Colonialism, Globalization And The Economy Of South-East India, C.1700-1900

David Washbrook

It is not easy to write the 'long-term' economic history of any region in India -- which may account for the fact that very few such histories have been written. One obvious problem concerns the availability of data: where a paucity of sources for the pre-colonial period suddenly becomes replaced by a superfluity for the colonial epoch, but many of doubtful validity. Also, it is difficult to think through the economic implications of the profound social changes, which took place in the 19th century and which challenge any simple notions of continuity. Indian regional economies may have been as ultimately dependent on the plough in 1900 as in 1700 but, surrounding that, virtually everything else was different. Whereas in 1700, south-east India had been an important part of a textile manufacturing industry of world significance, by 1900 it stood on the agrarian periphery of an entirely different global economic order. Whereas in 1700, it possessed large centres of local expenditure and consumption (in the palaces of its rulers and the bazaars of its many armies), by 1900 much of its surplus was being expended and consumed elsewhere. Whereas, still in 1700, much of its population was highly mobile and moved sub-regionally to take advantage of opportunities, by 1900 they had become more sedentary and, indeed, were beginning to experience shortages of land and resources.

But, conversely, history did not only chart out a course of increasing hardship and decline. Whereas in 1700, society lived with the ever-present threat of famine, by 1900 total crop-failures had become rarer – and better means to cope with them had been devised. Equally, by 1900 new export markets had been found for many goods (cotton, groundnut, hides and skins) and old markets (for example, in handloom textiles) had experienced a remarkable revival. Indeed, it was not only overseas markets for goods which now expanded, but also those for labour and capital. While scope for physical mobility within south-eastern India may have been reduced, employment opportunities were starting to abound – under the umbrella of British imperial authority – in the surrounding economies of the Indian Ocean from south and east Africa to Sri Lanka, Singapore, Burma and Malaya. Nor were these only opportunities for employment. With ‘white’ capital scarce and ‘white men’ prohibitively expensive to keep in the tropics, new opportunities also appeared for the deployment of Indian capital. In Burma, the Irrawady delta was turned into the early twentieth century’s principal export rice bowl largely through the endeavours of Nattukkottai Chetty bankers hailing from Ramnad district in South India.

Under the aegis of the ‘colonial’ factor, Indian economic history has been inclined towards Manichean conventions of interpretation – in which everything that happened across the ‘long’ 19th century has to be construed in either strongly positive or negative terms. But the contours of more detailed regional historiography may throw shadows which confuse simple assumptions and blunt predilections of argument. The ways in which economy and society in south-eastern Indian changed between 1700 and 1900 were extremely complex and provide few straightforward answers to questions of ‘better’ or ‘worse’. Some groups in society obviously gained from them, but others lost out. The most that the historian -- true to his last -- can do is to demarcate the differences and point to the possibilities. The rest is speculation.

South-East India: the region

The region of ‘south-east’ India, on which this paper concentrates, can most easily be conceived as consisting of the territories governed by the Presidency of Madras from c.1801 – with the exclusion of the two western districts of Malabar and South Kanara. It stretches down the south-eastern littoral from Vizagapatnam in the North to Kanya Kumari in the South and reaches as far inland as Bellary, Coimbatore and the environs of Bangalore. In economic terms, this conception is somewhat arbitrary and has mainly been chosen because the data from the colonial era is most facilely organised in this way. In fact, there were always important flows of goods and people linking this region to economies further to the west (in the territories of the princely states of Hyderabad, Mysore and Travancore) and also to the North, especially Bengal. Nonetheless, the region also has a certain degree of historical integrity. Its local cultures escaped Mughal overlordship until very late and preserved patterns of ‘little kingship’ and temple-based religion, which were distinctive in relation to the rest of India. The region’s definition also properly highlights the significance of the sea, which provided conduits for bulk as well as luxury commerce and which, in many ways, dominated economic aspirations. Further, and over many centuries, the region saw intensive forms of interaction between its Telugu-speaking North and Tamil-speaking South -- with the former constituting source territories for the migration of peoples, goods and ideas towards the latter. In 1957, when proposals emerged to split the Telugu country (Andhra) from the Tamil in order to form linguistically-based regional states, the extent of their effective engagement became clear in the bitter struggle for possession of Madras city -- whose population was almost equally divided between ‘native’ Tamil- and Telugu-speakers (and most of whom were actually quite comfortable speaking either language!). Tamil Nadu won the city but Andhra Pradesh maintained control of some of its most vital water resources -- which has been the cause of scarcely less bitter controversy ever since.

As its coast-line would suggest, the region has been heavily involved in overseas-trade, going back to Roman times. The prevailing winds and currents also permitted an extensive coastal trade in bulk commodities, reaching right up to Bengal. At least in the 17th and 18th centuries, tens of thousands of tons of Bengal rice were floated down the coast -- to the central Coromandel ports including Madras – on the south-west monsoon; and no smaller quantities of southern sea-salt were floated back on the north-east monsoon. There was also a major grain trade within the region, moving mainly from north to south: coastal Andhra 'fed' central Coromandel, while rice produced in the southern deltas (of the Kaveri and Tambraparni) rivers was exported either to Sri Lanka or around the tip of Kanya Kumari to Kerala.[1] English East India Company (EEIC) trade registers noted dozens of small ports along the Thanjavur coast before 1782, each thought to be responsible for the export of 5-10,000 tons of paddy a year.

But, at least until the late 17th century, cotton textiles dominated the exports of the region and were, in many ways, its pride and joy. Even in the early medieval period, South Indian textiles found major markets in south-east Asia but, from the fourteenth century, their scope and range became of global significance -- reaching Persia and the Levant and, with the coming of the Hispanics, even Latin America. It was no coincidence that the EEIC chose Madras as the site of its very first Indian factory in 1639. But the expansion of the southern textile industry may have been 'pushed' by domestic forces of growth as much as 'pulled' by the chance emergence of new overseas markets. Stein, Ludden and Subrahmanyam have all surmised a long-term process of secular expansion in the domestic southern economy, beginning around the fourteenth century with the establishment of the Vijayanagar Empire and marked, *inter alia*, by the establishment of 'Telugu' forms of cotton cultivation in the 'Tamil' interior, by the proliferation of 'temple' city complexes and by the growth of a monetary economy.[2]

Importantly for our purposes, however, this phase of domestically-driven growth -- as the great days of the Coromandel textile trade -- would seem to have come to an end by last years of the 17th century, before the emergence of European colonialism. The causes of Coromandel's decline were several: one being, relatively, the rise of the Bengal economy from the mid-17th century. The south-east simply could not compete with the cheaper costs-of-production provided by the opening out of the Bengal 'frontier'.[3] But there were also a range of other problems, which made decline somewhat more than relative. Important markets in Persia were lost with the fall of the Sh'ite Sultanate of Golconda and with the onset of political problems in Iran. Golconda fell to the expansionist Mughal armies of Aurangzeb – who then met his own nemesis in the emergent power of the Marathas and was never able to fulfil his conquest.[4] As a result, the South was plunged into nearly a century of continuous warfare, frenzied state-building (and un-building) and chronic political instability out of which the EEIC eventually arose victorious. But the price for the economy was considerable, especially when the nascent EEIC state of Arcot joined battle with Mysore-centred sultanate of Hyder Ali and Tipu Sultan for regional hegemony. This battle

---

[1] See Sinnapah Arasaratnam, *Merchants, Companies and Commerce on the Coromandel Coast 1650-1740.* (Delhi, 1986); Tsukasa Mizushuma, *Nattar and Socio-Economic Change in South India in the 18th and 19ht Centuries.* (Tokyo, 1986).

