitations, except those which the Crown was itself willing to recognize. Hence the dictum of the experts in constitutional law: 'Paramountcy must remain paramount'. At the last stage of India's struggle with Britain for independence, the states had no comparable national personality with British India, their position was one of complete subordination to the paramount power and their relationship with British India was fundamentally political and insecure.

The actual relationship with the states was regulated by the Political Department of the Government of India, under the direct charge of the Viceroy. The bigger states had local Residents, and the smaller ones were grouped together and placed under Agents. In a few cases, the local governments acted as Agents. Broadly, inter-state relations had been under the Government of India, and the states had not been permitted to have any direct dealings with one another. Lord Lytton had suggested the institution of an 'Indian Privy Council' of the great chiefs for consultations but his move came to nothing. But the whole matter of 'isolation' of this type disappeared from 1919 when the principle of 'union' of the princes was adopted. The Government of India Act, 1935, used the word 'relationship' for 'alliance' and 'instrument' for 'treaty'. Within the states, the general form of administration was benevolent despotism as conceived by their rulers; the standards varied from state to state. In eight of them, by 1919, there were legislative councils or 'Representative Assemblies', but they acted mostly as advisory bodies and, only in a few cases, had any influence upon their governments.

The autonomy of the states as against the paramount powers of the Viceroy was subject to two important qualifications or restrictions. First, the scope and extent of autonomy varied from state to state. While the big states like Hyderābād, Travancore and Kashmīr exercised almost sovereign powers, the petty ones like those in the Himālayan region or the Bombay Presidency were not trusted with any substantial power. There were, however, regardless of status, a number of subjects of all-India importance which had to be administered by a central authority, e.g., railways, posts and telegraphs, coinage and currency, and customs and excise. While a few big states retained for some time their authority in respect of these subjects, the others were persuaded to surrender their rights to the Government of India at one stage or the other.

Secondly, while the paramount power recognized the right of the princes to autonomy in internal administration, it claimed a right to intervene in certain circumstances. In the first decades of British rule, the states were only looked upon as a ring-fence for providing security to the British territories. By 1818, the British supremacy was firmly established, and until 1858 the Government of India evinced little interest in the internal affairs of the states, except perhaps to find an excuse to annex them. As a reward for the loyalty of the princes during the Revolt of 1857 and also as a measure of reconciliation, the Queen's Proclamation of 1858 gave an assurance that the integrity of the states would be maintained. At the same time, the indifference of the paramount power towards the internal conditions of the states gave place to an active interest in the general well-being of the people of the states which took the form of advice and remonstrance, deputation of officers from British India, and occasional supersession of the authority of the princes for short periods.

The basic change in policy in respect of British India entailed re-examination of the position of the Indian states. The British Government felt that sooner or later the princes would have to fall in line with British India and introduce democratic reforms; but the change was to come by permeation of ideas and not through the exercise of the powers of paramountcy. The princes would have a place in any federation that might eventually be set up. Meanwhile, in order to break their unnatural isolation, promote in them a sense of belonging to a wider community, and give them an opportunity to consider matters of common interest and have a voice in all-India affairs, a Chamber of Princes, with the Viceroy as president, was constituted in 1921. Although a purely advisory body, its establishment marked a significant break with the past.

(b) 1919-1947

On August 20, 1917, Montagu, the Secretary of State for India, made the historic announcement that 'progressive realization of responsible government in India as an integral part of the British Empire' would be the basis of future Indian policy.

Reforms of 1919. In fulfilment of this policy the Parliament passed the Government of India Act, 1919. On the basis of the existing practice, it demarcated in two separate lists the respective functions of the central and provincial governments. A diarchic administration was introduced in the latter. The provincial subjects were divided into two groups: 'Reserved' and 'Transferred'. Broadly, the reserved included subjects on which the peace, security and financial stability of the provinces depended, e.g., land revenue, justice, police and jails. The transferred included nation-building departments such as agriculture, industry, co-operation, education, public health and local self-government and were placed in charge of ministers responsible to their respective legislatures, while the reserved subjects were left with the Governor and his Council to be administered as before. The supervision and control by the Government of India and the authorities in England was withdrawn from the transferred subjects and limited to the reserved subjects. But the Governor as the head of both the wings of the government was required to co-ordinate their activities and resolve conflicts. Besides, he was vested with special powers to protect the minorities, the backward classes and the public services and to secure peace and tranquillity. The provisions of the enactment were so elastic that it was within the powers of the Governor to administer the transferred subjects as if they were reserved or to place obstacles in the way of the ministers. The Lieutenant-Governorships were raised to Governorships and diarchic constitution was introduced in them as in all other provinces. The Chief Commissioners' provinces were administered as before, subject to minor changes. There was no change in the form of the executive government at the centre. Only a convention was established under which the Home Government refrained from interfering in matters on which the Government of India and the central legislature were in agreement.

On the legislative side, there were to be the Legislative Assembly and the Council of States at the centre, the latter being created to act as a check on the former. The legislatures, both central and provincial, were enlarged with elected members, returned on the basis of a relatively wider franchise. The nominated official and non-official element, though much reduced in strength, was still large enough to affect decisions when there was cleavage within the body of elected members. To maintain the authority of the British Government in essential matters, sole reliance was placed on the special powers vested in the Governor-General and the Governors. Communal representation, hitherto confined to Muslims, was extended to many other communities.

Reforms of 1935. Under the provisions of the Government of India Act, 1919, a statutory commission of Parliament under the chairmanship of Sir John Simon was appointed in 1927 to review the working of the earlier reforms and recommend necessary changes, if any. Although there were two Indians in Parliament, the Commission was composed only of Englishmen. It made extensive enquiries and submitted a voluminous report. But it was clear that its recommendations, made by such an exclusive group and against nation-wide protests within India, would not meet with general acceptance. To assuage this national sentiment, the British Government summoned a Round Table Conference of British and Indian leaders, and the princes. The moderates rallied round. But the Congress insisted that the Conference should discuss only the immediate grant of full responsible government. Since the demand was not conceded, it launched a non-cooperation movement and boycotted the Conference, except for a short period when it was prevailed upon to participate. There were further enquiries by a joint Parliamentary Committee, and the Government of India Act, 1935, was passed on the basis of its recommendations.

The enactment provided for the establishment of a 'Federation of India' comprising both British Indian provinces and Indian states. Burma was separated from India. The scheme drawn up was extemely complicated and had no parallel in any other federal system on a number of vital points. The Indian leaders had been intent on having full-fledged responsible government, both at the centre and in the provinces. They had also been keen on federating in respect of nearly all subjects hitherto administered by the Government of India, so that the benefits of a strong centre might not be lost. The Act provided for a simple diarchy at the centre, with responsible government limited to a small area of administration. The princes had expressed, on the other hand, willingness to federate only with respect to the few subjects already in the hands of the paramount power and opposed injection of democratic ideas into the internal administration of their states. Their conditions were accepted and incorporated.

Moreover, no provision was made for the internal administration of the federating princely states, since it was accepted that the power to tackle that subject lay within the sole discretion of the individual rulers. But the Act made it clear that the federation was to come into being only on the accession of the rulers of states having not less than half the aggregate population of princely India and entitled to at least half the seats allotted to it in the 'Federal Upper Chamber'. The British Government had always been firm on keeping in its own hands the key departments relating to Defence, External Affairs and Tribal Areas. The Act provided for this too. Diverse minority communities, backward classes and other interests had put forward in the Round Table Conference and at other meetings demands in conflict with each other's claims and made the communal problem almost an insoluble riddle. The Act went a long way in meeting these sectional and group interests. Besides these impediments to a national self-government, the checks and balances, and the restrictions and limitations, which were included in the Act, were so many that the establishment of democratic, responsible government at the centre was indeed a farce.

As regards the units of the federation, diarchy was abandoned, and a full responsible government was established in the Governors' provinces of British India, subject to the special powers vested in the Governors in their individual capacity in respect of matters relating to minorities, backward classes, public services and special responsibilities. The Chief Commissioners' provinces came under the federal government to be administered as a central subject.

In view of the transfer of most domestic subjects into Indian hands, the 'Council of India' in England was abolished and its place was taken by a small body of 'Advisers'. The Secretary of State for India continued to be responsible to the Parliament in respect of matters still remaining within the sole discretion of the Governor-General or the Governors.

