

Indian Economic History



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WHY HISTORY

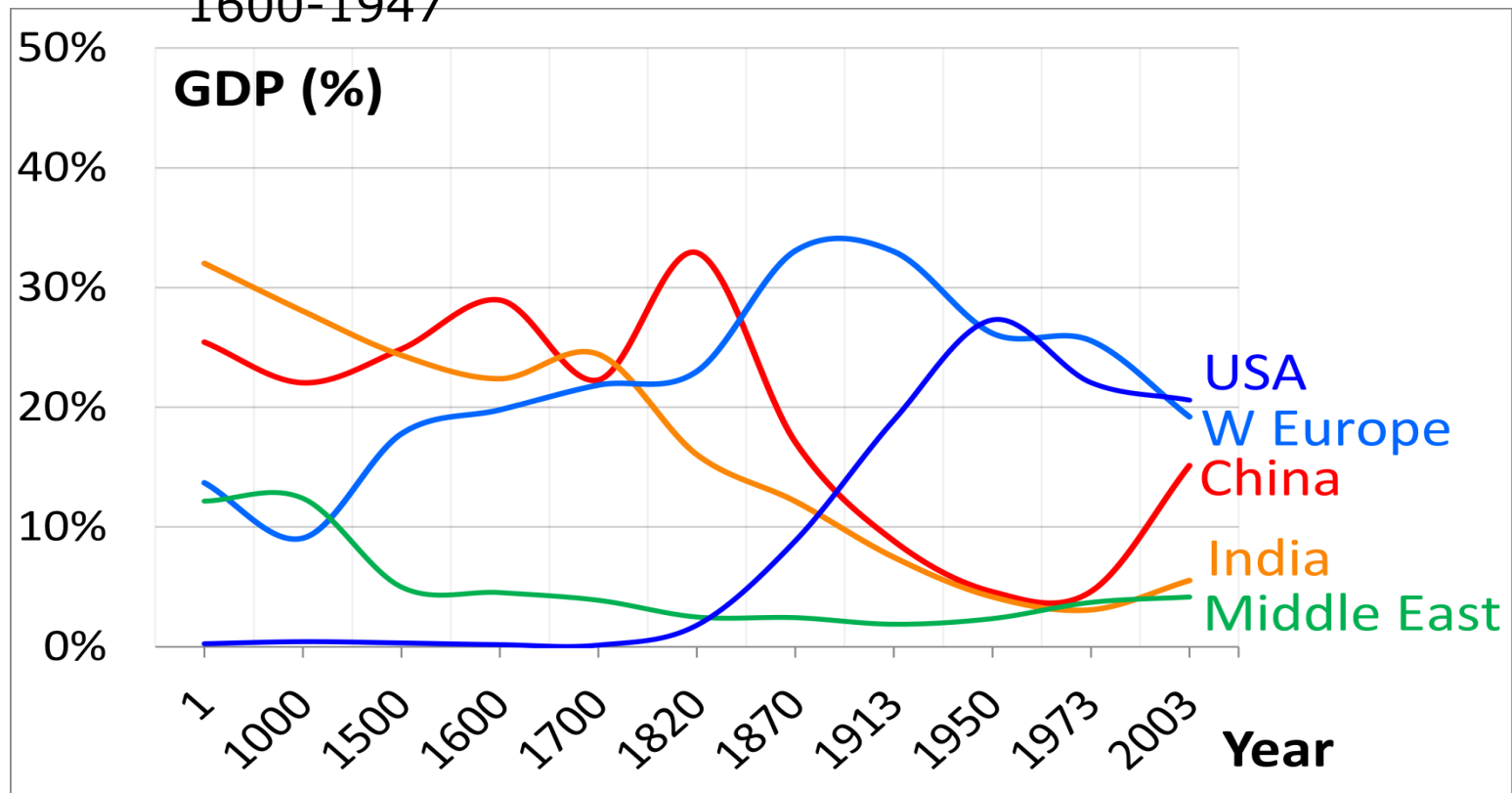
- Why History? Value of Historical Knowledge interrelationship between Past, Present and Future. History –The mother of social sciences- “A society without history is like a man without memory. Not to know what took place before you were born is to remain for ever a child”.
Doctor-Patient relation-
- History & Society: Historical Consciousness and Nation Building. Ex: Greek, Rome, China, Jews, Arabs.

