

The Legacy of British Colonialism in India post 1947

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Abstract

India was under direct British administrative control for almost a century, with independence from Britain not gained until relatively recently, in August 1947. British imperialism had a number of significant impacts on the region – many of which had lasting legacies on the country’s economic and social positions. While some of these impacts were positive for India, many resulted from British imperial interests being prioritized over domestic interests, which led to an uneven pattern of development and weak central government. This note canvasses some of the commonly explored legacies of British colonialism in India, and concludes that a century of foreign control may have done more harm than good for the country’s development.

The Indian subcontinent was under direct British administrative control from 1857 to 1947 – almost a century. This followed a period of more indirect political control from the British East India Company that was established gradually, starting in Bengal around 1757.¹⁴ During this time, the Indian subcontinent underwent a number of significant structural changes to its economic and political systems. Although many of these processes were officially brought to an end upon independence in August 1947, it is apparent that the extended period of foreign control had impacts that persist in modern-day India. Here, the impacts of the British raj are systematically identified and their legacies for India's growth and development today are briefly discussed. As British India was divided into a number of states after independence, the focus will be on what is now the modern state of India – a country where real incomes are little more than 13% of those in New Zealand, on average.¹⁵

The British raj saw the entire India subcontinent brought under the control of one central government, presided over by the British parliament in London. This was a significant change for the region, which had historically consisted of only a weak collection of distinctly separate districts with considerably separate economic systems.¹⁶ The use of eleven different primary languages,¹⁷ great differences in religious beliefs, social structure, living standards, and urbanisation rates, and the absence of a dominant central power have led some scholars to compare pre-colonial India to the culturally diverse region of Europe.¹⁸ Despite political separation of some major areas

¹⁴ Banerjee, A., & Iyer, L. (2005). History, Institutions, and Economic Performance: The Legacy of Colonial Land Tenure Systems in India. *American Economic Review*, 95 (4), p.4.

¹⁵ Penn World Tables 6.2, http://pwt.econ.upenn.edu/php_site/pwt62/pwt62_form.php, accessed 12:30pm 28/07/2009. Measured in real GDP per capita in 2003.

¹⁶ Tomlinson, B. (1993). *The New Cambridge History of India: The Economy of Modern India 1860-1970*. Cambridge: University Press, pp.2-3.

¹⁷ Clark, G., & Wolcott, S. (2003). One polity, many countries: economic growth in India 1873–2000. In D. Rodrik (Ed.), *Analytical Case Studies on Growth*, p.11.

¹⁸ *Ibid.*, p.4.

of the subcontinent (into Pakistan, Bangladesh, Ceylon and Myanmar)¹⁹ upon independence, the state of modern-day India retains an active central government – a necessary institution for proper representation in the modern world system. Although the Indian government acts on behalf of the entire country it has been suggested that, partly due to its colonial history and a reinforcing of *regional* government after WWI, the central government has been weak in its role for promoting country-wide economic development.²⁰

In order to raise finance from their Indian colony, the British established a system of land tenure whereby property rights were assigned to a landlord, a village community, or the individual cultivators of the land.²¹ The allocation of property rights varied widely both across regions and throughout the period, often leading to a restructuring of historic class divisions.²² It has been argued, particularly by Banerjee and Iyer (2005), that this system led firstly to distinctly different institutional arrangements in each locality, and consequently to wide variation in levels of local development. Although the landlord system was abolished upon independence and land taxes now account for only one percent of total tax,²³ the persistent effects of this may be seen in the established local institutions and their impact on asset distribution and political representation.²⁴ This persistent link from colonialism to institutions to development has received much attention in recent literature,²⁵ with historical arrangements such as India's viewed as detrimental to the country's present-day development.

¹⁹ The last two are now known as Sri Lanka and Burma, respectively.

²⁰ Misra, M. (1999). *Gentlemanly capitalism and the Raj: British policy in India between the world wars*, p.165.

²¹ Banerjee and Iyer (2005), p.10.

²² Roy, T. (2002). Economic History and Modern India: Redefining the Link. *Journal of Economic Perspectives*, 16 (3), p.122.

²³ Clark and Wolcott (2003), p.4.

²⁴ Banerjee and Iyer (2005), pp.7-8.

²⁵ See, for example, work by Acemoglu et al. (2001).

The dominance of the British in India led to the advancement of European economic ideology and practice throughout the country. Although for some time there had already been a form of capitalism amongst, for example, the Indian merchant class,²⁶ the widespread commercialisation of industries such as agriculture²⁷ led to a widespread belief that Britain had a vital role in “transplanting capitalism in India”.²⁸ New production techniques were adopted, as were new ways of undertaking business. The British treatment of labour, including the land tenure systems, and the increasing mobility of workers led to the steady establishment of a labour market.²⁹ The spread of commercialism also necessitated the development of India’s legal system,³⁰ while the financial orthodoxy of the British stimulated a development of India’s financial markets.³¹ The efforts to develop some form of central bank in India date as far back as 1773 – very early among developing economies – and a central bank was formally established, before independence, in 1935.³² Furthermore, persistently strong links with Britain meant that a large number of officials in the new Indian government were trained at British institutions and would certainly have been influenced by the economic ideology popular in Britain at the time.³³ Although there may have been downsides to this influence, it is widely viewed as one of the more beneficial legacies of India’s imperial relationship with Britain.