[2] See Sanjay Subrahmanyam, *The Political Economy of Commerce: southern India 1500-1650.* (Cambridge, 1989); Burton Stein, *Peasant State and Society in Medieval South India.* (Delhi, 1980); David Ludden, *Peasant History in South India.* (Princeton, 1983).

[3] Om Prakash, *The Dutch East India Company and the Economy of Bengal 1630-1720.* (Princeton, 1985)).

was fought over the seizure (or destruction) of rival economic assets and spread mayhem in its wake -- with Hyder flattening the northern Kaveri country in order to force population towards the irrigation works which he was building on the upper part of the river; and, in Malabar, driving upper-caste Hindu elites off the land in order to displace them with more pliable low-caste and Muslim peasants.[5] Especially in the last years of the eighteenth century, war took a heavy toll of the region's once legendary prosperity.

But economic decline was not uniform and, indeed, the overall fall in regional production and consumption -- which is extremely difficult to measure -- may not have been great. The key to survival lay in mobility and it is possible to trace sub-regional shifts in population and resources, which suggest that movement was constant. At the end of the 17th century, for example, northern Coromandel (the coastal districts of Andhra) were acknowledged as the centres of the export textile trade.[6] However, they were very badly hit by the Mughal invasion of Golconda and also by silting up of the Krishna river. Between 1700 and 1740, a significant migration took place towards central Coromandel and the territories around the EEIC's Fort St George at Madras, which also offered political protection. But food resources around Madras were limited and expensive and, by the 1740s, political instability was reaching this area too.[7] The next migration was towards the interior and the Salem and Baramahal country which, until 1792, was protected by the rising power of Mysore. In the 1750s-80s, even the EEIC had to swallow its political pride and procure much of its textile investment from the territories of its deadliest 'enemy'. But, by the 1780s, problems were becoming apparent here too – and the industry's axis shifted south and

---

[4] Sanjay Subrahmnayam, *Penumbral Visions.* (Delhi, 2001).
[5] Dharma Kumar, *Land and Caste in South India.* (Cambridge, 1965).
[6] Arasaratnam, *Merchants.*
[7] H. Love, *Vestiges of Old Madras*. (Madras, 1906).

east, towards the Madurai country and Tinnevelly-Ramnad. [8]Given this high degree of mobility -- which affected not only textile production but even agriculture too – it is impossible to measure, and hard even to assert confidently, general economic decline. But, more certainly, the consistent secular growth trends which had been manifested in the economy between the 14th and 17th centuries were brought to an end.

1700-1900: Population and Demography

If demography is, at the best of times, an uncertain science, in Indian history it is almost an impossible one. The paucity of reliable sources, before the first full colonial census in 1871, reduce it to little more than crystal-ball gazing. Nonetheless, the historical literature abounds with speculative numbers – including, most influentially, the 160 million which Irfan Habib has estimated was the population of India at the height of the Mughal Empire and, by inference, more or less at the time of the colonial conquest c.1800.[9] The significance of this is that, with the population having grown to only about 380 million by 1901, India under colonial rule would appear to have experienced one of the worst demographic 'performances' anywhere in the world in the (population-driven) 19th century -- with an annual rate of growth below 0.8% (which, more certainly, was actually the case between 1871 and 1901). Such a demographic history would also be in keeping with Habib's 'dismal' view of the colonial Indian economy, seeing it racked by famine, de-industrialization and de-urbanization.

However, Habib's population estimates for the Mughal Empire have been strongly contested by Davis, Desai and Subrahmanyam, who consider them unwarrantedly high. Their own estimates would put the

[8] Ludden, Peasant History.

likely population in c.1700 at around 100-120 million.[10] If this were also the likely population at the beginning of the colonial epoch, it would mean -- of course -- that India's demographic performance across the 19th century was considerably better than Habib assumed, with implications for how the economic history of the century should be read. On the revised figures, population growth would have averaged about 1.2% per annum over the century: less fast, no doubt, than Java (where it quintupled in the period) but broadly comparable to wider global trends. Also, given that we know that population growth slowed in the last three decades of the century (as a result of disease and famine), it would mean that growth must have been even faster in the first half of the century, possibly around 1.5% a year.

Pro rata, the David, Desai, Subrahmanyam re-estimates yield a population for the whole of the southern peninsula of around 15-20 millions in the later eighteenth century. As the southern rivers tend to drain eastwards, the majority of these people (by informed guestimate, perhaps two-thirds) are likely to have lived in the richer river valleys of the south-east – suggesting a population of 10-14 million. Such a figure gains some corroboration from the EEIC's own early census operations in 1823, which, based on admittedly out-dated village records, came up with a figure of c.12 million. By 1901, the population of the Madras Presidency (excluding Malabar and South Canara districts) was 32 million -- indicating an increase of 266%. The EEIC's figures also suggest that growth was much faster in the first half of the century[11]:

---

[9] Irfan Habib, 'Population' in Habib and T. Raychaudhuri (eds), *Cambridge Economic History of India*, I, (Cambridge, 1983).

[10] Subrahmanyam, *Political Economy*; Ashok Desai, 'Population and Standards of Living in Akbar's Time – A Second Look', *Indian Economic and Social History Review*, XV, 1978.

[11] Table taken from Dharma Kumar, *Land*, p105, which also contains the best discussion on the vexed issues of sources.

Census period	Annual Average % Growth
1801-23	1.6
1823-27	2.4
1827-30	1.8
1830-39	-1.2 (famine)
1839-52	3.6
1852-57	0.7
1857-67	1.5
1867-71	3.3
1871-81	-0.1 (famine)
1881-91	1.5
1891-1901	0.9

By the standards of 19th century Asia, these are impressive figures and also indicate that population growth in the south-east may have been faster than in the rest of the country. Against general estimates of a 46% growth in India's total population between 1801 and 1851, the south-east grew by 130%; and, against an India-wide aggregate of 62% growth between 1851 and 1901, the south-east grew by 75%.[12] Moreover and as Baker has seen, the balance in the territorial distribution of this population also altered in important ways across the century. In 1823, the riverine districts nearest to the coast were by far the most densely populated. By 1901, their populations had just about doubled. But the populations of the previously thinly-peopled interior districts (the Arcots, Salem, Coimbatore) had trebled.[13] In effect, population had not only grown but also shifted -- filling out previously un- or under-utilised land and shifting the region's axis of economic activity away from the 'old' valleys and coasts and towards the interior.

[12] Ibid..
[13] Christopher Baker, *An Indian Rural Economy: The Tamilnad Countryside*. (Oxford, 1984).

The Agrarian Economy

From certain angles, the story of the south-eastern agrarian economy between 1700 and 1900 might be summarised as quantitative expansion but qualitative stagnation – or even decline. While it is difficult to provide meaningful aggregate statistics – because of local variations, differential soil-fertility and the significance in the region of double- and triple-cropping the same land), the balance of the secondary literature is in agreement that cultivation expanded at least in line with population growth until 1900 – and may even have moved ahead of it in the first half of the century.[14] However, there were few signs of farming adopting any startlingly new technologies and some indications that per acre/per crop yields might have declined.[15] Nor, in context, is this surprising. Cultivation was expanding beyond its traditional foci of concentration in the better-watered river valleys. Also, it was plainly being less supported by in-puts derived from adjacent forest wastes and from animals, both of which were under pressure from the expansion of human population. While the nature of the data prevents it from being anything more than an impression, perhaps the greatest difference between farming at the turn of the 18th and of the 20th centuries may have been the relative lack of animal power by the latter date. Cattle used to abound, when not pulling ploughs then in trains carrying the bulk commodities (cotton, salt, iron) whose trade articulated the various specialist sub-zones of the region. The cotton-carrying trade from the Deccan to the central Coromandel coast alone was estimated to use 40,000 bullocks a year in the 1790s; 80,000 bullocks plied the cloth and tobacco trade across the southern Ghats to Kerala in the 1770s; 128,000 bullock loads of salt passed through the Trichinopoly customs as late as 1812. Equally, farming

---

[14] Arun Bandopadhyay, *The Agrarian Economy of Tamilnadu, 1820-55*. (Calcutta, 1992); Kumar, *Land*; Baker, *Rural Economy.*

[15] See Sumit Guha (ed.), *Growth, Stagnation and Decline: Agricultural Productivity in British India.* (Delhi,1992), intro..

methods in the 18th and early 19th centuries anticipated the large-scale availability of animal inputs. Techniques for planting sugar-cane (seen in the Baramahal in the 1790s) involved penning a thousand sheep or goats on a field for three days before beginning ploughing; and for planting turmeric in the Andhra coastal districts at about the same time, they involved doing this no fewer than seven times. But, by 1900, although the total number of animals may have increased, their ratio to the human population had fallen sharply – and may have begun doing so even before 1850.[16] There was barely half a sheep or goat per head of the population left in the Baramahal; and even less in the Andhra coastal districts, which had been converted to intensive paddy cropping.