The reforms of 1935 worked much less satisfactorily than those of 1919. As regards the federal part, the two great political parties, the Congress and the Muslim League, were opposed to its being brought into force, because there was no real transfer of power and the scheme was designed only "to facilitate and perpetuate the domination and exploitation of the people of India" by the British. The princes too had second thoughts. While negotiations with them were still proceeding, second World War broke out in 1939. Lord Linlithgow, the Viceroy of India, announced that there would be no federation for the time being and the federal scheme would be suitably amended after the cessation of hostilities. The Government of India continued to function in accordance with the provisions of the Act of 1919. However, since the provinces had already become autonomous and the federation had only been postponed until the end of the war, a number of federal institutions such as the Federal Court, the Fderal Railway Authority, the Reserve Bank of India and the Federal Public Services Commission were established.

The provisions of the Act for provincial autonomy came into force in 1937. The Congress formed ministries in seven provinces and only Bengal, the Punjab and Sind had non-Congress ministries. The constitution worked smoothly. Only the Muslim League felt bitter, because the Congress would not share power with it. Under the leadership of M.A. Jinnah, it started a virulent anti-Congress tirade and emerged a strong, well-disciplined and militant party. The association of the Congress with provincial administration was, however, short-lived; because of differences over larger political issues on the outbreak of the Second World War in 1939, it resigned. During the war non-Congress ministries were in power, and where even this was not possible, the Governor's rule prevailed. Popular Ministries were restored only when the war had ended in 1945.

The outbreak of second World War in 1939 changed the whole complexion of the Indian Government. The Congress was opposed to the maintenance of the *status quo*. If the British Government was sincere about its war aims, namely, freedom and democracy in the world, India should have been granted independence immediately and allowed to frame a constitution through her own constituent assembly. Since the response was not satisfactory, the Congress withdrew from the provincial ministries, boycotted the legislatures, and launched the 'individual' civil disobedience movement, under the leadership of Mahatma Gandhi in October 1940. The Muslim League became more militant and uncompromising. In March 1940, it had formally adopted Pākistān as the goal of Muslim India and demanded that it should be granted sovereignty at the same time as India was given independence. It claimed status as the sole representative of Muslims in India and also equal representation with the Congress in any provisional government that was formed. Since its demands too were not conceded, it declined to co-operate with the government; but unlike the Congress, it did not actively oppose the government or prevent individual members of the League from co-operating.

The Congress-League differences apart, the British Government was not at all willing to part with the substance of power at this critical juncture and weaken its own hands. However, to rally round the moderate elements, on July 21, 1941, it constituted the National Defence Council and also expanded the Governor-General's Council to comprise eight Indians and three Englishmen as against the existing strength of three Indians and three Englishmen. Even the moderates were not impressed with this concession, since no new or important portfolio was entrusted to Indians i.e. they were being still excluded from the key departments of Defence, Home, Finance and Communications.

The Japanese attack on Pearl Harbour in December 1941, and the invasion of Burma created a grave national crisis. Sir Stafford Cripps, a member of the British War Cabinet, came to India to reach a settlement with its leaders and enlist popular support for the war effort. His plan contained a categorical assurance that India would be granted independence, with the right to secede from the Commonwealth, after the war and that she would also be free to frame her own constitution through a constituent assembly. At the same time, the Muslims and the princes were assured that no solution unacceptable to them would be forced upon them. For the interim period, there would be *de facto* full transfer of responsibility except in the field of defence. The Congress felt strongly that in the face of the impending invasion of the country by the Japanese, a mass psychology of resistance should be built up, and this could only be done if defence was in Indian hands, without prejudice to the freedom of the operational command. Owing to this hitch, a settlement which appeared to be almost within reach, failed to come through. The bitter disappointment at the failure of the Cripps' Mission led to the well-known Quit India Movement of 1942, and a reign of terror by the Government ensued.

After the termination of hostilities in Europe in 1945, Wavell who was then the Viceroy of India, made an attempt to form a provisional government at the Centre on the basis of the Cripps formula, but it failed owing to Congress-League differences over the form and quantum of representation of the respective parties. Soon after, the war with Japan also ended, and general elections were held. The results confirmed what had become apparent, that communalism had taken deeper roots and the Muslim League was in a very strong position in all Muslim mojority provinces except in the North-West Frontier Province. The Congress likewise, as was expected, swept the polls and retained its claim to represent the nation. In 1945 the Labour Party came to power in England. It sent a Cabinet Mission to India with a firm offer of independence, starting with full responsible government at the centre within the framework of the existing laws until a new constitution was drawn up. The Mission sought to bring all the parties, including the princes, into a constituent assembly, without prejudice to their basic claims, in the hope that a solution, generally acceptable, would ultimately be found. An Interim Government was formed on September 2, 1946, and the Constituent Assembly was inaugurated on December 9. While the Congress co-operated, the Muslim League joined the Interim Government but declined to enter the Constituent Assembly since it felt that it could not achieve its basic objective, namely, Pākistān, through its deliberations.

The resulting political deadlock and mounting communal tension made the Government decide that it was best to effect partition and grant independence immediately and also leave the princes free to decide their own future. The Indian Independence Act, 1947, was accordingly passed and the Dominions of India and Pākistān were inaugurated on August 15 and August 14, 1947, respectively. The objective set forth earlier by the Indian National Congress was finally realized, though not wholly in the manner envisaged.

2. General Administration

Civil Services. As the Parliament was in a position to exercise only occasional or limited control over Indian administration, the Government of India was a bureaucracy or government by officials in the strict sense of the term. Except the Governor-General of India and the Governors of the major provinces, all others exercising governmental authority at high levels and responsible for policy making came from the Indian Civil Service. Hence, the character of the higher civil services under British rule assumed more than usual significance.

In the beginning, at the mercantile stage, the Company's service was just suited to the requirements of trade and commerce. But in view of the conditions under which oceanic trade was carried on, the servants of the Company had to assist in soldiering, administration of justice, municipal affairs and allied tasks. After Plassey i.e., when the Company acquired territorial responsibilities, it was necessary to transform the 'mercantile service' into an 'administrative service'. The credit for creating "a civil service in the modern sense of the word" and providing it "with new standards of honesty and right conduct" goes to Lord Cornwallis, and in his time the Covenanted Civil Service of India was constituted with its three units, the Bengal Civil Service, the Madras Civil Service and the Bombay Civil Service. Under the Charter Act of 1793, initial appointment of Writers to the service was left with the Directors of the Company, but, as a precaution against jobbery, it was expressly laid down that all promotions within it should be based strictly on seniority. To make the service attractive and to ensure a high degree of honesty and integrity, adequate salaries were provided. Further, all civil posts below the rank of a member of the Council of the Governor-General or Governor were reserved to members of the service. Lord Wellesley recognized the need for providing proper training to the civil servants, who were no longer traders but 'administrators and proconsuls', and founded the Fort William College at Calcutta in 1800. It was reduced to a mere school for languages by the Court of Directors, but Wellesley's main object was realized when the Haileybury College was established in England in 1806.

In the subsequent period, a large number of military and uncovenanted officers were appointed to posts reserved for members of the Covenanted Civil Service under the Statute of 1793, mostly in the newly conquered and unsettled areas such as Sind, the Punjab and Burma. The mixed system proved its worth in practice, and the Indian Civil Service Act of 1861 condoned the past illegality and accorded legal sanction also to such future appointments. After 1875, this practice was gradually discontinued, but occasional appointments were made in some provinces in the forties of the present century.

There was another significant development during the period. As a result of the French Revolution with its democratic and rational approach to problems, the system of patronage in respect of public appointments was considered to be thoroughly unsatisfactory and recruitment through open competitive examinations was generally recognized to be both democratically correct and administratively sound. After an unsuccessful attempt in 1833, the Company adopted this principle in respect of the Covenanted Civil Service of India under the provisions of the Charter Act of 1853. In the subsequent years, the competitive system was extended to other superior and subordinate services with necessary modifications and adjustments.