²⁶ Gokhale, B.G. (1977). The Merchant in Ancient India. *Journal of the American Oriental Society*, 97 (2), p.125.

²⁷ Dutt, A. (1992). The Origins of Uneven Development: The Indian Subcontinent. *The American Economic Review*, , 82 (2), p.148.

²⁸ Tomlinson (1993), p.19.

²⁹ Roy (2002), pp.120,126.

³⁰ Banerjee & Iyer (2005), p.2; Dutt (1992), p.148.

³¹ Misra (1999), p.158.

³² Mohan, R. (2006). Evolution of Central Banking in India. Lecture delivered at the seminar organised by the London School of Economics and the National Institute of Bank Management at Mumbai, January 24, *Reserve Bank of India Bulletin*, p.2.

³³ See, for example a discussion of India’s early independent leadership in Moraes (1959), p.40.

All this was accompanied by large-scale investment by the British into Indian infrastructure. This investment was narrowly focussed, however, and certain types of infrastructure were prioritised. Railways, canals, ports and other facilities to assist the spread of commercial agricultural commodity production and the movement of the military developed quickly, along with urban centres of colonial administration such as Calcutta and Bombay.³⁴ The infrastructure was seldom targeted at the development of the general population, and investment into primary education³⁵ and healthcare facilities remained limited. Although one can argue that “modern industry was essentially a product of India’s contact with Britain”,³⁶ it has been suggested that the legacy of infrastructure left by the British has in fact been detrimental to the country’s development. Rather than developing the economy, it may have reduced the protection of Indian industries³⁷ and served primarily commercial, manufacturing and military objectives rather than general social objectives.³⁸ Many writers in the 20th century referred to this specific infrastructural investment as part of the ‘underdevelopment’ of the Indian economy – development that has not led to widespread growth of the economy.³⁹ Perhaps due to this, productivity has remained low since independence.⁴⁰

A significant portion of this British investment into infrastructure was used to aid the drain of resources from India back to Britain.⁴¹ India was considered one of Britain’s major assets, contributing large portions of its GDP each year. Although accurate data from early colonial India is inherently difficult to obtain, it has been estimated that even by 1882 more than four percent of

³⁴ Roy (2002), p.117.

³⁵ Ibid., p.127.

³⁶ Ibid., p.117.

³⁷ Dutt (1992), p.148.

³⁸ Macpherson, W.J. (1955). Investment in Indian Railways, 1845-1875. *The Economic History Review, New Series*, 8 (2), p.11.

³⁹ Roy (2002), p.109.

⁴⁰ Tomlinson (1993), p.22; Roy (2002), p.110.

⁴¹ Tomlinson (1993), p.13.

India's GDP was transferred in net payments to Britain.⁴² This process changed over the period, beginning with trade and looting during the time of control by the East India Company and then becoming somewhat more official – in the form of taxes, remittances and interest payments – once Britain had taken direct administrative control of the country.⁴³ British financial interests took precedence over Indian economic interests,⁴⁴ and the economic policies that were pursued exploited India's abundant resource endowments under the popular notion of comparative advantage.⁴⁵ For India, as for a number of western colonies in East Asia, this meant intensifying production based on abundant land and labour.⁴⁶

The extraction of resources from India meant a shift in production methods and the pattern of trade. The British used their investments in infrastructure to encourage the production of land and labour intensive goods, which led India to become a net exporter of agricultural commodities.⁴⁷ This accompanied a decline in the relative production of industrial goods, reversing India's historic trade position as an importer of primary goods and exporter of manufactures.⁴⁸ The British raj also reinforced a shift from the production of food to non-food export crops,⁴⁹ which increased the susceptibility of many parts of the country to widespread famine.⁵⁰ There was a widely noted decline in traditional Indian industries – particularly textile production – that has commonly been attributed to Britain's preferential treatment of its own domestic textiles.⁵¹ Colonialism may not have been responsible for this, however, as improvements in production technology in the Lancashire cotton industry were already making British textiles a

⁴² Ibid., p.14.

⁴³ Dutt (1992), p.148.

⁴⁴ Misra (1999), p.168.

⁴⁵ Roy (2002), p.128.

⁴⁶ Ibid., p.124.

⁴⁷ Misra (1999), p.157.

⁴⁸ Dutt (1992), p.157.

⁴⁹ Tomlinson (1993), p.20.

⁵⁰ Roy (2002), p.122.

⁵¹ Dutt (1992), pp.147-148.

competitive threat.⁵² Regardless of what was responsible for the change, the transformation of India into an agricultural commodity based economy, and the associated low per capita incomes, have to a large degree persisted beyond the cessation of British rule.