But if there was very little technological change, there was much infrastructural change -- with positive consequences for farming -- and also some significant inputs derived from western science and the new global economy of the 19th century. An important feature of the pre-modern south-eastern economy, which, as Ravi Ahuja has argued, has rarely been given the attention it deserves, was the chronic instability of water supply. This derived not only (as now) from the variability of the monsoon, but also from difficulties in controlling the flows of the massive riverine systems which drained eastwards. Ahuja has shown that famine conditions hit the south-east regularly though the 18th century: in 1718-19, 1728-36,1747, 1769, 1781-83, 1789, 1792 and 1798.[17] Moreover, particular local economies could experience extraordinary variability in annual out-turns: a village-level survey in the coastal Andhra districts for the 1790s showing differences in crop out-turn of over 70% from the same fields across a five-year period. Agrarian society coped with these difficulties in various ways, most notably by remaining highly mobile. Between 1810 and 1814, for example, when his district was beset by

[16] Bandopadhyay, *Agrarian Economy*; Baker, *Rural Economy.*

recurrent droughts, the Collector of Ramnad estimated that half the population (of about 600,000 people) had de-camped to the neighbouring Kaveri delta as a migrant labour force transplanting and harvesting its paddy crops. But the effect was certainly to depress overall regional levels of production.

Little changed in the early part of the 19th century – where, for example, the northern districts experienced bad famines in 1829 and 1833. But, gradually, more stable agricultural conditions came to be created, especially in the river valleys, and water supplies were significantly increased. From the 1840s, this reflected investments in new irrigation works whose value not even parsimonious colonial development policies could deny. The most successful such scheme was constructed on the Krishna-Godaveri complex, where large tracts of land were converted from broadcast to flush-irrigated paddy production. But there were important developments, too, in the Kaveri and Tambraparni valleys. Overall, flush-irrigated acreage (with its potential for double- and even triple-cropping and much higher productivity) rose from 2.6 to 4.5 million acres between the 1850s and 1890s. But, even before this, there were significant gains made simply from the ending of the interminable warfare, which marked the region throughout the 18th century. Political instability around the headwaters of the Kaveri system, for example, had made it extremely difficult for any authority to sustain the *anicut* at the point near Trichinopoly where the Kaveri proper and the Coleroon bifurcate. The result was a situation on the lower Kaveri where, for decades, it was impossible for the eastern and western taluks of the delta to be cultivated simultaneously: since, if sufficient water reached the former, the latter were inundated; and, if the latter were cultivable, the former were dried out. By the 1810s, the unification of political authority under the EEIC had

[17] Ravi Ahuja, 'Labour Relations in an Early Colonial Context', *Modern Asian Studies*, XXXVI:4, 2002.

an immediately beneficial effect in the restoration of the *anicut* -- even before Victorian science attempted to come to grips with southern hydrology.

Improved conditions of political security also may have played a role in what was to become, perhaps, the most important aspect of agrarian transformation – the expansion of deep-well cultivation in the interior districts. The capital behind this was almost entirely private (and Indian) and the expansion started as early as the 1820s although only became truly significant from the 1850s – when changes in the revenue system ceased to penalise returns to investment.[18] Deep-well irrigation secured cultivation in the 'dry' upland tracts against the vagaries of the monsoon, but it also did considerably more. It opened new possibilities for the utilisation of the market and of 'science'. From the 1810s, the EEIC government initiated a vigorous programme of metalled-road building (where virtually none had existed before). Originally undertaken more for purposes of military security than trade, this programme nonetheless opened wider opportunities for commerce (which south-eastern society, in any event, had never been known to decline before). The roads made it possible to transport larger quantities of bulk commodities and helped to focus new sources of demand on the interior's most prized possession, raw cotton. Well-irrigation and 'science' then further intervened to transform the nature of this crop. 'Watered' cottons grow far longer staples than 'un-watered' and colonial agronomic experimentation also began to make available new varieties, such as 'Cambodias' and 'Louisiannas'. Across the later 19th century, the southern interior (especially Coimbatore, Madurai and Tinnevelly districts) experienced a

---

[18] Nilmani Mukherjee, *The Ryotwari System in Madras.* (Calcutta, 1962); Bandopadhyay, Agrarian *Economy.*

significant cotton boom, which even survived the problems of the inter-war years to generate the bases of a modern textile industry.[19]

In addition to cotton, a second crop sustaining agricultural expansion in the interior was groundnut, which was virtually unknown before 1850 but came to be exported in huge quantities by the time of the First World War.[20] Its particular significance was that it grew on light, sandy soils which previously had a low productivity – and also that it replenished the nitrogen content of the soil. Southern agriculture had always been open to innovation – rapidly taking on board the new crops brought from the Americas (potato, tobacco, chilli, tomato) as if they were its own. It absorbed the novelties of the colonial era with scarcely less enthusiasm -- and, in some regards, scarcely less profit.

The issue of what happened to 'per capita income levels' in India across the colonial period is one which has detained economic historians for many decades – and, given the complexities involved, seems (at least to me) as inconclusive now as at the beginning of debate. I will address it more fully later. But if the value of agricultural production is made the principal criterion -- and also if what may have happened in earlier decades is left out of account -- there is a plausibility, at least in the south-east, to Alan Heston's estimate that per capita income levels rose by about 40% between 1860 and 1914. Economically, this was certainly the best era for the 'colonial' economy in spite of the 'Great Famines' which haunted the 1870s and 1890s.[21]

Those famines have drawn a keen historical interest of late – and, as both human tragedies and examples of bureaucratic insensitivity, no doubt properly so. But so far as the south-east is concerned, it would be a mistake to make them characteristic of the colonial epoch. They took

---

[19] Baker, *Rural Economy*.
[20] Ibid
[21] Alan Heston, 'National Income' in Dharma Kumar (ed.), *Cambridge Economic History of India II,* (Cambridge, 1982).

place on its western edges (in the Deccan districts) and had little impact elsewhere. Those districts had experienced the 'new forces' of the colonial market place and science in peculiarly unbalanced ways: where, for example, they were drawn into displacing grain with cotton cultivation without benefit of deep-well irrigation, which increased their vulnerability to the climate. Also, they were predominantly millet-eating where regional trade in the bulky commodity was poorly developed.[22] But the appalling human consequences of the Deccan famines ought not to blind us to the fact that, elsewhere in the south-east, famine was much less of a regular threat by the end of the 19th century than it had ever been before. Indeed, it may very well have been the long-term reduction in the regular threat, which caught out the colonial bureaucracy when the late 19th century famines did strike. The degree of its un-preparedness for, and incomprehension at, what was happening is at least as striking as any feature of racial indifference to the loss of Indian life.