The Covenanted Civil Service of India or the I.C.S., has ever constituted the steel-frame of the British administrative machinery in the country. For many decades, "there were practically no duties which were outside the scope of the I.C.S., except those of the sailor, the soldier, the physician and the padre, and even of these duties the civilian occasionally performed some, in an amateur way". With the political settlement of the country, the organization of government from the centre to the districts and the extension of welfare activities, many specialized and technical services were constituted from the latter half of the 19th cenutry. Besides the I.C.S., the former comprised services in respect of Police, Forest, Education (separate for men and women), Agriculture, Veterinary, Medical (Civil) and Engineering, with a special status, standard of service privileges and rights and remuneration. Appointments to these were made by the Secretary of State for India on the basis of selection both in India and England. In 1924, the superior services consisted of the All-India Services and the Central Services. On January 1, 1924, their sanctioned strength was 4,379 of which only 1,350 belonged to the Indian Civil Service. Each of these services formed a unit. On recruitment, its officers were assigned to one of the provinces and normally expected to serve their whole career there. The Government of India got them on deputation to serve at the centre according to a schedule or set schemes, but it had also its own services for administering central subjects such as Customs, Railways, and Posts and Telegraphs. The Central Class I Services were comparable in status to the All-India Services, and the Secretary of State for India in Council exercised control over them. Besides these superior services, there were after 1890, provincial and subordinate services organized and maintained by the provincial governments. The members of the former were placed in the 'middle' grades and those of the latter in the 'lower' grades, of their administrations.

In the elaborate administrative mechinery thus constituted, it was only natural for the British Government to have as large a number as possible of its own 'nationals' in the higher rungs to secure and safeguard their authority in India. In the beginning, under Clive and Warren Hastings, the Company's administration even at the top was entirely in the hands of Indians, except for a few key posts. With its authority taking deeper roots, under Cornwallis, the Company's services were reorganized and positions of any importance were entrusted only to the Europeans. The exclusion of Indians was often justified on the ground that they as a community were venal and corrupt, but the underlying motive was to keep a complete and firm grip over the administration. However, the limitations of this policy became apparent during the next three decades. A large country like India could not be administered efficiently by a handful of European officers, who did not have intimate local knowledge or who did not stay in India long enough like Munro and Malcolm to acquire it. Delegation of greater and greater authority to Indian subordinates was, therefore, inevitable; and it started in 1834 with Bentinck, particularly in the field of judicial administration. Thereafter, 'Native agency and European superintendence' became the general policy in all departments and was in force upto 1921.

The liberal spirit of Bentinck's age was reflected also in the well-known provision in the Charter Act of 1833 that no Indian should 'by reason only of his religion, place of birth, descent, colour, or any of them, be disabled from holding any place, office, or employment under the Company'. The only object of this clause was to ensure that Indians seeking employment with adequate qualifications were not edged out of lower subordinate posts by the Europeans who were to be freely admitted into India under the Charter. The Revolt of 1857 brought home the need for reconciling the nobility and enlisting the support of the intelligentsia. The assurance of 1833 was, therefore, reiterated but with a very wide application in the Queen's Proclamation of 1858 which became the *magna carta* of the educated Indians seeking unrestricted entry into the superior services.

The chances of Indians were, however, bleak as long as recruitment to the services was made in England. In 1868, a scholarship scheme was initiated to help talented Indian students to proceed to England, but it proved to be a limited success. In 1879, provision was, therefore, made for filling one-fifth of the vacancies in the Covenanted Service (I.C.S.) through nomination of young Indians of respectable families and sound education. This scheme (of 'Statutory Civilians') was abandoned after a time. The demand for Indianization of the higher services, however, continued to grow. Hence the government appointed a Public Services Commission in 1886, presided over by Sir Charles Aitchison. Instead of seeking ways and means of admitting more Indians into it, the Commission proposed 'to reduce the Indian Civil Service to a *corps d'elite* by limiting its numbers to what was necessary to fill the chief administrative appointments to the Government' and to transfer the remaining posts to a wholly Indian Provincial Service to be constituted in each of the provinces. The measures taken to implement this policy brought quite a few educated Indians into the middle ranks of public service, but by its nature it was too meagre to satisfy the general expectation and hence could not silence the public demand. The nationalist sentiment could hardly be satisfied with the virtual exclusion of Indians from the 'heaven-born' I.C.S. The agitation for holding examinations for it simultaneously in England and India was revived and continued unabated. There could, however, be no substantial progress in the Indianization of the superior services as long as the British Government was wedded to the concept of imperialism and the progress in this sphere was limited till 1947.

It was, however, essential that if India was to have full responsible government, it was necessary to Indianize the superior services as rapidly as possible. The nationalist demand for holding examinations for the I.C.S. in India also was conceded in 1922. Further, as recommended by the Lee Commission in 1924, recruitment to services which primarily concerned the subjects transferred to popular control was stopped, and the pace of Indianization was accelerated in the other services. A fifty-fifty ratio of Europeans and Indians was to be reached in fifteen years in the case of the I.C.S., and in twenty years in the case of the Indian Police Service. Indianization of the other services was to be more rapid. As a general indicator of the progress made, it may be mentioned that in 1939 there were 540 Indians out of a total of 1,299 in the Indian Civil Service. Another significant development was the reservation of seats in the public services for minority communities and backward classes. Further, in accordance with democratic tradition and practice, a Public Service Commission was set up at the centre in 1926, and the local governments followed suit in later years.

3. Trade, Commerce and Industry

The battle of Plassey stands as an important landmark in the economic history of India. The foreign conquest of the country started the process which culminated in the transformation of India's economy into a colonial economy. In its first phase, the impact of foreign rule on India's trade and industry was both violent and destructive. The trade and industry of the country, more particularly that of Bengal, received a severe jolt as a result of the policies of the East India Company and corrupt practices of its officials. This was, of course, a short-lived phase. By the end of the 18th century, British rule had been established in large parts of the country and had come to stay. Britain, therefore, came to look upon India as her colony which had to be developed in the imperial interest. The overriding constraint on the process of development was to be the interest of the British manufacturers. India was to be turned into a market for British goods and exporter of raw materials and food stuffs to feed Britain's industries and her people. This policy thwarted economic growth and resulted in economic stagnation. The cottage and small scale industries which were the pride of the country in the 17th and the first half of the 18th century languished as a result of foreign competition and want of support from the government. New large scale industries were late to come but even when they began to be established in the second half of the 19th century, far from encouragement, the governments' attitude towards them was one of open hostility. Till the beginning of the World War in 1914, the government vigorously pursued the free trade policy and refused to accord fiscal protection to India's infant industries. The war produced far reaching changes in the world's economy and circumstances forced Britain to change her industrial and commercial policies in India. Fiscal autonomy to India was conceded by the Secretary of State in 1919 and the principle of discriminating protection accepted in 1923. This helped the industrial growth, and a number of new large scale consumer goods industries, such as sugar, matches, cement and paper came to be established in the country under the impetus of 'Protection'. But the 'Great Depression' intervened meanwhile and prevented industrial growth from being as rapid as it otherwise might have been expected. The result of the British rule in India was the aborted growth of her economy.

The British rule also produced important structural changes in the Indian economy. The new land laws gave India a new concept of 'property' and 'ownership' in land which was alien to her. The principle of joint-stock in business units was for the first time introduced by the British. A unified currency system for the whole country, monetization of India's rural economy, substitution of commercial for food crops in agriculture, a network of railways and telegraphs all over the country, an enormous increase in India's export trade and emergence of a new class structure were some of the more important contributions of the British rule to India's economy. Britain destroyed the medieval economic structure in India and laid the foundation of modern economy which for its development had, however, to wait till independence.

It is with this story of the transformation of the Indian economy during the British rule and its effect on incomes and standard of living of the people that we are concerned in this review of trade, commerce and industry of India from 1761 to 1947. First we shall study changes in trade, commerce and industry and later we shall review trends in the agricultural sector of India's economy, national income, prices, wages and standard of living.

Ruin of Indian Industry. Even before the acquisition of *Dīwanī* of Bengal in 1765, the East India Company had begun to exercise considerable political influence in Bengal, Bihār and Orissa. From the Mughal emperor Farrukhsiyar the Company had obtained, in 1717, exemption from payment of transit duties on the inland movement of goods. This privilege proved to be a source of venal corruption and resulted in defrauding the Indian treasury. The servants of the Company not only claimed the same privileges for their private trade but also began to sell *dastaks* or permits, certifying their ownership of goods in transit; and these permits were used for goods belonging to any party to pass duty-free. The Indian merchants freely purchased these *dastaks* to escape payment of duties to the state.

Oppression of Weavers. The Company was also responsible for oppression of the weavers who supplied it with cotton fabrics for export. The purchase agents of the Company went into the interior, forced orders on weavers for supply of cloth at very low prices arbitrarily fixed by the former, prohibited them from entertaining orders from other purchasers and, in the event of disobedience of their commands, thrashed and flogged the weavers. The purchase agents arrogated to themselves the magisterial powers and in dealing with the weavers, combined in themselves the functions of the prosecutor and the judge. The unremunerative prices offered by the *gumāshtās* together with other measures of oppression adopted by them ruined the weavers, who deserted their profession in large numbers.