WHY HISTORY

- History & Society: Historical Consciousness and Nation Building. Ex: Greek, Rome, China, Jews, Arabs.
- Why some not others possess Historical Consciousness. Case of INDIA
- Great Statesmen of the World & sense of Past Karl Marx, Lenin, Churchill, Nehru, Mao-Tsetung,
- State of Historical Discipline: Hierarchy of Social Science Discipline. Economic impact of British Rule

Indian Economy

Indian Economy – Pre-colonial and Colonial—PROCESS & TRAJECTORY, 1600-1947



Indian Economy

- In 1600 AD, according to Cambridge University historian Angus Maddison's calculations, India accounted for 22.4% of world GDP. A hundred years later, 1700 India's went up to 24.6% of world output. **By 1820, however, India's share had fallen to 16.1% &. By 1870, it went down to 12.2%. AND to a low of 3.8% in 1947.**

Indian Economic History

- ❑ **IMPACT OF COLONIALISM ON INDIAN SOCIETY & ECONOMY—ITS LEGACY**
- ❑ **COLONIAL MODERNITY—A) POL&ADM UNITY B) RULE OF LAW & Adm. REFORMS MODERN EDUCATION C) MODERN MEANS OF TRANSPORT & COMMUNICATION RAILWAYS, Roads, Post&Telgraph D). INDUSTRY & URBANIZATION E)AGRARIAN REFORMS Commercialization& ECONOMIC CHANGE F) COLONIAL MODEL OF DEVELOPMENT, De-industrialization, Famines & ITS IMPLICATIONS—SOCIO-CULTURAL Transformation**

INDIAN ECONOMY

- Karl Marx on India
- **The Future Results of British Rule in India--First published:** in the *New-York Daily Tribune*, August 8, 1853;
- England has to fulfill a double mission in India: one destructive, the other regenerating the annihilation of old Asiatic society, and the laying the material foundations of Western society in Asia.

Indian Economy

- In this article he dissected the real exploitative nature of British political and capitalist class. This analysis bears a typical Marxist perspective where he reaches to roots of the problem. His first observation is that “there cannot, however, remain any doubt but that the misery inflicted by the British on Hindostan is of an essentially different and infinitely more intensive kind than all Hindostan had to suffer before.”

Indian Economy

- ❑ **Drain of Wealth: D.Nauroji, Poverty and Unbritish Rule in India;poverty was caused by the colonial rule that was draining the wealth and prosperity of India.** He said "India is a very sad one. Her condition is that of a slave and a plunder nation in the hands of constant plunderers. The plundering raids occasionally made on India before English. The British invasion is continuous and goes on."
- ❑ He also made an estimate of drain which was around Rs 8 million. Later on, the volume of drain estimated by Naoroji was Rs 12 million in 1870, Rs 25 crore in 1893. In 1897, Naoroji made another estimate of drain for the ten year period of 1883-92 and found the total drain at Rs 359 crore. In 1905, total amount of drain calculated by Naoroji was Rs 51.5 crore.

Indian Economy

- ❑ **systematic drain was nothing short of loot – albeit carried over 200 years and It left the economy in shambles. It also reduced this great country from one of the powerhouses of the world economy to a laggard which was barely able to sustain itself.**
- ❑ **according to William Digby, “between Plassey and Water-loo (1757-1815) a sum of 1000 million pounds sterling was transferred from India to English Banks”.**

Indian Economy

- ❑ **Constituents of Economic Drain; Home Charges refer to the expenditure incurred in England by the Secretary of State on behalf of India. Before the Revolt of 1857 the Home charges varied from 10% to 13% of the average revenues of India. After the Revolt the proportion shot up to 24% in the period 1897-1901. In 1901-02, the Home charges amounted to £ 17.36 million. During 1921-22, the Home charges sharply increased to 40% of the total revenue of the Central Government.**