But the Deccan famines also draw attention to one feature of structural change, which was more general and which, if it had not been supported by new investments and in-puts, could have had even more disastrous consequences. As noted earlier, pre-colonial southern society's standard response to impending adversity was to move. But, by the later 19th century, it was becoming increasingly difficult to find places to move to -- at least within the south-east itself. The Deccan famine victims died more or less where they stood in ways which it is hard to imagine would have been the case a hundred years earlier. Peripatetic mobility declined and 'sedentarisation' became the key theme of the colonial epoch: promoted at first by the administrative mechanisms of revenue 'settlement', but determined later by pressure on the land:man ratio. Sedentarisation transformed the character of southern society in

[22] D.Washbrook, 'The Commercialization of Agriculture in Colonial India', *Modern Asian Studies*, XXVII: 1, 1994.

ways no doubt subtle but ultimately extremely profound. Admittedly, and as Dharma Kumar has seen, up to 1900 pressure from the land:man ratio did not become critical -- new acreage under the plough and new population still more or less grew in tandem.[23] But some problems in finding new land for flush-irrigation in the river valleys were already starting to be experienced and, from the 1920s, would serve to fix a firm lid on the progress of 'colonial' development.

Indeed, this lid was coming to be fixed in other areas too. As noted earlier, most of colonial development investment was directed towards large flush-irrigation projects in the river valleys, which served (and, in many ways could only serve) paddy cultivation. The expansion of the interior via well irrigation, although it drew on resources of security, science and the market associated with colonialism, was entirely dependent on Indian entrepreneurial capital. But, even by the closing decades of the 19th century, it was starting to become clear that the colonial state's concentration on paddy production may have been a serious economic mistake. The opening up of the Irrawady delta in Burma (albeit with South Indian capital and expertise) started to produce a neighbouring source of paddy, which was cheaper and of higher quality than especially the 'old' southern deltas could provide. 'Burma rice' soon began to take over traditional export markets in Ceylon and even to invade markets in South India itself. From the 1910s, it was joined by the vast quantities of rice emerging from the agricultural transformations of Thailand and Vietnam, which came to dominate world markets from the 1920s. Colonial development in south-east India, while helping to stabilise food supplies, ultimately went up a blind alley so far as generating new sources of capital accumulation were concerned. Rather, it was the well-irrigated interior, which – ironically – had benefited least from colonial investment policies, which became the principal locus of

[23] Kumar, *Land.*

longer-term prosperity and, eventually (although not until the 1920s) the site of the region's industrial re-birth.[24]

Moreover, longer-term agricultural prosperity, even in the interior, was not a phenomenon experienced by all. There has been a lively debate in South Indian history over changes in patterns of land distribution and labour -- and, certainly, over-pessimistic views (including some of my own) concerning tendencies towards the narrower concentration of landed assets and the increasing pauperisation of labour are difficult now to sustain. Almost all statistical tests reveal a remarkable continuity in the structure of landholding across the 19th century in spite of hugely increased acreage – with a proliferation of small-holdings always buttressing the larger estates of the rich and powerful.[25] Also, there is little indication of an overall increase in the landless proportion of the population (which, it should be said, depending on district consisted of between 15 and 25% of the rural population even at the beginning of the colonial era).

Nonetheless, the ownership of land does not tell everything -- there are also the questions of what can be done with it and what happens to the surplus derived from it. Here, as Christopher Baker has argued, there can be little doubt that most of the significant changes (at least from the second half of the nineteenth century) favoured producers with more substantial assets. In the interior, it took capital to finance the digging of wells and the cultivation of garden crops and long-staple cottons. In the river valleys, productivity depended heavily on proximity to water supply -- which tended to give pride of place to the 'older' *mirasidars*. While opportunities continued to exist for small farmers to gain access to land and to produce under what Baker has termed 'minimalist' farming strategies, most of the benefits of the new markets and crops went to

[24] Baker, *Rural Economy.*

those with greater capital. Indeed, these agrarian capitalists also drew benefits from the fields of their smaller neighbours – who looked to them for credit, for ploughs and cattle and for part-time employment. The great majority of small farmers did not have sufficient land to supply their own household subsistence but needed extra work, which could often only be found in the fields of their wealthier neighbours.[26]

Keeping a local supply of labour to hand by offering it small-holdings had been a standard agronomic strategy of larger *mirasidars* in the pre-modern era when labour was scarce. It long continued into the 19th century although with a subtly different logic: whereas the conditions offered earlier to *pykari* (itinerant) cultivators had often been better than those of *mirasidars* themselves (especially with regard to revenue payment), later on they became noticeably more onerous and involved increasing features of debt-bondage. For (usually pariah-caste) landless labourers, too, there are few signs that economic conditions improved – and some that they may have deteriorated. As for everybody in the agrarian economy, greater stability and the shrinking spectre of famine represented an inestimable bonus. However, as Ahuja has seen, wage rates across the 18th century had tended rise. But they fell during the first half of the nineteenth century – as the population began to increase more rapidly. Given that food costs also tended to fall in the later period (especially after the 1830s), the result may not have been very drastic. But, during the later nineteenth century – when food prices started to rise again – a noticeable feature in many parts of the agrarian economy was a shift from kind to cash wage rates, which was clearly of disadvantage to their recipients. Also, there is absolutely no evidence that the 40% rise in notional per capita income levels, surmised by Heston for the years 1860-

---

[25] Dharma Kumar, *Colonialism, Property and the State.* (Delhi, 1992); Bandopadhyay, *Agrarian Economy.*
[26] Baker, *Rural Economy.*

1914, was passed on in real agricultural wage rates. Labour's share in the total social product was undoubtedly inclined to fall.

The agrarian society of south-eastern India, then, was highly stratified long before the coming of the colonial era and little that happened thereafter made it any less so. With the exception of the Deccan districts, the ultimate price of economic failure (death by starvation) became a less constant threat. But opportunities to make significant gains – and accumulating wealth – provided by the new economic order were narrowly constructed and of major benefit to only small groups. Access to capital was always the key and, with the colonial state withdrawing itself from the 'indigenous' credit system, that access became, if anything, narrower.

Industry and services

Any 'industrial' history of south-east India, of course, must be dominated by the fate of textile manufacturing. But that fate is not easy to determine. As noted before, the great days of Coromandel cottons were in the 17th century and the industry was in some decline even before the onset of colonial rule. Subrahmanyam has noted that the number of weavers recorded in the EEIC's ledgers in the Krishna-Godaveri region in the late 18th century were about half those recorded in the Dutch VOC's ledgers for the same region a century earlier.[27] However, set against that and as also noted, first central Coromandel, then the interior Baramahal and then the 'deep' South showed signs of becoming replacement centres of trade. The industry moved around in ways making it very difficult to provide overall estimates of production and employment at any one time.

[27] Sanjay Subrahmanyam (ed.), *Money and the Market in India.* (Delhi, 1998).