Monopolies. In the first few years of the Company's rule the trends mentioned above grew stronger. The foreign trade of Bengal which, at that time was the richest part of India, became the monopoly of the Company, while internal trade in more important commodities like raw cotton was monopolized by superior servants of the Company in their personal capacity. The monopoly of trade in raw materials helped to raise prices to the manufacturer, while monopoly of purchase (monopsony) of finished products tended to lower the prices of manufactures. These restrictive practices together with the method of providing the Company's investments or purchasing goods in the interior through the agency of *gumāshtās* ruined the weavers and other artisans. As a contemporary witness, William Bolts, testified in 1767: "The whole inland trade of the country, as at present conducted, and that of the country's investment for Europe in a more peculiar degree, has long been one continued scene of oppression; the baneful effects of which are severely felt by every weaver and manufacturer in the country, every article produced being made a monopoly; in which the English with the *baniyās* and black *gumāshtās* arbitrarily decide what quantity of goods each manufacturer shall deliver and the prices he shall receive for them." Commenting on the system of making purchases through the *gumāshtās,* the same writer says: "The assent of the poor weavers is in general not deemed necessary; for the *gumāshtās* when employed on the Company's investment frequently make them sign what they please; and upon the weavers refusing to take the money offered, it has been known that they had had it tied to the girdles and they have been sent away with flogging"; and that "the roguery practised in this department is beyond imagination, but all terminates in the defrauding of the poor weaver; for the price which the Company's *gumāshtās,* and in confederacy with them, the *fachendārs* fix upon the goods, are in all places, at least fifteen per cent and in some, forty per cent less than the goods manufactured would sell for in the public bazar or market upon a free sale".

Transit Duties. All this would have been enough to ruin the Indian industries, and, in fact, it spelt disaster to important manufacturing centres. As early as 1769 it was stated about Murshidābād : "This fine country which flourished under the most despotic and arbitrary Government, is verging towards its ruin." But things did not stop there. The scales were heavily weighed against the Indian producer in two other ways. The first was the system of inland duties which afforded protection to foreign products in their competition with Indian manufactures. The practice of levying these duties had been inherited by the Company from the earlier rulers. The Company, on assuming administration of the country, raised the rates of these duties, multiplied toll and tariff barriers and brought, on the tariff list, many goods which previously had been exempt from duty. Thus, whereas the aggregate duty on cotton piece-goods manufactured in India worked out in 1813 at 17 per cent *ad valorem,* the duty on the imported cloth fixed under the Charter Act of 1813 was only $2\frac{1}{2}$ per cent *ad valorem.*

Duties on Foreign Trade. England imposed prohibitory duties on cotton imports from India. The import of cotton fabrics from India for domestic use was prohibited in England, while those imported for re-export to European markets were subjected to a total *ad valorem* duty of over 71 per cent. Commenting on these heavy imposts on the manufactures of India, the British historian Wilson remarked, "It was stated in evidence (before the Select Committee in 1813) that the cotton and silk goods of India could be sold for a profit in British market at a price from 50 to 60 per cent lower than those fabricated in England. It consequently became necessary to protect the latter by duties of 70 to 80 per cent on their value or by positive prohibition. Had this been not the case, had not such prohibitory duties and decrees existed, the mills of Paisley and Manchester would have been stopped at the outset and could not have again been set in motion, by the power of steam. They were created by the sacrifice of the Indian manufacturers. Had India been independent, she would have retaliated, would have imposed prohibitive duties upon British goods, and would have thus preserved her own productive industry from annihilation. This act of self-defence was not permitted her; she was at the mercy of the stranger. British goods were forced upon her without paying duty and the foreign manufacturer employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms."

Colonial Economy. Two events of great significance to Britain occured just at the time when India was being conquered by her. The first was the industrial revolution which increased the country's demand for raw materials and food stuffs, and second her loss of North American colonies as a result of their declaration of independence in 1776. The latter event made England search for an alternative source of supply of raw cotton and foodstuffs that American colonies had supplied earlier while the former increased the need for market for the products of her newly established industries. Under the circumstances, the conquest of India came to acquire a special significance for England. For here was a country of the size and population of a sub-continent which offered an unlimited market for her rapidly growing industries and an inexhaustible source for the supply of raw materials and foodstuffs. From the beginning of political contact with this country, British policies in India came to be shaped by the needs and desires of the industrial interests of the imperial power. Left to itself, the East India Company might have promoted the export of manufactures from this country to increase its commercial profits. But powerful interests at Home led the Parliament to intervene in Indian affairs as early as 1773 when the Regulating Act was passed. Henceforth, it was the British Parliament that ultimately decided and laid down policies to be pursued by the East India Company in India. The successive Charter Acts placed more and more restrictions on the Company's commerical activities till 1833, when the Company was completely divested of its trading rights. By then, England had almost achieved her object of turning Indian economy into a colonial economy—a market for her manufactures and a source for the supply of raw materials to her industries. The change wrought by England in the industrial position of India, by 1835, may be seen from the following table of trade in cotton textiles between England and India:

Year	*Imports of cotton manufactures from Britain into India (metres)*	*Export of Indian cotton piece-goods to Britain (metres)*
1814	7,48,169	1,158,186
1821	1,75,00,451	4,88,742
1828	3,91,56,507	3,86,338
1835	4,73,45,142	2,79,869

India was mainly an exporter of cotton fabrics in the 18th century. Even as late as 1814, she was a net exporter of cotton manufactures but, within 22 years from that date, the exports of Indian cloth to Britain had dwindled to the insignificant figure of a little less than three lakh metres, while imports had swelled to about 47 million metres. From a manufacturing country India had been reduced to the position of an importer of foreign manufactures for the consumption of her people.

Export of Capital from India. The industrialization of Great Britain was helped not only by India's imports but also by the latter's capital. The Company's purchases of goods for export from India, or investments as they were called, were financed from the revenue proceeds of the Company. The sale proceeds of these goods in Great Britain were utilized for payment of dividends to the shareholders of the Company. A large part of India's exports, therefore, were unrequited as nothing was returned to India in exchange. To that extent the export surplus constituted a drain of wealth from the country. This surplus together with the private fortunes made by the servants of the Company in the early days of British rule in India, and carried to Britain, constituted a valuable addition to the capital resources of Great Britain in the initial period of her industrialization.

Foreign Investments in India. With the passing of the Charter Act of 1833, Indian colonial economy entered the second phase of its career. By 1833 the East India Company had reached the stage of mature capitalism which, apart from markets for industrial products, had begun to seek profitable investments of surplus funds abroad. The Act of 1833 threw open the door to expansion of trade and investment of British capital in India. The settlement of Europeans in the interior of the country, which at first was not looked upon with favour by the East India Company, was now permitted, and flow of private capital from England into trade and industry of India was encouraged.

But though upto the middle of 19th century British citizens were in possession of plantations, shares in commerical and banking enterprises and rupee loans of the Government of India, the actual flow of British capital into India till the Revolt of 1857 remained very small. Most of these shares and property rights were acquired by the British officers, while they were in the service of the Company in India, out of their personal accumulations and were taken to England by them on retirement from service, to maintain themselves and to educate their children there with the incomes that these assets yielded. "These interests", says Leyland Jenks, "represented simply portions of Indian spoil and revenue reinvested in India. They did not constitute an export of British capital." But later, the construction of irrigation works and railways afforded almost an unlimited field for profitable investment of capital in India, but the Company, interested as it mainly was in exploiting and not in improving the resources of the country, showed little interest in the matter. The private investor was hesitant and was not willing to risk his funds in an unfamiliar land without assurance about the safety of invested capital and the state guarantee of reasonable returns on investment. Several schemes of construction of railway in India were put forward in 1845, and in 1848 two companies, namely, the East India Railway Company and the Great Indian Peninsular Company, were given guarantee of interest of 5 per cent per annum on capital invested by them in the railway construction in India. But it was not till 1853 that the first railway line in India was opened to traffic. By April 1857, there were only 439.35 km. of railway line in India, and the total capital raised from the British investor for investment in Indian railways amounted to £ 13.39 millions.

