

Lesson 17

ECONOMIC EFFECTS OF BRITISH COLONIALISM

Summary

During the period of colonialism, the colonies existed to serve the mother country. India also was to serve the interests of Britain. British exploitation of India was carried on through different phases. The first phase was from 1757-1813 when the surplus Indian revenue was used to buy Indian goods. The second phase was from 1813-1858 when India turned into a source of raw material and market for British manufactured goods. The third phase was from 1858 onwards when the British capital was invested in India. The Britishers claimed that they were modernizing India but the economic policies of Britishers led to backwardness and under growth of Indian economy.

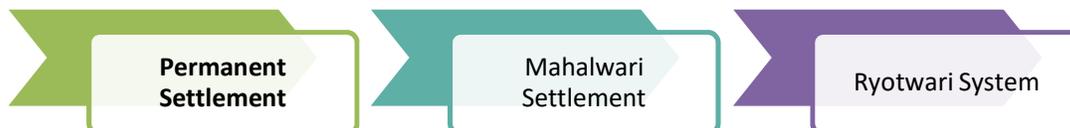
PHASES OF BRITISH COLONIALISM



THE FIRST PHASE OF BRITISH COLONIALISM

- This 'First Phase' is generally dated from 1757, when the British East India Company acquired the rights to collect revenue from its territories in the eastern and southern parts of the subcontinent, to 1813, when the Company's monopoly over trade with India came to an end.
- The primary function of the British East India Company in this period was to buy spices, cotton and silk from India and sell them at huge profits to the large market these goods enjoyed in Britain.
- This meant that large quantities of bullion would flow out of Britain into India to pay for these commodities.
- Despite efforts, it seemed difficult to find British goods that could be sold in India in exchange, to stem this outflow of bullion.

LAND REVENUE POLICIES



THE SECOND PHASE OF BRITISH COLONIALISM(FREE TRADE)

- The 'Second Phase' is generally seen to have begun with the charter Act of 1813, when the Company lost its monopoly trading rights in India, and ended in 1858, when the British crown took over the direct control and administration of all British territory in India.
- The 'Free Traders', dominant in the parliament with the turn into the 19th century, demanded free access to India, which led to the passing of the Charter Act of 1813, thus ending the monopoly enjoyed by the Company in India, while subordinating its territorial possessions to the overall sovereignty of the British crown.
- 'Free Trade' changed the nature of the Indian colony completely, through a dual strategy.
- Firstly it threw open Indian markets for the entry of cheap, mass-produced, machine-made British goods, which enjoyed little or almost no tariff restrictions.
- Secondly British-Indian territory was developed as a source of food stuff and raw material for Britain, which fuelled rapid growth in its manufacturing sector, crucial to the emergence of a powerful capitalist economy.
- These changes reversed the favourable balance of trade that India had enjoyed earlier.
- This phase laid the foundations of a classic colonial economy within India through the complex processes of commercialization of agriculture and deindustrialization

THE THIRD PHASE OF BRITISH COLONIALISM

- The third phase is seen to have begun from the 1860s, when British India became part of the ever-expanding British empire, to be placed directly under the control and sovereignty of the British crown.
- This period was one of 'finance-imperialism', when some British capital was invested in the colony.
- The third phase was merely a consolidation of the trends that were already witnessed clearly in the second phase.
- However, the new development that marked out the third phase was an intensification of the rivalry between developed and industrialized countries, for colonies in Asia, Africa and Latin America.
- In the 19th century, countries like France, Belgium, Germany, the United States, and even Japan witnessed rapid industrialization.
- In the face of competition in the world market, Britain's lead in this regard dwindled.
- India proved crucial in solving the problem of Britain's deficits.
- While on the one hand indigenous handicrafts faced impoverishment, on the other hand, there were few attempts at developing modern industries in the colony.
- Although the colonial government spoke about 'free trade', indigenous enterprise faced many obstructions perpetuated by the state's discriminatory policies.

- After the first world war, links with the foreign market was re-established, but again in the Depression years (1929–1933), the domestic market became relatively free to be exploited by indigenous industry, as foreign trade declined.
- Early Indian nationalists like Dadabhai Naoroji, M.G. Ranade and R.C.Dutt had expected Britain to undertake capitalist industrialization in India, but were deeply disillusioned with the results of colonial industrial policies.
- Dadabhai Naoroji put forward the **drain of wealth theory**.
- Poverty in India, according to them, was the result of a steady drain of Indian wealth into Britain-a result of British colonial policy

Evaluate Yourself

- Q. Explain the drain of wealth theory.
- Q. List the phases of British colonization in India.
- Q. Explain Mahalwari System.