Also, across the first half of the nineteenth century, the industry was a long time dying -- and never entirely did. The export sector was the first affected by the rise of 'Manchester', losing many of its markets from the turn of the 19th century. But even it was kept alive until as late as 1830 by the activities of the EEIC, which utilised its revenue powers to establish a species of monopoly over the sector and to keep it going until ordered by Parliament to abandon 'the Investment'. However, these revenue and monopoly powers were used to force down the returns received by weavers – to the point where the industry operated virtually under a system of forced labour.[28]

The domestic market for cloth was obviously much less affected by the 'global' changes in the industry. Imports of 'finished' western textiles remained limited until the 1840s and, thereafter, still did not penetrate a number of indigenous niche markets. The limitations were partly a function of transport costs before the age of railways and steamships. But they were also a function of 'taste': where traditional fabric types were often tied to ceremonials and rituals in a temple-centred Hindu culture, which western fashion was slow to transform. Kanchipuram and Madurai silk saris continued to hold sway over the southern marriage market.[29] Also, much cloth was produced for local consumption in the interior villages where the cotton crop was grown. Rather than finished cloth, it was industrially-spun yarn -- to be made up by southern handloom weavers -- which led the advance of colonial imports into the economy. But this could have curious consequences. By reducing the cost and improving the quality of yarn available to weavers, in some places it stimulated a revival of handloom production by the later decades of the 19th century. This, in turn, caught up with the revival of overseas demand

[28] Konrad Specker, 'Madras Handlooms in the Nineteenth Century', *Indian Economic and Social History Review*, XXVI: 2, 1989. Prasannan Parthasarathi, *The Transition to a Colonial Economy.* (Cambridge, 2001).
[29] Baker, *Rural Economy.*

for, especially, 'Tamil' cloth – from Tamil overseas communities in south-east Asia. A further development came from the growing use of the 'flying shuttle' to improve loom productivity. While the nature of the statistical sources makes it impossible to be categorical, the best 'guesses' are that the number of weavers at least held its own between 1800 and 1830 (under the Company's monopoly) before entering a critical period until the 1850s marked by stagnation and decline. But revival came quickly in the second half of the century – with the number of weavers at work in the south-eastern economy increasing from 200,000 in c.1850 to 300,000 by 1889.[30]

However, as Prasannan Parthasarathi and Karl Specker have argued, statistics on looms may tell very little about the complex history of the industry. While Ahuja's emphasis on the chronic instabilities of food supply must put Parthasarathi's case for wage-levels in the industry above those in 'the West' in some doubt, there can be no questioning the fact that cash-wages were – by South Indian standards – extremely high in the 17th and 18th centuries and showed at least region-specific tendencies to rise.[31] Fine textile production -- both for export and to serve local aristocratic demand -- represented a high value-added sector of the industry. And its progressive loss, except in few specialist niche markets, was at serious cost to the position and status of artisans, to the commercial articulation of the economy as a whole and to the total economic product of the region. The textile industry which continued, and even revived, during the 19th century was based on a very different distribution of profit and power -- with weavers now debt-dependent on merchants and earning meagre returns, while carrying most of the risks of market failure. Success was achieved mainly by lowering prices to compete with machine-made fabrics rather than by raising the quality of

[30] Specker, 'Handlooms'.
[31] Parthasarathi, *Transition.*

products. Also, the loss of cash earnings from exports played havoc with the market economy, lowering general commodity prices and precipitating the depression, which lay across the economy almost continuously from the 1830s to the 1850s. Indeed, for several years after the EIIC cancelled its 'Investment' in 1830, collectors in districts with weaving concentrations claimed to be unable to remit the cash-based land revenue – since, with weavers unable to buy food, a major source for encashment of the grain crop had disappeared.[32] Weavers (or rather ex-weavers) were also extremely prominent among the first 'indentured labourers' to join the labour migrant economy after 1843. Of course, raw cotton itself continued to be produced and exported in steadily larger quantities. But much of the value added by 'working' it now went elsewhere.

Further, as Parthasarathi has seen, the decline (or, at least, internal transformation) of the industry carried even wider consequences. Hand-spinning had been a near- ubiquitous by-employment of the agrarian population, important in earning cash during the agricultural off-season. But now the market for thread was progressively taken over by industrially-spun imported yarn.[33] Admittedly, new opportunities for agricultural labour began to arise – as double- and triple-cropping in the river valleys extended the cultivation season and as the expansion of raw cotton production increased the demand for child and female labour to pick the buds. However, this cut down the diversity of potential employment and made the rural population more dependent on agriculture than ever -- with the result that, as in the Deccan in the 1870s and 1890s, when cultivation failed, it had recourse to very little else.

But textiles by no means represented the pre-colonial south-east's only industry. Again, the sources are difficult, but, in the richer river valleys, only 60-65% of the population may have been directly engaged in

[32] Specker, 'Handlooms'.
[33] Parthasarathi, *Transition.*

agriculture in the later 18th century compared to 80-85% in 1900. In the interior districts, such a calculation would be harder to make since nearly everybody had several different employments, of which agriculture was one. But the widely practised ‘off-season’ was about four months long -- leaving one-third of work time outside agriculture.

Construction was always an important source of employment, concentrated in earlier medieval times on the palaces and, particularly, great stone temples, which were a feature of the South. But, certainly in the 18th century, there was a great deal of construction work associated with the wars of the period, especially the building of fortifications. Tipu Sultan is said to have spent 2 crore Canteroi Pagodas (about £1.6 million pounds in the money of the day) fortifying his capital of Seringapatnam over the course of 17 years. More stable industries included diamond mining in Hyderabad, which was estimated to employ 30,000 people in the early 18th century; brass-casting around Kumbakonam in the Kaveri country, which may have employed 10-15,000 people in the late 18th century; gold- and silver- jewellery making, which (if caste can be taken as an actual guide to occupation) may have utilised 1-2% of the entire workforce.[34] And perhaps most important of all was iron-mining and forging where South Indian iron-working enjoyed legendary status, even among Europeans, for its high quality and ingenuity. Some of the (sword) steels made in the 16th-18th century still cannot be replicated today for their hardness and much of the European monument building in Madras into the mid-19th century made use of local, rather than imported, iron-work.[35]

Moreover, as Dharma Kumar has seen, a curious feature of the south-eastern economy in the late 18th and early 19th centuries was the

---

[34] Irfan and Habib and Tapan Raychaudhuri (eds), *Cambridge History of India*. (Cambridge, 1985), I. Pp.314-25.

[35] Edward Balfour, *Report on the Iron Ores…of the Madras Presidency.* (Madras, 1855).

vast number of people who appeared to be employed neither in a recognisable industry nor in agriculture, but in the 'services' sector.[36] In the river valleys, there was an improbably large population of priests, snake-doctors, beggars, itinerants, prostitutes and teachers – indicating strong consumer preferences for 'services' over material goods. Also, two of the pre-modern south-east's most significant activities generated huge service sectors. One of these was war – where most of the 18th century was occupied by anywhere from three to six 'marching' armies, criss-crossing the terrain and sometimes, as in the case of Hyder Ali's Mysore army, with attendant camp followers and bazaars stretching out for twenty miles behind them. Where it was estimated to take six servants to put one cavalryman in the field – and where, according to Dirk Kolff, there were a quarter of a million professional cavalrymen in the Deccan and further south in most years between 1750 and 1800[37] – war was a huge generator of employment. Related to war, service in the retinues of rulers and of temple gods also provided much work – where, according to an appalled British army officer in 1802, three lamplighters were assigned to every single lamp in the palace of the Trichinopoly nawab.

The other major generator of service employment was the transport industry – where bulk goods were moved inland by vast caravans of pack-bullocks requiring close attendance. If, as one contemporary witness estimated, a single *banjara* could not cope with more than four bullocks at one time, then the 128,000 loads of salt passing through the Trichinopoly customs in 1812 alone must have entailed the employment of upwards of 30,000 men. The intensification of both warfare and dearth-driven mobility in the later 18th century led to a proliferation of employment outside agriculture -- creating the appearance of a shortage of labour signalled both in rising wage-rates and in growing complaints to

[36] Dharma Kumar, 'The Forgotten Sector' in Kumar, *Colonialism.*
[37] D.H.A. Kolff, *Naukar, Rajput and Sepoy.* (Cambridge, 1989).

the EIIC from landowners that they were unable to extend cultivation for want of labourers.