The Revolt of 1857 was a landmark in the flow of British capital to India. The attention of both English businessmen and statesmen was, for the first time, focussed on India. India was the principal unit of the British empire and, now that the sub-continent had been retaken, no effort was to be spared in making it a secure possession of Britain. The major movement of British capital between 1857 and 1865 was towards India. Railways received special attention because their extension served the imperial interests in more than one way. They facilitated rapid movement of troops from one place to another. They also provided profitable investment for British capital, promoted export of locomotives, rolling stock, steel, machinery and other equipment from England, brought about extension of market for British manufactures in the interior of India and facilitated collection of foodgrains, raw cotton and other agricultural produce from the markets of India for export to Great Britain.

Plantation industries, banking, shipping and trade were some of the other fields of investment of British capital. The total British investment in India between 1854 and 1869 is estimated at £ 150 millions. Of this amount, one half went into the railways, 55 millions into Government loans and 20 millions in tea plantations, jute mills, shipping and mercantile establishments. India continued to receive an annual investment of £ 5 million of foreign capital in the seventies of the 19th century. But this was a period of depression in England when flow of capital from Britain to other countries of the world had been considerably reduced. There was a great increase in the rate of British investments in India in the nineties. In 1909, the net investments for the year amounted to £ 14.3 millions. The total investments of British capital made in India upto 1910 were estimated at 547 crores of rupees as against 441 crores in 1896 and 225 crores in 1870. England derived an annual income of £ 8 to 9 millions at the beginning of the present century from her investments in India.

The investment of foreign capital, especially in the railways, helped to bring about a commercial revolution in India which may be said to have started near about 1860. With the help of the foreign capital there was a rapid increase in the length of railways which from 2,573.33 km. in 1861 rose to 5,428.31 km. in 1865; 8,170.64 km. in 1871; 11,783.62 km. in 1877; 32,523.23 km. in 1896; 49,207.30 km. in 1908 and 55,773.44 km. in 1914. These figures are inclusive of the length of railways in British Burma and princely states. Meanwhile a revolution was also caused in the sea transport between India and Europe by the opening of the Suez Canal (1869), which shortened the distance of the sea voyage between the Indian and the European ports by about 4,830 km., and by the large scale replacement, in the seventies of the last century, of sailing vessels by steam ships for carrying cargo. As a result of these developments foreign trade of the country showed an impressive increase. In 1859–60 the total value of India's foreign trade was 69.6 crores of rupees; it rose to 100.4 crores in 1869–70; 122 crores in 1879–80; 195.7 crores in 1891–92; 266.49 crores in 1908–9 and 441 crores in 1913–14. In terms of statistics of ship clearings, there was a ninefold increase in the sea-borne import trade of the country in less than 25 years, ship clearings in Indian ports rising from 2,29,776 tonnes in 1871–72 to 20,12,674 tonnes in 1894–95.

There was an impressive increase in other forms of business activity after 1890, the index of which rose from 100 in the period 1890–1894 to 110 in 1895; 136 in 1901; 188 in 1907; and 202 in 1909. Between 1890 and 1909, the volume of inland trade increased by 108 per cent, and the capital of joint-stock companies by 94 per cent. Paid-up capital and reserves of Indian banks rose from 5.17 crores of rupees in 1895 to 9.78 crores in 1908. Private deposites of all banks including Presidency Exchange Banks, increased from 34.94 crores in 1895 to 64.39 crores in 1908. Banks other than the Presidency Banks increased their deposits during the same period from 5.56 to 16.26 crores of rupees. The total amount of currency notes and rupee coins in circulation rose from 127 crores of rupees in 1896 to 181 crores in 1908. These statistics indicate that, though continuing to be backward in agriculture and industry, India had, by 1914, achieved remarkable progress in the commercial field. Judging from her world-wide commercial relations, growth of joint-stock business development of banking and monetization of the larger portion of her economy, India had, before the first World War, acquired a place among the most advanced commercial nations of the world.

Industrial Development. The commercial revolution failed to bring in its wake large scale industrialization. Despite the great strides in the development of the means of communication and transport, banking and insurance and foreign and inland trade, the country continued to suffer from arrested growth of industries till the end of World War I.

A beginning in the establishment of factory industries in India was made in the middle of the 19th century. The first cotton mill was started at Broach in the Bombay Presidency in 1853, and the first jute mill was established by George Auckland at Rishra in Bengal in 1855. The construction of East India Railway which passed through the Rānīganj coal-fields led to the development of coal-mining. Till the end of the 19th century, these three were the only modern industries developed in the country, but the progress made even in these was not very encouraging. Thus in cotton textile, which incidentally was the only industry owned and run principally by the Indians, by 1900, there were 194 mills in the country with 5 million spindles and 40,000 looms. In the jute industry which was mostly foreign owned, there were 36 mills with over 16,000 looms at work in 1901–2. The production of coal was a little over 6 million tonnes in 1900.

The *Swadeshī* movement launched by the Indian nationalists in the first decade of the present century gave a great fillip to industrial development in India, and the existing industries registered an impressive progress during the first fourteen years of the century. Thus the number of cotton mills operating in the country in 1914 stood at 273 with 6.8 million spindles and 1,04,000 looms. Similarly, jute mills increased from 36 in 1900 to 64 in 1914 and the number of looms employed therein from 16,000 to 36,000. The output of coal rose to a little over 16 million tonnes in 1914. Meanwhile two new mining industries, viz., manganese and mica came into existence. The iron and steel industry may be said to have really come into existence with the establishment of Tata Iron and Steel Company in 1907. The company started working in 1911, while steel was first produced in 1913. All these industries put together provided employment to one million labourers out of a total population of 315 millions. The jute and mining industries belonged mostly to the foreigners and profits from them went to the nationals of other countries. Before World War I, therefore, the development of modern industry in India had a negligible effect both on the volume of employment and the level of national income.

It was neither lack of enterprise nor absence of capital that was responsible for the slow growth of industries in India. On account of low levels of incomes, the rate of capital accumulation in the country was no doubt slow but that, given profitable channels of investment, money could be found for industrial investments, is proved by the flow of capital into money-lending, banking, investments in landed property, mercantile activity and import of bullion from abroad. The *laissez-faire* philosophy, to which the Government of India remained wedded right upto 1919, stood in the way of the state taking the initiative in promoting industrialization, while the jealousy of the manufacturing interests in Britain against the growth of rival manufactures in India led to adoption by the Indian Government of such commercial and fiscal policies as were detrimental to the development of industries in this country. The history of cotton textile industry affords an instructive illustration of the way economic policies were influenced by imperial considerations. A small import duty of 5 per cent *ad valorem* on cotton piece-goods was objected to by Lancashire interests on the ground that it afforded protection to the Indian manufacturer in his domestic market and the British House of of Commons passed a resolution in 1877 directing the Government of India to take steps, as soon as its finances permitted, to remove this duty on imported cloth. The orders were duly carried out by the obliging Finance Member, Sir John Stratchey. Till the grant of fiscal autonomy in 1919, Indian fiscal policy continued to be dictated from Lancashire. Thus when in 1894 the revenue considerations forced the Government of India to levy an import duty of 5 per cent on all imports including cotton piece-goods, a countervailing excise duty at the same rate was imposed on cotton fabrics and yarns manufactured in India, to remove the "unfair advantage" that the latter would otherwise enjoy in the domestic market, as a result of the imposition of import duty. Even this did not satisfy Lancashire and as a result of its opposition, the import duty on cotton piece-goods was lowered to 3½ per cent and a countervailing excise duty at the same rate was imposed on Indian mill-made cloth. Again when the Industries Department of Madras, which was organized in the first decade of the present century, showed enthusiasm in initiating and promoting development of modern industry in the Madras Presidency, the then Secretary of State, Lord Morley, ordered in 1910 virtual stoppage of all activities on the part of that department on the ground that it was none of the government's business to actively encourage industrial development in India. "The policy, which he was prepared to sanction" he wrote in his despatch "was that State funds might be expended upon familiarizing the people with such improvements in the methods of production as modern science and the practice of European countries would suggest. Further than this State should not go, and it must be left to private enterprise to demonstrate that these improvements could be adopted with commercial advantage".

