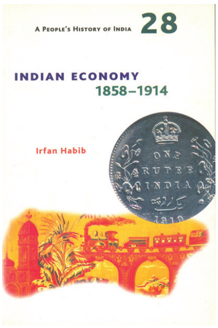
REVIEW ARTICLES

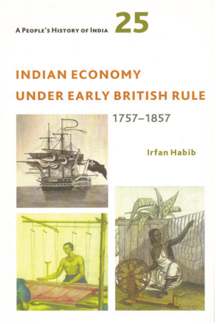
On Colonialism and the Indian Economy

Amiya Kumar Bagchi*

Habib, Irfan (2006), *A People's History of India: Indian Economy 1858-1914*, vol. 28, Aligarh Historians Society and Tulika Books, New Delhi.



Habib, Irfan (2013), *A People's History of India: Indian Economy Under Early British Rule 1757-1857*, vol. 25, Aligarh Historians Society and Tulika Books, New Delhi.



Professor Irfan Habib is by far the greatest economic and social historian of India. The range of his scholarship and the commitment with which he has pursued his objective of writing a People's History of India rather than the history of the ruling class as conceived by the members of that class make other scholars despair of being able to emulate him in any dimension. It is thus with a great deal of trepidation that I write this review.

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I begin this exercise not in the chronological order of history but with features of the history of British colonialism on which I have done some work. Volume 25 opens with an analysis of the economy of pre-British India. Two features of property rights in land are signposted in the analysis. First, peasants possessed varying degrees of rights in land and there were differences in the rights of old village inhabitants and new inhabitants. Thus the myth of Oriental Despotism, according to which the king or sultan owned all the land, and nobody else had any rights on the land, is exploded. On the other hand, India was perhaps unique in creating a substantial landless proletariat out of the lowest castes or menials long before the advent of capitalism's degrading distinction, a feature of India's history that Habib had emphasised in his magisterial book, *The Agrarian System of Mughal India, 1556-1707*.[1]

In this volume, Habib emphasises the drain of wealth from India, especially Bengal, that went to increase the investible capital of the British ruling class. Although India was an agrarian economy in the early eighteenth century, in the sense that the major portion of its gross domestic product and employment originated in agriculture, it was no more agrarian than most European economies of the time. As Colin Simmons (1985, p. 600), using estimates made by Paul Bairoch, demonstrated, even around 1750, India accounted for about a quarter (24.5 per cent) of the manufactures of the world, and China for another third (32.5 per cent) of the manufactures of the world. Developed countries at that time accounted only for 27 per cent of global manufactures. British publicists such as Daniel Defoe regularly described Britain in the early eighteenth century as a trading, manufacturing economy. In that sense, India was also a trading, manufacturing economy.

As Joseph Inikori (2002) has argued in his *Africans and the Industrial Revolution: A Study in International Trade and Economic Development*, the British industrial revolution was largely a matter of substituting Indian cotton textiles for British products. There is a theoretical point here that has not been grasped even by keen students of capitalism. Many of them regard it as mainly a matter of internal social and political change. While it is true that capitalist development cannot take place unless a capitalist class that pursues profit-making as its principal goal gets hold of the state apparatus, capitalism was, by its very nature, a colonising system from the very beginning. For all is fair in trade and war, and one capitalist power must either succeed in winning against another capitalist power and surviving or risk being colonised by another power. This is best demonstrated by the history of the ceaseless warfare conducted by the capitalist city states of Northern Italy, and the way they had to capitulate when much bigger capitalist states such as Britain and France appeared on the scene.

British colonialism in India was not an afterthought, but a result of the expansionary and ruthlessly competitive nature of the capitalist order. Professor Habib surveys

[1] Curiously enough, *The Agrarian System of Mughal India* is not included in the bibliography of this book.

the debate on the origins of British colonialism in India and severely criticises Chris Bayly's thesis of the "indigenous origins" of British colonialism. Contrary to the claim of Subramanian (1996) that there was no Anglo-Bania order in Surat in the 1750s, it was a coercive order in which the British held the military and naval upper hand (Torri 1982, 1991).