Over the course of the 19th century, but most notably in its second quarter, these conditions began to change. Pax Britannica not only reduced the scale of warfare but also the demand for soldiers and attendant servants; as also it slashed the expendable incomes of Nawabs and 'little kings'. Further, EIIC road-building programmes and the introduction of wheeled-transport began to put the *banjaras* out of business – or at least to reduce the scope of their activities to mere peddling. Taken together with the decline of the vital textile export industry, the years 1830-1855 saw the south-east plunged into a withering depression -- marked, as C.A. Bayly has seen, by a general collapse in demand.[38] In response, economic society turned towards the land. In spite of low commodity prices, the land under cultivation increased ahead of discernible rates of population growth -- as swords were literally beaten into plough-shares and erstwhile industrial and service personnel shifted into farming in order to survive. In the second half of the 19th century, a range of new employment opportunities began to appear – connected to the construction of not merely roads but railways; to the appearance of new export-processing industries (such as leather tanning); to the beginnings of the plantation economy in the hills; and to the opening up of land frontiers overseas. But, in many ways, the 'age of hiatus', as Bayly has termed it, between the collapse of the 'old' economy – based on the nexus between warrior, merchant and artisan – and the rise of the new colonial order – based on the export of primary products and import of manufactured goods – was crucial in setting the structure of economic institutions, and possibilities, which would predominate for the next three-quarters of a century.

[38] C.A. Bayly, *Rulers, Townsmen and Bazaars*. (Cambridge, 1983); also, *India and the Making of the British Empire*. (Cambridge, 1989).

Among the casualties of the new colonial order was the South Indian iron industry. As in the case of textiles, it was staunchly defended by the local EIIC administration – which regularly disputed the authority of both Calcutta and London. Even more than in the case of 'the Investment', the defence was made in terms of the quality and cheapness of the product, which (in cast-iron) Edward Balfour claimed was superior to anything made in Britain. But, by mid-century, final orders were received from London that the government was no longer to purchase its iron requirements locally and, stripped of its largest customer, the industry withered.[39] It was not to be revived again for a hundred years and, then, less in response to demands emanating from the 'British' Madras Presidency than from the neighbouring princely state of Mysore -- which (not least to embarrass colonial authority) embarked on a programme of state-led industrialisation, which made its capital of Bangalore India's second largest industrial centre by the time of Independence in 1947 and left a stagnant Madras city in its wake.[40]

States and Markets

As elsewhere, it is very difficult to compare the economic implications of state and market systems between 1700 and 1900 because they were structurally so different. Before the 18th century, the dominant political tradition of the south-east was that of the 'little kingdom': a territorially small state with limited coercive capacity and in competition with its neighbours for scarce resources, particularly labour. Such states, of course, were interested in promoting their own prosperity. But they were obliged to do so principally by 'inducement': offering low-revenue lands to encourage settlement; investing in irrigation and other

[39] Balfour, *Report.*
[40] George G. Baldwin, *Industrial Growth in South India*. (Glencoe, 1959).

productive resources; providing large resources of credit (*takkavi*) out of their own treasuries, which meshed closely with the commercial economy. Jurisprudentially, most resources (especially land) were conceived and held as ‘gifts’ from the king, who served as a key centre of resource redistribution.

From the late 17th century, however, the nature of the state began to change – not least in response to the Mughal invasion. Larger-scale territorial configurations of power began to form around Nawabi-style courts in Hyderabad, Arcot, Madurai, Mysore, Travancore and the southern Maratha country. These powers were sustained by larger and much more ‘professional’ armies, demanding greater quantities of resources -- and demanding them in cash.[41] The military build-up also created a stronger coercive capacity in the state, making it more possible to ‘compel’, rather than merely to ‘induce’, production. By the second half of the 18th century, these new regional states -- which were continually engaged in warfare against each other -- were moving towards state/economy relationships, which Bayly has termed ‘Asian mercantilism’. They were becoming much more centrally involved in organising monopoly trades, especially those which earned valuable specie from overseas markets, and in increasing their revenues. They were also both investing heavily in productive assets and utilising force to destroy the assets of rivals.[42]

The EEIC rose to supremacy in this changing environment which, along with the other European mercantile companies, it had long helped to promote. From the Portuguese in the 16th century, the Europeans had pursued mercantilist policies with regard to sea-trade (especially in relation to each other) and had brought power and profit together in ways quite new to the commerce of the Indian Ocean – which had previously

---

[41] Subrahmanyam, *Penumbral.*
[42] Bayly, *India.*

been based on a much ‘freer’ trade. By the 18th century, with the new states of the region requiring increased resources of cash -- which were brought from the sea – it was perhaps inevitable that the principles of sea-borne mercantilism should have percolated into land-based statecraft. This point may add some qualification to recent speculations about whether two of the regional states most involved -- Mysore and Travancore -- might be seen as having generated their own forms of ‘modernisation’, in juxtaposition to those associated with the Europeans, and have offered India an alternative path to Modernity, had the colonial intervention not cut it off.[43] But both were heavily imbricated in European-dominated sea-commerce from the first and, more properly, might be seen as temporary products of the European-centred global transformation of trade rather than alternatives to it. As Hyder Ali of Mysore clearly saw (and, belatedly, tried to correct), India’s weakness lay in the way that her land-based states had conceded -- virtually uncontested -- control of the seas to the Europeans even by the 17th century. His attempt to correct this by building his own navy was, no doubt, valiant. But it came far too late to have serious hopes of success and to replace the western Europeans – already deep into their Atlantic Revolution – from control of Asia’s overseas trade routes. Once the Europeans had this control, it is difficult to conceive of meaningful alternatives to colonialism (or, at least, to European dependence) in the passage of peninsular India towards modernity. Even Hyder was to feel this weakness. In 1782, he had the EIIC’s forces bottled up in Madras city and on the verge of being tipped into the sea. But to complete the operation, he needed a naval force -- and was dependent on a French fleet which (characteristically !) failed to arrive on time. And the rest…and the ultimate defeat of the Mysorean ‘alternative’ in 1799…is history.

[43] Irfan Habib (ed.), *Confronting Colonialism.* (Delhi, 1999).

The EEIC state arose out of this context of competitive mercantilism, which was to pattern its institutions (and those of its post-1858 Crown successor) ever after. The great prize of empire in India was neither access to resources nor even to bountiful markets, but control over the land revenue system – which yielded a huge surplus paying for British military dominance over the rest of Asia. The EICC/Crown state also jealously guarded monopolies in the most valuable items of commerce (opium, salt, liquor, forest woods) until well into the twentieth century. The idea of 'free trade' always had a limited meaning in colonial India. But the economic orientation of the colonial state was given to at least two significant shifts between the 18th and 20th centuries.

As noted earlier, the Indian regional states of the 18th century had introduced increasing measures of 'compulsion', as well as 'inducement, to promote economic development. They were inclined to raise levels of revenue demand and to extend monopolies, sometimes (as in Tipu's Mysore) to the point of creating state-owned industries. However, competition between them – in a context of high labour mobility – had also provided some restraints on their use of force. But the EEIC's rise to power was accompanied by the elimination of all its competitors and the establishment of a peninsula-wide hegemony, which had never existed before. Most noticeably, between 1800 and the 1840s, this saw it coming to rely increasingly on coercion to promote economic 'development', such as it was.