Industries in Inter-War Period. World War I led to considerable relaxation of the imperialistic hold on India's economy. The industrial commission appointed during the war made a strong plea for state encouragement and promotion of Indian industries. The Montagu-Chelmsford Report on constitutional reforms and the Parliamentary Joint Select Committee Report on the Government of India Bill of 1919, brought out clearly the injury done to Indo-British political relations by the widespread feeling in India that this country's commercial and fiscal policies were dictated from Manchester. Following these pronouncements, the Secretary of State announced to a delegation from Lancashire that it was his intention, henceforth, to leave the Government of India free to decide its own commercial policy and not to interfere in its formulation any more. The 'Fiscal Autonomy Convention', as this authoritative pronouncement of the Secretary of State came to be called, paved the way to the adoption of the policy of 'Protection' of Indian industries in place of free trade that had been the rule earlier. A fiscal commission under the presidentship of Sir Ibrahim Rahimtoola was appointed in October, 1921. The commission recommended the adoption of the scheme of 'discriminating protection' under which protection was to be granted after proper enquiry into each individual case to those industries which applied for it and which satisfied certain minimum conditions laid down by the commission. The Government of India accepted these recommendations and protection was granted, in the inter-war period, to iron and steel, cotton textiles, paper, matches, sugar and heavy chemical industries.

The effect of this change in policy was soon visible in the increase in industrial production of the country. Between 1922 and 1939, the production of steel ingots increased from 1.32 lakh tonnes to 10.49 lakh tonnes or an increase of 800%; cotton piece-goods from 1,567.3 million to 3,672.2 million metres, a 250% increase; match boxes from 16 million gross to 22 million gross, a 38% increase; paper and paper-board from 24,384 to 68,075 tonnes, an increase of 180% and cane-sugar from 24,384 to 946,000 tonnes or an increase of 3,779 per cent. Several new industries grew up in the country during the period. Thus the output of cement which was negligible before the war (960 tonnes in 1913) rose to 2,40,543 tonnes in 1924; 6,02,512 tonnes in 1932–33 and 10,12,992 tonnes in 1936–37 when the country's production satisfied 95% of the demand in the domestic market. In consequence of expansion of production in the existing industries and starting of new industries the number of workmen employed in Indian factories rose from 869,643 in 1912 to 15,33,387 in 1927 and 16,10,921 in 1935. In terms of statistics of industrial production and employment, India had begun to be counted among the first eight industrial nations of the world.

Encouraging as this progress was, it was not commensurate with the resources available in the country or with the needs of her economy. The level of industrialization attained during the inter-war years failed to make perceptible impression on the unemployment situation, national income or standard of living of the mass of population. The country remained, as before, predominantly agricultural, with over 70 per cent of the population deriving its livelihood from cultivation of land. India presented, in 1939, all the familiar characteristics of an under-developed economy, namely, predominance of agriculture, low levels of income and saving, export of agricultural and import of manufactured articles and backward techniques and skills in production of manufactured commodities.

Foreign Trade in Inter-War Period. There was a notable increase in the foreign trade of the country during the first World War and in the post-war years. The total value of the foreign trade rose from Rs. 440 crores in 1913–14 to Rs. 558 crores in 1919–20, and Rs. 654 crores in 1924–25. Thereafter there was a slight fall till 1929–30 when on account of world depression a precipitate fall in trade took place. In 1929–30, which was the first year of the world depression the value of trade stood at Rs. 602 crores; the figure dropped down to as low as Rs. 344 crores in 1938–39, which was less by about 100 crores over the pre-war figure of Rs. 440 crores. On the whole, therefore, there was no increase in the total trade of the country in the inter-war period. But a considerable change in the geographical distribution of trade took pace during this period. Trade with the United States of America, Germany and Japan expanded considerably while that with the United Kingdom showed considerable decrease. The share of U.K. in our imports of merchandize worked out at 61.8 per cent in 1913–14, 41.2 per cent in 1929–30 and 32 per cent in 1938–39. On the other hand, the share of Germany went up from 6.9 per cent in 1913–14 to 9.7 per cent in 1936–37, Japan from 2.6 per cent to 17 per cent and the U.S.A. from 2.6 per cent to 6.5 per cent during the same period. Among other countries whose shares improved in our total trade were: Kenya and Zanzibar from 0.3 per cent in 1913–14 to 2.8 per cent in 1936–37; Īrān, Iraq, etc. from 1.5 per cent to 2.9 per cent and Ceylon from 0.4 to 1.4 per cent. On the export side, the share of U.K. improved from 23.4 per cent in 1913–14 to 32.2 per cent in 1936–37, of Japan from 9.1 per cent in 1913–14 to 15.0 per cent in 1936–37; and of the U.S.A. from 8.7 to 9.5 per cent during the same period. On the other hand, there was a decline in the case of Germany from 10.6 to 4.7 per cent; France from 7.1 to 3.9 per cent; Italy from 3.1 to 2.4 per cent; China from 2.3 to 0.6 per cent; and Russia from 0.9 to 0.2 per cent. While the trend in the import trade was thus towards diversification, that in the export trade was towards concentration of trade in fewer countries. These changes in the direction of trade were the result of a variety of factors. The changes implied a loosening of the hold of imperialism on Indian economy. The Indian market was no more the exclusive monopoly of Great Britain. As in other parts of the world, British industries had to face stiff competition from Japan and the United States of America in the Indian market and the scheme of 'Imperial Preference' that India joined in 1932 by becoming a signatory to the Ottawa Trade Agreement was a device to help Britain against her powerful rivals.

A feature of Indian foreign trade during British rule was that the country normally had an excess of exports over imports. The surplus exports were utilized partly in meeting 'charges' in England arising out of the fact of India being a colony of Great Britain and partly to meet payments of interests and dividends on British capital invested in India. The early Indian economists and political leaders called these unrequited exports a 'tribute' paid by the subject nation to the ruling country, which, according to them, constituted a drain of wealth from India.

Towards the end of the 18th century the annual amount of this 'tribute' had risen to about £2 million and by the middle of the 19th century to

£3.5 million. There was a steady rise in these payments after the transfer of the government of the country from the East India Company to the British Crown in 1858. In the eighties of the last century the excess of exports over imports averaged 16 crores of rupees per annum; in 1913–14 it had risen to 28.39 crores and in 1919–20 to 49.76 crores. There was an excess of imports over exports during the next two years but the pre-war trend reappeared during 1922–23 and 1929–30 and the export surplus had again risen to Rs. 46.59 crores. For the ten years ending 1938–39, the average worked out at Rs. 62 crores.

It is not necessary to go into the question of justness or otherwise of these payments for that raises several political and moral issues. But all those charges which did not arise out of British investments in India, constituted a drain of the productive resources of the country and reduced the power of the nation to accumulate capital. The unrequited exports represented a drain of wealth and were responsible for slowing down the rate of economic progress.

Banking. Banking institutions modelled on European lines were first established in Bengal by the Europen merchants to finance European trade in 1780's. The General Bank was started in 1786; the Bengal Bank was in existence in 1784 but when it was first established is not known; Hindustan Bank, which was a branch of the trading business of Messrs. Alexander & Co., was the earliest among them in the field. These banks had European officials of the East India Company as their directors and thus enjoyed considerable degree of government patronage. Even so, they faced a tough competition from the well-established indigenous bankers and shroffs till about the end of the 18th century. But the competition between the two was unequal. The indigenous bankers lost the treasury business which had been conducted by them under the Indian rule. Financing of trade which had been another important function performed by the indigenous bankers was also taken over by the European banks because the European traders naturally preferred to deal with European banks as compared to the indigenous financing agencies. As the European banking developed, and these banks opened their branches outside the towns of their headquarters, the business of transfer of funds from one place to another also came to be done much more cheaply than by the idigenous bankers. From the early years of the 19th century, indigenous banking lost the ground almost completely to European banking in financing trade and industry. The indigenous banker was relegated to the unprofitable business of rural money-lending and financing of inland trade in agricultural produce.

The earlier European banks also failed to survive recurrent crises which they faced almost from the very start. The Bank of Bengal disappeared before the close of the century and was replaced by a new Bank of Bengal established in Calcutta in 1806 as the first of the three Presidency Banks.

The Hindustan Bank crashed in the crisis of 1829–32 and was replaced by Union Bank which also disappeared in 1848. Meanwhile, the second Presidency Bank was established in Bombay, called Bank of Bombay, in 1840 and the third in Madras in 1843. The Presidency Banks from their very start had official connections and were given treasury business. Meanwhile English banks began to open their branches in India to finance foreign trade in this country. The presidency banks and foreign exchange banks divided between themselves almost the entire banking business in this country throughout the 19th century.