Indian Economy

- ❑ The main constituents of Home charges were:-(i) Dividend to the shareholders of the East India Company: The Charter Act of 1833 provided for an annual dividend of £ 630,000 to be paid to the shareholders of the Company out of the Indian revenues till 1874. In 1874 the loan of £ 4.5 million was raised to redeem the stock at a premium of 100%.
- ❑ (ii) Interest on Public Debt rose abroad: The East Indian Company had piled up a public debt of £ 70 million to dislodge Indian rulers from their Principalities. By 1900 the public debt had risen to £ 224 million. Part of the debt was raised for productive purposes i.e., for construction of railways, irrigation facilities and public works.
- ❑ Civil and Military charges: salaries, pensions & leave encashments

Indian Economy

- ❑ Store purchases in England: The Secretary of State and the Government of India purchased stores for the Military, Civil and Marine Departments in the English market. The annual average expenditure on stores varied from 10% to 12% of the Home charges between 1861-1920

Interest on Foreign Capital Investments: During the inter-war period the payments on this account roughly varied between Rs. 30 crores to Rs. 60 crores per annum.

Foreign Banking: Insurance and Shipping Companies: For banking, insurance and shipping services India had to make huge payments. Apart from constituting a drain on Indian resources, unrestricted activities of these foreign companies stunted the growth of Indian enterprise in these spheres.

Indian Economy

- **Guaranteed interest on Railways and irrigation Revenue Account:**
- The guaranteed interest on capital borrowed for railway and canal works amounted to, an on-average, £ 3.5 million during 1861-74 and £ 9.6 million during 1914—1920.
- Indian contribution to wars 1914/1939

Indian Economy

- <https://www.youtube.com/watch?v=f7CW7S0zxv4> Play Shashi Tharoor.

[Dr. Sashi Tharoor](#)

Indian Economy

- ❑ Post-colonial Indian economy: Nehruvian Period, 1947-64; His Vision and Policies Closed/Mixed Economy; inward looking; Emphasis on Self reliance and independence. Public Sector- Commanding Heights- Science&Technology/R&D
- ❑ CSIR S.S.Bhatnagar/Homi Bhaba

[Jawaharlal Nehru's vision of Modern India](#)

Indian Economy

- ❑ Protectionism & Import substitution. NO Export-Orientation.
- ❑ Socialist Pattern of economic model. Controls on Private capital. No welcome to Foreign Capital: Examples of IBM& COCA COLA
- ❑ High tariffs, Licences, Market control. No free trade policies

Indian Economy

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Indian Economy

- Protectionism rampant
- Major industries like Steel, mining, machine tools, water, telecommunications, insurance, and electrical plants, among others, were effectively nationalized in the mid-1950s
- Elaborate licenses, government regulations and the accompanying red tape and inefficiency commonly referred to as Licence Raj, were rampant between 1947 and 1990

Indian Economy

- ❑ No free Imports, No Foreign enterprises
- ❑ GDP declined & Industrial production declined less than 1% growth rate
- ❑ Indian economy was in crisis in July 1991, when foreign currency reserves had plummeted to almost \$1 billion; Inflation had roared to an annual rate of 17 %
- ❑ Foreign investors and NRIs had lost confidence in Indian Economy. Capital was flying out of the country and country was close to defaulting on loans.

Indian Economy

- Indira Gandhi and Economic reforms— Nationalization; Privy Purses- Green Revolution
- Rajiv Gandhi-Pre liberalization phase- IT * Infrastructure
- PV Narsimha Rao and LPG, 1991-2004
- Dr Manmohan Singh and New Economic Reforms

Indian Economy

- ❑ Until the liberalization of 1991, India was largely and intentionally isolated from the world markets
- ❑ Indian economy had experienced major policy changes in early 1990s - Liberalization, Privatization and Globalization (LPG model)
- ❑ Some reform occurred in 80s, major changes resulted due to financial crisis of 90s
- ❑ More open and market oriented – End of License Raj and state monopolies – Foreign direct investment could come into the country

Indian Economy

- ❑ Finance Minister Manmohan Singh said: “After four decades of planning for industrialization, we have now reached a stage where we should welcome, rather fear, foreign investment. Direct foreign investment would provide access to capital, technology and market.”
- ❑ Period of economic transition has had a tremendous impact on the overall economic development of almost all major sectors of the economy + integration into world market

Practical Measures of Liberalization

- ❑ THREE D'S-- Devaluation: Disinvestment-
Dismantling of The Industrial Licensing Regime
- ❑ Under the privatization scheme, most of the public sector undertakings have been/ are being sold to private sector
- ❑ Allowing Foreign Direct Investment
- ❑ Non Resident Indian Scheme.. SBI RESURGENCE BONDS, MILLINIUM BONDS etc.,
- ❑ Throwing Open Industries Reserved For The Public Sector to Private Participation.
Telecommunications, Oil & Gas, Power etc.