Habib not only scrupulously covers the views of the scholars he criticises but also reproduces representative extracts from contemporary sources. For example, he carefully calculates the profits made by venal officers after the battle of Plassey from Mir Jaffar, the treacherous general of Sirajuddaula they put on the throne (*masnad*) of Bengal and Bihar after murdering Sirajuddaula, and from Mir Kasim, Mir Jaffar's son-in-law, whom the British also hoped to turn into a puppet. When Mir Kasim proved refractory, they defeated and killed him in the battle of Buxar. Habib refers to the evidence of William Bolts, a servant of the East India Company, to document the venality and corruption among the Company's top officials. He also quotes Bolts on the effect that the monopoly of salt and other necessities organised by Clive and his associates had on the welfare of ordinary Indians under their rule. He gives an extract from Sayyid Ghulām Husain Khān Tabātabāī's classic work, *Siyaru'l Mutākhirīn, vol. II,* which pinpointed all the reasons for the ruin of Indian craft under British rule. It is an index of the depth and thoroughness of Habib's scholarship that, unsatisfied with the authenticity of the available translations of *Siyaru'l Mutākhirīn*, *vol. II,* he gives his own translation of the relevant passage. Sayera Habib and Utsa Patnaik made pioneering contributions to the analysis of the drain of wealth from India during the eighteenth century. On the basis of Colebrooke and Lambert's treatise on the husbandry and trade of Bengal around 1795, I had calculated that the British took away more than 7 per cent of the gross material product of Bengal in that year. British industrialisation was effected with a gross saving of England's GDP of a similar percentage. Cuenca Esteban estimates the drain to be even larger than Utsa Patnaik and I had estimated. So apart from the disastrous micro-social effects of British rule, the sheer size of the drain led to the all-round immiserisation of the people of Bengal and Bihar. A classic analysis of the micro-social effects of British rule is provided by Edmund Burke's *Ninth Report on the Affairs of the East India Company*, submitted to the House of Commons in June 1783. Burke was an Irish national and knew the ill-effects of England's rule on its Irish colony. He pointed out not only the ruin of the artisans but also of Indian merchants who were deprived of their legitimate share of trade in their own country. The distortion of the class structure that took place had long-lasting effects on the economy and society of India.

Habib reproduces a passage from Francis Buchanan, *A Journey from Madras through the Countries of Mysore, Canara, and Malabar, Performed Under the Orders of the Marquess of Wellesley,* which praises the wisdom of Haidar Ali who abolished tax farming and paid officials regular salaries, and records that "his memory is greatly respected by natives of all descriptions." Habib goes on to show that Tipu Sultan in his instructions to his ambassador to Turkey and would-be ambassador to France (which he could not get to) not only asked for numbers of French, German, and English muskets but also wanted to import ironsmiths and coal in order to set up the capacity for manufacturing those muskets in his sultanate. Francis Buchanan also recorded that Tipu had succeeded in manufacturing "broad-cloth, paper drawn on wires, like the European kind, watches and cutlery." He was also hoping to import a printer from France to have books printed in his territory. Indeed, according to the late Siddhartha (Amitabha) Ghosh, the so-called Northrop rocket was invented by Tipu's engineers and the English stole the technology without acknowledging their debt. Tipu also freed socially oppressed serfs whenever he conquered a territory. Although to them it is often claimed that the British abolished slavery in India in 1843 (Professor Habib also makes such a claim), they did not do so. All they did was to cease the legal recognition of slavery, that is, if a slave went to court and said that he wanted his freedom, the court would grant the plea. Which of the numerous agrestic serfs in Southern India or Bihar would have had that kind of access to British courts (Sarkar 1985, Lovejoy and Hogendorn 1993)? Moreover, the British kept the Masters and Servants Act under which employees could be criminally prosecuted for breach of contract in the colonies, alive long after it had ceased to be operative in Britain (Hay and Craven 2004). The British also passed new laws criminalising breach of contract by plantation labour, giving the European planters the power of magistrates over that labour ("I am the judge and the jury," as in *Alice in Wonderland*) (Guha 1977).