The principle of limited liability was first established in this country in 1860. The first Indian enterprize in the field of banking based on the joint-stock limited liability principle was the Oudh Commercial Bank started in 1881. This was, however, a feeble affair. The beginning of the modern Indian joint-stock banking may, therefore, be traced back to the establishment of the Punjab National Bank in 1894 and the Peoples' Bank in 1901, both started by Lala Harkishan Lal Gauba. At first these banks made slow progress and many of them including the Peoples' Bank failed in the crisis of 1913. There were 38 Indian joint stock banks in 1935 with a capital of over Rs. 5 lakh each, having a paid-up capital of Rs. 8.17 crores and deposits of Rs. 84.45 crores. In the same year, there were 67 Indian joint stock banks with a capital and reserve between Rs. 1 lakh and Rs. 5 lakhs each with a paid-up capital of Rs. 94 lakhs and deposits of Rs. 5.11 crores. As against this the foreign exchange banks which were 17 in number in 1935 claimed deposits in India amounting to Rs. 76 crores.

The Indian joint-stock banks made rapid progress after the establishment of the Reserve Bank of India in 1935. The World War II helped considerably the growth of Indian joint-stock banking. In 1945–46, there were 91 scheduled banks (i.e. banks with capital and reserve of over Rs. 5 lakhs each) with a total deposit of Rs. 914 crores or more than ten times the combined deposits of scheduled and non-scheduled banks ten years earlier.

4. General Economic Conditions

Land Tenures. The effect of the revolution in India's economic status during the Company's regime was not confined to industrial and commercial sectors; agricultural production and organization too underwent even more fundamental and far-reaching changes. The British, partly with a view to securing stability in land revenue receipts of the state and partly because of their ignorance of the Indian land system, introduced new forms of land tenures which, for the first time in the history of the country, created on a large scale private property and individual ownership rights in land. In Bengal and parts of present Uttar Pradesh, they created a class of landlords patterned on the European model. The existing revenue farmers, who were mainly collectors of land revenue in the Mughal times, were recognized as the absolute owners of their estates with all the privileges associated with the ownership of land that were enjoyed by the landlords in Europe. The rights and privileges of the cultivator were ignored in making a permanent settlement of revenue with the *zamīndārs* of Bengal in 1793. The arrangements did not prove of immediate advantage to the landlords, because the revenue demand fixed under the revenue settlement of 1793 was pitched so high that many old *zamīndārs* failed to meet it punctually every year and had to surrender their estates. These were put to public auction, and rich men from Calcutta, who had suffered loss of employment of their capital in trade and industry because of European competition, eagerly purchased them. A new class of landlords was thus created in the country. There was very little in common between the old ryots and the new *zamīndārs* who were mere speculators. Concerned as the latter were mainly with returns on their investments in land, they screwed up rents and did not hesitate to eject those cultivators who refused or failed to pay the enhanced rates. Thus began a long period of exploitation of the peasantry by landlords who were themselves a creation of the British rule. Over a period of about 100 years or so following the permanent settlement, rents continued to rise; ejectments of hereditary tenants became a common feature of agrarian relations until legislative action was taken to protect their rights and save them from rack-renting; and, while the profits of the landlord multiplied, the peasant was reduced to a life of misery and destitution. He was exposed to chronic hunger, and fell an easy victim to starvation during periods of famine, the visitations of which in the country showed a disconcerting increase in the 19th century.

Ryotwari Tenures. In the *ryotwari* areas of Madras and Bombay presidencies, the mistake made in Bengal of creating a class of landlords was avoided and settlements were made either with individual cultivators or collectively with the village bodies consisting of cultivating proprietors. But here also the English ideas of private property in land were introduced, and the cultivator with whom the land revenue was settled was recognized as the proprietor of the piece of land for which he assumed the responsibility of paying land revenue. The proprietor could motgage, sell or transfer these rights to anyone he pleased. The sale and mortgage deeds could be registered with the Revenue Department. These came to be recognized as legal documents with all the sanctity of law behind them. These rights made land a valuable asset on the security of which the cultivator could easily raise loans in time of need, and the money-lender was only too willing to lend.

The high revenue rates and the strict punctuality with which revenue was collected, irrespective of the conditions of the season, a crops and income of the cultivator, led to the latter resorting more frequently to money-lender's credit for payment of government dues. Money was also borrowed by the cultivator for meeting his extraordinary domestic and business expenses, like those on marriages and other social ceremonies, and puchase of seeds and bullocks, foodgrains and other necessaries of life during the period of drought when his farm did not yield enough income to sustain him and his family through the year. A class of urban money-lenders, whose main interest lay in appropriating the crops and expropriating the cultivator from land, sprang up in the country. The exactions of the money-lender virtually ruined the peasantry. The agrarian riots in certain districts of Bombay in the early seventies of the 19th century showed the extent to which relations between the money-lender and the peasant had become strained. The Deccan Agriculturist Relief Act and the Punjab Land Alienation Act were the administrator's answer to the problem of rural indebtedness. But the solution did not go far in alleviating the sufferings of the peasantry.

One very important effect of these changes in land tenures was that improvements in land, both in the *zamīndārī* and *ryotwari* areas, came to be sadly neglected by the separation of capital from labour in agriculture. The landlord and the money-lender were interested in maximizing profits on investments by squeezing the agriculturist instead of increasing the productivity of land. The peasant, on the other hand, had neither the means to make improvements nor any security of tenure or assurance of compensation. Agricultural production was thus condemned permanently to backward techniques.

Agricultural Distress and Famines. The commercial revolution brought about a rapid rise in prices, and produced far-reaching effects on the rural economy of the country. Taking 1868 as the base (100) the index number of wholesale prices rose from 105 in 1870 to 162 in 1907 and 174 in 1908. There was a greater rise in the prices of cereals and other foodstuffs, the price index of which rose from 104 in 1870 to 178 in 1907 and 202 in 1908.

The rise in the prices of agricultural produce together with the great increase, after 1860, in the export of foodgrains and other agricultural products was interpreted by the British officials at the time as a sign of increasing prosperity of the agriculturist. But paradoxically enough, the period of commercial revolution from 1860 to 1914 was really one of great distress for the agricultural population. Beginning with the one in the then North-Western Provinces (now called Uttar Pradesh) in 1860, famines and scarcities followed in quick succession till the beginning of World War I. Among the major calamities during this period, mention may be made of the famine in Orissa and Bengal in 1865–66; North-Western Provinces, Rājputāna (Rājasthān) and the Punjab in 1868–69; Bengal in 1873; Madras and Bombay presidencies in 1876–77; North-Westrn Provinces and the Punjab in 1878; Madras, Bombay, Central

Provinces (Madhya Pradesh), North-Western Provinces, the Punjab and Berār, in 1896; Central Provinces, Berār, Bombay, the Punjab and Ajmer in 1899–1900; and United Provinces (Uttar Pradesh), Central Provinces, Bengal, Bombay and Madras in 1907–8. Over a span of fifty years from 1860 to 1909, the country experienced 20 famines and scarcities—an average of one famine or scarcity every $2\frac{1}{2}$ years.

There is no greater proof needed of the conditions of extreme poverty and want under which the people of India, especially the agricultural classes, lived in the latter half of the 19th century, than the figures of mortality caused by these famines. The famine of 1896 cost 4.5 million lives, while about 2 million people died in the famine of 1899–1900. The principal victims of the famines were agricultural labourers, artizans, particularly the weavers, and small cultivators.

Condition of Agriculturists. A study of family budgets and farm accounts of these classes at the time reveals that they all lived from hand to mouth. Not to speak of the scantiness of their clothes and unhygenic condition of their dwellings, a large portion of the population could not afford even two square meals a day. Though we do not, and in such matters possibly cannot, have any statistical measure of the proportion of population that may be said to have been under-nourished at the time, we have it on the authority of such experienced officers as Sir William Hunter who observed in 1880 that '40 millions of population go through life on insufficient food', and Sir Charles Elliot who wrote in 1887 that 'half of our agricultural population never know from year's end to year's end what it is to have their hunger fully satisfied'. A country-wide economic enquiry ordered by Lord Dufferin in 1887 to 'ascertain the truth behind the general assertion that the greater proportion of the population of India suffer from a daily insufficiency of food', confirmed the correctness of the views expressed by the two officers.

Causes of Poverty. Several causes account for the poverty of the peasantry, the more important among them being the scarcity of cultivable land in the country and consequently small size of holdings, backward techniques, and low agricultural productivity, rack-renting in *zamīndārī* areas and high revenue charges in *ryotwari* provinces, under-employment and the general state of indebtedness of the agricultural population. All these, in turn, were the product of the colonial nature of Indian economy, which drove almost the entire population to land for livelihood, prevented growth of capital in the country, and checked industrialization which, before World War I, proceeded at a painfully slow rate.