The revenue system became extremely heavy and regressive in its orientation -- undermining 'private' investments, which risked being loaded with new taxes. Monopoly powers, such as those before 1830 over the textile 'Investment', were also tightened up. Institutionally, the revenue system started to separate itself from indigenous commerce (which, so it was claimed, took too high a share of profit). As a result, capital flows into production began to dry up. For example, it had long been a custom of the revenue system to allow local *mirasidars* substantial annual deductions to pay for the maintenance of irrigation works. However, the new *ryotwari* system introduced in the 1810s claimed that irrigation maintenance was a prerogative of the state and removed these deductions. But, between 1815 and 1840, the Madras Government actually spent only 0.5% of the revenues which it collected on irrigation work. Also, state-backed *takkavi* (advances of cattle, grain and cash to cultivators on an annual basis) practically dried up. Rather than credit and tax-breaks, the state made free use of coercion to extend production: sometimes via simple methods of extortion (as revealed in the highly condemnatory Madras Torture Commission of 1855); but also via legal compulsion – as through new debt laws and revenue conventions which threatened peasants with loss of their lands if they failed to cultivate. Indeed, these last conventions strongly supported the shift towards 'sedentarisation' which, as Irschick has seen, the EIIC was also seeking for ideological reasons.[44] To some extent, the reliance on compulsion can be understood as reflecting the context of the post-1820s period when, with textile exports collapsing and domestic demand contracting, the forces of the market were particularly weak. But it also exacerbated economic decline – as even the EIIC itself began to admit by the 1840s, when the 'old' *ryotwari* system started to be displaced by a 'new' one – more designed to promote investment, secure property in land and reduce the burden of the revenue demand.[45]

The introduction of the new *ryotwari* system in 1855 also coincided with a number of other developments, which revived the market economy. Railways were constructed to support metalled-roads in carrying produce to the ports -- and the cotton, groundnut and leather booms slowly gathered momentum. The Crown state now began to find – albeit meagre

[44] Eugene F. Irschick, *Dialogue and History,* (California, 1994).
[45] Kumar, *Land*; Mukherjee, *Ryotwari*.

– resources to invest in the extension of the riverine irrigation system and (rather less meagrely) in the opening up of a European-owned plantation economy in the hills. From the 1850s, the south-east was carried forward by the growth of 'classic' forms of colonial trade.

These classic forms were institutionally-sponsored by British policies of 'free trade', (re-)opening markets to competition. But, in the context of India, free trade always had a rather restricted meaning. State monopolies on key items of commerce remained in place (as Crown prerogatives) and it was not until the 20th century than the land revenue demand ceased to be an important call on the surpluses. Also, 'free' trade was subject to various racial/national biases in favour of European business and to some extremely curious interpretations of theory. We have seen already how the South Indian iron industry, in spite of good arguments made by EEIC officials concerning its quality and efficiency, was sacrificed by London to the interests of South Wales. Even where London was not involved, collusion between British officials and businessmen could limit Indian entrepreneurial opportunities: as, in 1909, when the British Indian Steam Navigation Company escaped even investigation following the 'accidental' sinking of the two boats owned by a new rival Indian Swadeshi Steam Navigation Company, just after they had arrived in Tuticorin harbour.[46]

Strange interpretations of economic theory also stifled Indian entrepreneurial possibilities. For example, the government was charged with not interfering in the market-place in any way which would be deleterious to the interests of any private business. But, from the late 19th century, suggestions arose that a new industry could be founded to process groundnut oil – which was now becoming abundant – rather than merely exporting the kernels. However, on the objections of the (European) groundnut exporting companies than any rise in domestic demand would raise the price of the crop and reduce their profits, the government not only refused to participate in any such scheme, but denied a private consortium set up to implement it access to government land -- without which its plant could not be built.[47] The colonial trades of the late 19th century might have been beneficial to southern agriculture but, in the context of the Indian colonial state, they were never likely to lead to much else – specifically industrialisation. Indeed, the only areas where the seedlings of 're-industrialisation' began to appear (and very small ones at this time) were in the interior and in relation to cotton. But these areas had always been remote from the tentacles of the colonial state, having primed their own well-irrigated expansion with private capital – and their own eventual industrial transformation in the 1920s and 1930s was also to be largely without benefit of state support.[48]

The history of the market in the region followed a similarly twisting course. The south-eastern economy was highly commercialised even by the fifteenth century -- with cash facilitating the extensive movement of commodities and peoples. During the 18th century, there is even a case that it became 'over-commercialised', at least so far as its productive base was concerned, with everything from land-rights, to commodities, to the offices of the state rapidly changing hands for money – as entrepreneurs attempted to make a 'fast buck' out of its frenetic patterns of state-building and military expansion; and as labour sought to utilise its scarcity value to increase wages. T. Mizushima has argued that, at least in the environs of Madras city by the 1750s, the entire social structure had been permeated by the forces of the market: with social position even in

---

[46] D. Washbrook, *The Emergence of Provincial Politics*. (Cambridge, 1976).
[47] Nasir Tyabji, *Colonialism, Chemical Technology and Industry in Southern India.* (Delhi, 1995).
[48] Baker, *Rural Economy.*

the countryside largely dependent on commercial success rather than caste or other forms of social ascription.[49]

Against this background, the early impact of the establishment of the EEIC state appears ‘de-marketising’ and ‘de-commercialising’ -- a corollary to the replacement of ‘inducement’ with ‘coercion’ in the state management of the economy. With the state imposing a swingeing revenue demand and even lay claiming (via its bizarre theory of Oriental despotism) to ownership of all the land, the long-standing market in land-rights in the best irrigated tracts virtually collapsed -- or was overcome by systems of extortion in which those Indian bureaucrats with influence over revenue assessment rates expropriated large estates.[50] In the period of ‘hiatus’ between the collapse of the ‘old’ mercantile economy and the rise of the ‘new’ colonial one, specie became in short supply and the economy, between the late 1820s and the early 1850s, passed into a prolonged price depression. Part of the cause of this was, certainly, the loss of overseas textile markets to the products of the British Industrial Revolution – and thus the constriction of inflows of specie, which India itself did not produce. But the domestic causes were no less strong: as the EICC dismantled the armies and courts of its erstwhile rivals and thus reduced potential sources of demand and consumption. Instead, a large part of the revenues sucked up by the state were spent elsewhere – or even exported as cash (particularly to China). ‘Madras’ became the proverbial ‘milch-cow’ of the colonial Indian state system – obliged to pass a huge revenue to Calcutta to pay for the folly of the Bengal Permanent Settlement.[51] Some of these revenues (and, no doubt, many

---

[49] Mizushima, *Nattar.*

[50] Kumar, *Colonialism*; Bandopadhyay, *Agarian Economy*; D.A. Washbrook, ‘The Transition to Colonial Rule in South India, 1770-1840’, *Modern Asian Studies*, forthcoming.

[51] During most of the 19th century, Madras had the highest level of per acre land revenue assessment and kept the smallest share of it for local expenses of any Indian province.

of the profits earned in the residual trades) found their way directly back to Britain. However, most were probably expended in north India on maintaining, first, the Bengal and, then, the Punjab armies – by which the British Empire put so much stead. Only a small part was actually expended in the South itself – to provide a circuit between production and consumption. Agricultural expansion in this period, which ran ahead even of population increase, was very much driven by subsistence need (as displaced artisans and service personnel sought alternative livelihoods) rather than by potential profit.

These conditions changed only partially after the 1850s, where ‘Madras’ still paid for grander imperial adventures taking place elsewhere and received little (at least by way of direct demand or investment) in return. However, in one way it did begin to benefit from those adventures. The ‘opening out’ of south-east Asia under British imperial power started to offer opportunities for the deployment of capital and labour in ways which were denied back home. By the 1920s, at least 2 million south-easterners were working in the neighbouring Asian economies and one group among them, the Nattukkottai Chetty bankers of Ramnad, were on their way to making an improbable fortune in Burma.[52] But the price ‘back home’ was a kind of economic stultification. While markets for cash crops, such as cotton and groundnut, did pick up and, for a while, even Kaveri rice recovered its place in Sri Lankan diets, the relative volume of agricultural commerce may actually have been lower at the end of the nineteenth century than at the end of the eighteenth. This followed from the shift in the balance of the workforce towards the land -- involving a higher proportion of the population in the self-production of its own food. Also, while no doubt elite groups bought greater quantities of western textiles, the dependence of humbler folk in the countryside on weavers in and around their own villages -- rather than on those in the denser commercial textile concentrations of the 18th centuries – suggests that, proportionately, the 'market' for clothing may not have been much greater in 1900 than it was in 1700.