Indian Reform

- ❑ Liberalisation of the domestic economy and the increasing integration of India with the global economy have helped step up GDP growth rates, which picked up from 5.6% in 1990-91 to a peak level of 7.78% in 1996-97.
- ❑ Global comparison shows that India is now the fastest growing just after China.
- ❑ Major improvement given that India's growth rate in the 1970's was very low at 3% and GDP growth in countries like Brazil, Indonesia, Korea, and Mexico was more than twice that of India.
- ❑ In 2003, Goldman Sachs predicted that India's GDP in current prices will overtake France and Italy by 2020, Germany, UK and Russia by 2025 and Japan by 2035. By 2035, it was projected to be the third largest economy of the world, behind US and China.

Impact of Reforms

- ❑ The rate of growth of the Gross Domestic Product of India has been on the increase from 5.6 per cent during 1980-90 to seven per cent in the 1993-2001 period.
- ❑ Prime Minister Manmohan Singh is confident of having a 10 per cent growth in the GDP in the Eleventh Five Year Plan period.
- ❑ The sectors attracting highest FDI inflows are electrical equipments including computer software and electronics (18 per cent), service sector (13 per cent), telecommunications (10 per cent), transportation industry (nine per cent), etc. In the inflow of FDI, India has surpassed South Korea to become the fourth largest recipient.
- ❑ India controls at the present 45 per cent of the global outsourcing market with an estimated income of \$ 50 billion.

India's Economy

- ❑ In respect of market capitalization, India is in the fourth position with \$ 894 billion after the US (\$ 17,000 billion), Japan (\$ 4800 billion) and China (\$ 1000). India is expected to soon cross the trillion dollar mark.
- ❑ As per the Forbes list for 2007, the number of billionaires of India has risen to 40 (from 36 last year) more than those of Japan (24), China (17), France (14) and Italy (14) this year.
- ❑ India ranks second worldwide in farm output.
- ❑ Agriculture and allied sectors like forestry, logging and fishing accounted for 16.6% of the GDP in 2007, employed 60% of the total workforce

India's Economy

- ❑ India is the largest producer in the world of milk, cashew nuts, coconuts, tea, ginger, turmeric and black pepper. It also has the world's largest cattle population (193 million). It is the second largest producer of wheat, rice, sugar, groundnut and inland fish. It is the third largest producer of tobacco. India accounts for 10% of the world fruit production
- ❑ India's large service industry accounts for 54% of the country's GDP while the industrial and agricultural sector contribute 29% and 17% respectively.

[Growing India.flv](#)

India's Economy

- ❑ Social Sectors like Education, Public Health, and Social Welfare Declined. Privatization & Commercialization of Education & Health Sectors and Withdraw of Government from Welfare Sector.
- ❑ Sanitation, Sewerage, Infrastructure development is not satisfactory, Unemployment, Urban Poor are growing problems.
- ❑ Despite robust economic growth, India continues to face many major problems.
- ❑ Economic development has widened the economic inequality across the country
- ❑ Approximately 80% of its population lives on less than \$2 a day (nominal), more than double the same poverty rate in China
- ❑ Arrival of Green Revolution brought end to famines in India

Indian Economy

- ❑ **The foremost casualty in the globalization process will most likely be the agriculture sector. Agriculture has been and still remains the backbone of the Indian economy.**
- ❑ **The number of rural landless families increased from 35 per cent in 1987 to 45 per cent in 1999, further to 55 per cent in 2005. The farmers are destined to die of starvation or suicide.**
- ❑ **Colonial and post colonial comparisons**