The British raj also led to an opening of the Indian subcontinent far beyond what it had previously experienced. Trade, which had been less than two percent of GDP in 1800, was as high as twenty percent of GDP by 1914.⁵³ International capital flows, particularly between India and Britain, also increased significantly.⁵⁴ It has been suggested that the development of a comparative advantage in agricultural production, coupled with an increased integration into the world economy, led to a deindustrialisation of India as a response to the industrialisation of the more technologically advanced economies and the entrance of India into the world market in a subservient position.⁵⁵ Whether the effects of this increased openness persisted or not is unclear, as the newly independent government withdrew India from the world economy to a large degree, imposing restrictions on the movement of international capital⁵⁶ and adopting policies which hindered the implementation of foreign knowledge.⁵⁷ This approach was reversed in the economic reforms of the early 1990s, partly in order to recover access to the potential benefits of international trade.

A natural conclusion that one could make from the discussion above is that during the colonial period India did *not* experience widespread, centrally controlled economic development to the benefit of all Indians. The British

⁵² Tomlinson (1993), p.105; Dutt (1992), p.148.

⁵³ Roy (2002), p.120.

⁵⁴ Ibid.

⁵⁵ Clark and Wolcott (2003), p.25; Roy (2002), p.122.

⁵⁶ Clark and Wolcott (2003), p.10.

⁵⁷ World Bank. (1993). *The East Asian Miracle: Economic Growth and Public Policy*. New York: Oxford University Press, p.21.

pursued their own interests in India, which often led to developments that had specific benefits to the British but ignored the needs of the Indian population.⁵⁸ An alternative colonial approach was taken in countries like New Zealand, where the British developed the country in such a way that private property and democratic government *did* eventually lead to population-wide increases in living standards. In the view of Acemoglu et al. (2001) the disease environment, leading to relatively lower settler populations, may have been the explanation for why this form of development was not a feasible strategy for India.⁵⁹ It has even been suggested that traditional Indian sources of economic growth were pushed aside to make way for imperial economic and social networks.⁶⁰ This led to what has been termed “uneven development”⁶¹ or “underdevelopment”⁶² of the Indian economy, whereby the country has grown *extensively* but, in general, *intensive* (per capita) growth has not been realised.⁶³ The majority of other European colonies in East Asia – such as Malaysia, Singapore and Hong Kong– have experienced far higher levels of intensive growth than India since its independence,⁶⁴ when the newly established government inherited a widely diverse country with many economic and social problems.⁶⁵ Despite some improvements in living standards since 1947, India has never managed to implement a successful central development strategy such that these persistent issues could be resolved.

In summary, British imperialism had a number of significant impacts on the Indian subcontinent, and many of these impacts have legacies that continue

⁵⁸ Tomlinson (1993), p.217; Dutt (1992), p.149; Misra (1999), p.164.

⁵⁹ Acemoglu, D., Johnson, S., & Robinson, J. (2001). The Colonial Origins of Comparative Development: An Empirical Investigation. *The American Economic Review*, 91 (5), p.2.

⁶⁰ Tomlinson (1993), p.12.

⁶¹ Dutt (1992), p.146.

⁶² Tomlinson (1993), p.19.

⁶³ Roy (2002), p.110.

⁶⁴ Penn World Tables 6.2, http://pwt.econ.upenn.edu/php_site/pwt62/pwt62_form.php, accessed 12:30pm 28/07/2009.

⁶⁵ Tomlinson (1993), p.156.

in modern day India. There is still a major debate amongst scholars as to whether the legacies of India's colonial past have primarily been beneficial or harmful for India's development, with some (including Imperialists, Orientalists and some Marxists) claiming that the British Empire brought modernity to India⁶⁶ and others (particularly Nationalists) claiming that it removed or distorted the country's developmental base.⁶⁷ From a brief discussion of the specific impacts, it is apparent that the legacy of the British raj was both positive *and* negative. There were some beneficial consequences, such as the unifying of the country under one central government; the influence of modern economic ideology, production techniques and technology; and the opening of the Indian economy to the benefits of increased trade and access to capital markets. However, these were not without their downsides: the unification of a diverse region left the central government weak in its role for centrally planned development, and comparative advantage and the opening of the economy may have led to India's subservient position in the modern world market. Combined with negative institutional arrangements from the land tenure system, an infrastructure skewed away from the needs of the majority, and mass resource extraction from the Indian economy, it seems that the overall impact of British colonialism in India may have done more harm than good. Regardless of whether this conclusion is correct, and despite the fact that colonialism was clearly not the *exclusive* driver of India's economic history,⁶⁸ it is apparent that the impacts of India's colonial past had legacies that continued to persist well beyond 1947.

⁶⁶ Roy (2002), p.109.

⁶⁷ Tomlinson (1993), p.19.

⁶⁸ Roy (2002), p.110.

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