Between the 1850s and the First World War, the south-east's agrarian economy undoubtedly saw some prosperity and, at least in the interior, even some 'development'. But it was, overwhelmingly, an agrarian economy – with few alternative forms of employment, at least at home. And its late nineteenth-century growth needs to be seen more as a 'recovery' from the dark depression of the 1830s-1850s rather than as something wholly new. It is not only the difficulties for quantification created by structural differences, which make it hard to say -- unequivocally -- that economic conditions were 'better' or had 'improved' between 1700 and 1900.

Speculating alternatives

In many ways, then, the south-east followed what could be seen as a general economic model of Indian colonialism: a diverse and highly commercialised, but very unstable, pre-modern economy gave way to one which was much more heavily based in agriculture but was also more stable. It also, perhaps more than anywhere else, featured a particular characteristic of colonialism in India. The British Empire of the 19th century was not primarily interested in the country for reasons of direct economic exploitation – as evidenced by the extraordinarily small quantity of capital exported to it for anything other than infrastructure. While the colonial state certainly protected British business interests, they were few in number, and while it fostered trade, it was not until the years leading up to the First World War that Indian trade could be described as strategically critical to the British economy. Rather, the Empire's primary

---

[52] Baker, *Rural Economy.*

interest in India was in the support which it provided for global military operations – and in the revenues necessary to sustaining them. 'Madras' paid an especially heavy price for this – and its 'colonial' capitalism may have been especially 'un-dynamic' as a result.[53] Although following the same basic pattern, this capitalism was certainly more dynamic in Bengal (where it at least threw up a colonial export industry in jute) and in Punjab (where the resources locally expended on the army generated a significant economic transformation). By comparison, Madras' colonial economic history was peculiarly dull.

But could it have been otherwise ? As we have already seen with regard to the pre-colonial states of Mysore and Travancore, historians have not been slow to speculate about counter-factual alternatives, about what might have happened in India had European dominance not been established. But, as suggested previously too, this particular counter-factual may be somewhat fanciful. European global dominance was already establishing itself by the 18th century -- on the back of the Atlantic Revolution, if not the long concession by Indian Ocean powers of control of their seas. Also, if the power of Europe is taken to have rested not merely on military and naval force, but also on technological innovation, it has to be said that there is very little in India of the 17th and 18th centuries to suggest it as an alternative centre of global technological transformation. Indian industry and agriculture were doubtless extraordinarily inventive with regard to satisfying their own needs. But those needs rarely involved displacing labour power with capital or having recourse to fossil fuels.

Rather, perhaps, it might be asked whether -- in the context of a European-dominated global economy -- it was inevitable that south-east

---

[53] In Madras, there were only two colonial 'agency houses' of any consequences -- Binny's and Parry's. Their economic successes were rather fewer than their failures although Binny's did build one textile factory in Madras city and Parry's eventually made money in the sugar/alcohol trade. See Baker, *Rural Economy.*

India should have had quite the ‘dull’ economic history which it did: in effect, whether, had it escaped ‘formal’ colonialism and sustained greater control over its own state system, it might not have done rather better out of the world economy of the 19th century. Here, two features may be worth further investigation. First, while it cannot be deemed surprising that the handloom textile industry should have declined before the might of Manchester’s industry (as it did world-wide), it can be asked why it should have taken so long – effectively, until the 1880s[54] – for the first glimmering of reactive and competitive ‘re-industralisation’ to appear. The long hiatus between the ‘old’ and ‘new’ economies of South India made the region carry a heavy burden for decades afterwards.

In this case, it is hard not to hold certain aspects of the colonial regime directly responsible. On the one hand, given the legal prohibition on the export of British textile machinery until as late as 1846, it may have been peculiarly difficult to ‘pirate’ this technology within the territories of the British Empire rather than outside. The US and European textile industries got hold of it considerably ahead of other parts of the British Empire in circumstances where enforcing the ban was politically impossible. But second, and even more importantly, at the critical point when an Indian textile industry might first have ‘reacted’ positively, the general Indian economy was plunged into a deep depression, whose length was sustained for more than twenty years by self-serving colonial fiscal policies. The constriction of domestic demand caused by the transfer of local revenues and the elimination of local sources of consumption was at least as important in sustaining the depression as the initial shock of the British Industrial Revolution. Deep and long-lasting depressions hardly provide environments conducive to investments in ‘revolutionary’ technologies -- even if those technologies can be legally adopted in the first place.

[54] Binny’s mill opened in 1880.

The second area where the ‘formal’ colonial factor also may be seen to have intruded concerns the failure to convert the (albeit small) agricultural surpluses of the 1860-1914 period into the bases of a more progressive economic transformation. Here, the problem was only in part the protection of established colonial business interests. Rather, it came from a misdirection, as well as paucity, of colonial development investment. As noted earlier, funds were principally directed towards extending paddy cultivation in the river valleys rather than towards the cotton and groundnut economies emerging in the interior. This can be seen to have reflected not only ‘traditionalist’ thinking about the centrality of paddy to the Southern economy, but also the need for short-term cash returns. Paddy cultivation yielded the quickest and most secure cash returns to investment -- even if its wider market potential and backward linkages with the rest of the economy were very limited. The constant revenue needs of the colonial state -- to pay for the army – dominated developmental decision-making at the expense of more adventurous strategies of development. Moreover, given the damage done to the nexus between Indian commercial capital and the state during the first half of the nineteenth century, it was difficult to mobilise Indian capital on any large scale to take up the slack. In 1930, the members of the Banking Inquiry Commission asked a leading Nattukkottai Chetty banker why was it that his community was prepared to invest heavily in economic development in Burma, Malaya and even Sri Lanka – but not in South India, itself. His answer was simply to point to the very different economic policies and politico-legal structures between the different cases – where, in Madras, Indian capital was at far greater risk of interference from, and penalisation by, the state than elsewhere.[55]

It is hard to think that a more ‘indigenously’ based state, even in a broader context of western global capitalism, might not have promoted a

[55] Washbrook, *Emergence.*

more positive response to the buoyant world trade conditions of the later nineteenth century. Indeed, the princely state of Mysore, adjacent to Madras, actually did -- *inter alia*, reviving the southern iron industry by the twentieth century. The colonial factor in south-east India's economic history, then, was highly significant. But whether this factor can be taken as generic to colonialism *per se*, or as distinctive to a particular Indian form of it, can still be asked. As indicated by the Nattukkottai Chetty banker's answer, colonial rule far from inhibited the economic development of south-east Asia. Rather, perhaps, it was the militaristic purpose and orientation of colonial economic policy in India, which was decisive. The colonial state's ambitions reached little beyond maintaining the revenue flows necessary to supporting the army (which immediately consumed more than half of them) and sustaining a 'cheap' political stability, which enabled that army to be used for its principal task of protecting the entire imperial system east of Suez. It was inimical to anything that jeopardised those two aims and had few resources spare to consider any others. In the end, the Indian economy -- and, most clearly, the south-east -- paid the price of maintaining 'British' global supremacy across the 19th century: thereby providing 'global' history with one of its deepest ironies. For, it can also be asked, had Indian military power and economic resources not been absorbed into the British imperial system at the beginning of the 19th century, what kind of political infrastructure might then have supported the expansion of 'British-dominated' global commerce in Asia over the course of the next hundred years: would the British tax payer have paid for it and, if so, with what consequences for the domestic British economy ?