CC-12: HISTORY OF INDIA (1750s-1857)

V. TRADE AND INDUSTRY

(C). DRAIN OF WEALTH

Till the Battle of Plassey i.e., 1757, the European traders imported bullion into India in return of the export of the Indian cotton and silk goods which had a flourishing market in the west. But the situation was soon reversed after the conquest of Bengal after the Battle of Plassey by the English East India Company, when the company not only stopped importing bullion into India, but began to purchase goods from the surplus revenues of Bengal and the profits made from the duty-free inland trade.

This was the beginning of the plunder of Bengal and by the end of the 18th century the whole country became a playground of plunder by the British Government. The period from 1757 CE to 1857 CE the administration of the Indian subcontinent was in the hands of the English East India Company and from 1858 CE to 1947 CE India was directly ruled by the British Crown. India had to pay a very heavy price for these two hundred years of colonial rule.

The process of continuous plunder of India's raw materials, resources and wealth by Britain to enrich itself at the cost of India's growing poverty led to the formulation of the theory of Drain of Wealth by the nationalist economists like Dadabhai Naoroji, M.G. Ranade, R.C. Dutt and others. The economic exploitation of India at the hand of the colonial government was so massive the it left India with 'poverty amidst plenty'.

The Theory of Drain of Wealth was developed by the Indian nationalist thinkers mainly with a view to analyse the main causes of poverty in India. The nationalists definition of the drain was the idea of transfer of wealth and commodities from India to England without the former getting back any economic, commercial or material returns. Hence the Drain in the Indian conception inevitably took the form of an excess of export over import. The Drain of Wealth was referred to as typically “a phenomenon of the colonial rule.”

The transfer of resources from India to England either without getting anything in return or getting only a disproportionately small part of such a transfer of resources has come to be described as the Drain of India’s resources.

The person to draw pointed attention to this drain of resources from India to England was Dababhai Naoroji in his book the Poverty and Un-British Rule in India. Dadabhai Naoroji made an attempt, in his book, to explain the causes of the drain, to measure the amount of the drain flowing from India to England, and to trace the consequences of such drain. Dadabhai Naoroji tried to prove that the prevailing mass poverty in India was the direct consequence, among other reasons, for the drain of resources from India to England.

According to Dadabhai Naoroji, the following forms of drain can be identified:

- Remittances to England by Europeans for the support of families and education of children-a feature of the colonial system of government.
- Remittances of savings by the employees of the company, since most employs preferred to invest at home.
- Remittances for purchase of British goods for the consumption of British employees as well as purchase by them of British goods in India.
- Government purchase of store manufacture in Britain.

- Interest charges on public debt held in Britain (excluding interest payments on railway loans and debts incurred for productive works.)

In addition, the Government of India had to make huge payments to people in England on account of political, administrative and commercial connections established between India and England. These commitments were called Home Charges.

The home charges consisted of many items such as-

Interest in public debt raised in England at comparatively higher rates; Annuities on account of railway and irrigation work; Payment in connection with civil departments where Englishmen were employed; India office expenses including pensions to retired officials who had worked in India or who worked for India in England and retired there, pensions to army and naval personnel, and their furlough allowances.

Dadabhai Naoroji was the first man to say that internal factors were not the reasons of poverty in India but poverty was caused by the colonial rule that was draining the wealth and prosperity of India.Through his works in economics, Dadabhai Naoroji sought to prove that Britain was draining money out of India. He described six factors which resulted in the external drain: -

Firstly, India is governed was a foreign government.

Secondly, India did not invite immigrants, which bring labour and capital for economic growth.

Thirdly, India paid for Britain's civil administration and occupational army.

Fourthly, India boar the burden of empire building both in and outside of its borders.

Fifthly, opening the country to free trade was actually a way to exploit India by offering highly paid jobs to foreign personnel.

Lastly, the principal income earners would buy outside of India or leave with the money as they were mostly foreign personnel.

It is impossible to accurately measure the amount of drain which in the form of resources and gold bullion flowed from India into Great Britain during the British rule. Some idea of the extent of the drain can be got by figures quotes by some authors. Verelst estimated that within a period of just five years after the Battle of Plassey, goods and bullion worth 4.94 million pounds sterling went out of the country. In the view of William Digby (British author, journalist and humanitarian), the total drain amounted to 60080 million pounds up to the end of 19th century.

In his book Poverty and Un-British Rule in India, Dadabhai Naoroji estimated a 200-300 million pounds loss of revenue to Britain that is not returned. Another Nationalist leader, journalist and propagandist followed in the footstep of Dadabhai Naoroji was R.C. Dutt who made the Drain of Wealth, the major theme of his Economic History of India.

M.G. Ranade a scholar, social reformer and author , wrote an essay on Indian economy. In his essay he has given an estimation of annual economic drain. He said, it was one-third of the total income. This was accepted by some British authorities as well.

Different Nationalist leaders made an attempt to estimate the amount of the drain annually flowing out of India into England. There is considerable variation in these estimates because different authors adopted different methods for calculating the ‘Drain’, and also because India’s export surplus was undergoing continual changes in upward direction.

The drain theory had its severe critics right from the beginning, and certainly some nationalist formulations of it appears crude and exaggerated today. The drain, it has been argued, was greatly exaggerated by nationalists since foreign trade and export surplus could amount to only a small part of India's national income. But surely Naoroji had a point here when he argued (before the Welby Commission in 1895) that the amount being drained away represented a potential surplus which might have raised Indian income considerably if invested properly inside the country.

REFERRENCE

Sarkar Sumit, Modern India 1885-1947