Prices, Wages and National Income. Before the introduction of British rule the monetized sector of Indian economy was small, most of the transactions, in the rural areas especially, being carried on through barter. A considerable portion of receipts and disbursements of the government was also in kind, not in cash. The limited money supply was thus called upon to do only a limited amount of work and prices were generally high. The monetization of government transactions together with the spread of trade consequent upon the introduction of East India Company's rule resulted in greater demand for money. The money supply could not be increased proportionately on account of difficulties of import of sufficient amount of silver for coinage. This led to a general fall in prices. Till about the middle of the 19th century, there was a downward trend in prices. But prices began to rise thereafter, more particularly after 1860. This trend was reversed temporarily during the great depression of 1929–38. With the beginning of the war in 1939, prices resumed their upward trend once again. The following table gives the index number of wholesale prices from 1857 to 1948, a period of 102 years, with 1948–49 as the base=100.

Changes in Price Level from 1857 to 1948
(1948–49=100)

Year	*Index*	*Year*	*Index*
1857	10.2	1903	18.0
58	11.0	4	18.5
59	11.8	5	20.1
1860	12.6	6	23.6
61	13.7	7	23.6
62	13.7	8	25.2
63	14.5	9	22.5
64	15.5	1910	22.3
65	16.1	11	23.6
66	18.5	12	24.9
67	17.4	13	26.0
68	15.8	14	26.8
69	17.4	15	30.0
1870	15.8	16	34.3
71	13.7	17	38.9
72	14.5	18	47.2
73	14.7	19	52.5
74	16.1	1920	54.2
75	14.2	21	48.0
76	14.7	22	47.2
77	19.0	23	46.1
78	20.4	24	46.4
79	18.8	25	42.6

Year	*Index*	*Year*	*Index*
1880	16.1	1926	39.7
81	14.7	27	39.7
82	14.5	28	38.9
83	14.7	29	37.8
84	15.8	1930	31.1
85	15.8	31	25.7
86	15.3	32	24.4
87	15.3	33	23.3
88	16.4	34	23.9
89	17.4	35	24.4
1890	17.4	36	24.4
91	17.7	37	27.3
92	19.5	38	25.5
93	19.0	39	29.0
94	18.0	1940	32.2
95	17.7	41	35.7
96	19.3	42	43.4
97	22.8	43	59.5
98	18.5	44	65.7
99	18.0	45	66.5
1900	21.2	46	72.7
1	20.1	47	81.0
2	19.3	48	100.0

Several factors contributed to the rise of prices during this period. Of these the great increase in India's export trade consequent upon the opening of the Suez Canal and spread of railways, growing scarcity of food stuffs and other necessaries of life because of the failure of the output to keep pace with increase in external and domestic demand for it, the growth of towns, rapid increase in money supply and continuous fall in the international price of silver after 1873 were the most important.

The rise in prices brought prosperity to commercial and industrial classes. The landlord and the substantial peasant also benefitted from this rise. But the landless labourers in the rural areas as also the urban proletariat were hit hard. In the rural areas customary wages that had hitherto continued to be paid in kind began to be commuted in cash. There was some rise in money wages but real wages appear to have fallen in the last four decades of the 19th century. The general index of wages rose from 100 in 1879 to 114 in 1887 and 116 in 1896 but in terms of foodgrains purchased with the prevailing money rates of wages, real wages in 1895 were lower than those in 1885 as will be seen from the following table:

Money and 'Corn' Wages of Agricultural Labour

Quinquennium ending	*Bengal (Rice)*		*NWP (Wheat)*		*Central Provinces (Gram)*		*Madras (Bajra)*		*Mysore (Ragi)*	
	Money Wages (Rs.)	*Corn Wages (Seers)*	*Money Wages (Rs.)*	*Corn Wages (Seers)*	*Money Wages (Rs.)*	*Corn Wages (Seers)*	*Money Wages (Rs.)*	*Corn Wages (Seers)*	*Money Wages (Rs.)*	*Corn Wages (Seers)*
1885	5.8	122.96	3.9	77.2	4.3	125.3	4.4	120.56	6.75	185
1890	6.3	115.29	4.4	70.84	4.2	84.0	4.8	116.64	6.09	210
1895	6.6	98.34	4.6	68.84	4.4	77.84	5.2	100.32	7.01	169

There was a steady rise in wages after 1900. The index number of money wages of the agricultural labourers (with the average of 1890-95 as the base=100) stood at 105 in 1895, 125 in 1900, 147 in 1905 and 170 in 1910. The index number of real wages of the same class of labourers was 103 in the five years ending 1899, 120 during the next five years and 123 in the quinquennium ending 1909. In the next ten years there was a further improvment in wage rates caused first by war and later by the heavy mortality caused by the influenza epidemic of 1919, which resulted in decrease in the supply of labour. Wages began to fall again after 1925 and a steep fall occurred during the world depression of 1929-38.

Per Capita Income. Beginning with Dadabhai Naoroji who computed the per capita income of British India at Rs. 23.5 in 1867-68, several attempts at estimation of national and per capita incomes were made by various persons from time to time. Some of the earlier estimates are given in the table below. The per capita income estimates given in column 2 are in terms of current prices. For purpose of comparison all of these have been adjusted to prices in 1948-49. The adjusted estimates are given in cloumn 5.

Adjusted per Capita Income

Author	*Year*	*Per Capita Income in terms of Current Prices (Rs.)*	*Price Index 1948–49 Base*=100	*Per Capita Income in terms of* 1948–49 *Prices*
1	2	3	4	5
Naoroji	1867–68	23.5	16.6	142
Atkinson	1875	24.4	14.2	172
Baring	1881	27.0	14.7	184
Horne	1891	28.0	17.7	158
Atkinson	1895	31.5	17.7	178
Curzon	1901	30.0	20.1	149
Giffen	1903	30.0	18.0	167

The estimates show wide variations. But all of them show unmistakeably that India in the latter half of 19th century presented a picture of extreme poverty and very low standard of living. There was a gradual growth of per capita real income after 1900 which continued upto 1925. There was once again a slight decline due to the world depression. It was not till the independence that a noticeable rise occured in the per capita income. This will be seen from the following time series.

Average per capita Income of India at 1948–49 Prices for overlapping Nine Year Periods

Period	*Centering*	*Per Capita Income in terms of* 1948–49 *Prices* (*Rs.*)
1857–1863 (7 yrs.)	1860	169
1861–1869	1865	169
1866–1874	1870	172
1871–1879	1875	177
1876–1884	1880	197
1881–1889	1885	216
1886–1894	1890	204
1891–1899	1895	201

Period	*Centering*	*Per Capita Income in terms of* 1948–49 *Prices* (*Rs.*)
1896–1904	1900	199
1901–1909	1905	203
1906–1914	1910	220
1911–1919	1915	241
1916–1924	1920	253
1921–1929	1925	261
1926–1934	1930	260
1931–1939	1935	260
1936–1944	1940	265
1941–1949	1945	255
1946–1954	1950	253

Source: Mukherji, M., *Asian Studies in Income and Wealth,* p. 103.

From Rs. 169 around 1860, the per capita income had moved upto about Rs. 200 by 1900 and Rs. 220 before the beginning of the first World War. Even if these estimates were accepted as correct, though the state of available Indian statistics make them no better than intelligent guesses, these show the existence of extreme poverty of the country right upto the end of the British rule. Even the small improvement in the average per capita income over the last 90 years of the British rule shown in the table does not reflect an improvement in the general standard of living of the people. A small section of the population consisting of industrialists, traders, merchants, landlords, money-lenders and the educated middle class prospered as a result of British laws, administration and policies. On the other hand, the vast majority of the people consiting of agricultural labour, artizans, and industrial workers remained steeped in poverty, ignorance and disease. The growth of cities and progress of education, the expansion of foreign trade and rise of prices, the construction of railways and establishment of a few modern large scale industries did not reflect growing prosperity of the country as was made out at the time in official quarters. At best it was a proof of growth of a limited sector of the national economy which benefitted only a small section of the country's population.

The British left India an under-developed country. They brought about far-reaching structural changes and created a vast infra-structure, thus preparing ground for industrialization. But they neglected agriculture and thwarted development of heavy and basic industries without which rapid economic progress was not possible. It was to the development of these that the national government had to turn first of all after the attainment of independence.