Tipu Sultan gave peasants incentives to raise more profitable crops and manufacture more profitable products by processing them. Thus, long before Muhammad Ali of Egypt and on a firmer foundation, Tipu, alone among Indian rulers, was to create a modern economy along the lines of Europe's absolutist monarchs. But Tipu was finally defeated and killed in the battle of Srirangapatnam in 1799. Violence, English diplomacy (which isolated Tipu), and superior weaponry enabled the English to get rid of the most formidable ruler they had encountered in their quest for paramountcy in India. The Governor General's palace in Calcutta was built to celebrate that victory.

In the third and final chapter of the book, Habib discusses the process of de-industrialisation of India, and the destruction of peasant rights in the North-Western Provinces (that, is, the western part of the present Uttar Pradesh) and Bengal, in spite of the recognition by officials such as Holt Mackenzie that those rights preceded British rule. But the requirement of paying a tribute trumped all other considerations. This was recognized by Anthony Lambert in 1795 and again by John Crawfurd, another British merchant, as late as 1837. Ranajit Guha's much-quoted book, *A Rule of Property for Bengal*, is highly misleading because its argument is constructed as if the tenets of political economy in the 1770s determined British policy. The late Eric Stokes also recognized this compulsion in his later writings. Following Samir Amin, I had argued that the history of British colonialism in India was akin to an International Monetary Fund-style structural adjustment — though lasting nearly two hundred years — whose sole purpose was to squeeze the economy as much as was possible in order to extract the service charges — in this case, the services of the imperial administrative and military establishment. What is also forgotten is that the tribute had to be paid not once in the year but with every *kist* or payment of revenue, and, after the coming of the telegraph, every month. Habib refers approvingly to the Gallagher-Robinson coinage of the phrase, "the imperialism of free trade," a free trade right that had to be defended with guns.

As I have argued above, gunboat-enforced trade was coeval with capitalism. A much more interesting formulation of the imperialism of free trade — a formulation that sits well with the self-enforcement of modern neoliberal policies by subordinate states under global capitalism — had been made by Josiah Tucker in the 1750s and put together in 1774 (Tucker 1758, 1774, and Bagchi 1994, 1996). The rationale has been summarised in Bagchi (2014):

> In Tucker's view, Hume's essays on money and the balance of trade (Hume 1764) were being read as implying that a rich country, through free trade, would necessarily be brought down to the same level of income as a poor country. This reading suggested that, when a rich country trades with a poorer country, it will gain gold or silver (virtually the only international currencies of the time) for the goods it sells to the poorer. The access to that bullion, coined or uncoined, would raise prices all round in the richer country and eventually make its exports uncompetitive, so that bullion will flow out of the richer country until the prices and, by implication, incomes were equalized in the two countries. Tucker countered this view by working out the rationale of cumulative causation keeping the richer country ahead (Bagchi 1994, pp. 84-9). According to him, the richer country would be able to stay ahead of the poorer because (a) the richer country, with better implements, infrastructure, a more extended trading network and more productive agriculture would be more productive overall; (b) it would be able to spend more on further improvements; and (c) the larger markets of the richer country would provide scope for greater division of labour and greater variety of products. Tucker also pointed to the advantages a richer country would enjoy in terms of human resources and generation of knowledge: (a) it would attract the abler and more knowledgeable people because of higher incomes and opportunities; (b) it would be better endowed with information and capacity for producing new knowledge; and (c) a greater degree of competitiveness in the richer country would make products cheaper. Finally, the larger capital resources of the richer country would lower interest rates and investable funds cheaper.

With this reasoning, he suggested that the maintenance of armed garrisons in factories abroad, as was the practice of all European powers, was a bad way of conducting peaceful trade (Bagchi 1994, pp. 87-8). But, of course, capitalist competition abroad for markets and resources was anything but peaceful. Tucker also recognized that for countries trying to catch up with the leaders in manufacturing, the infant industries "ought to be reared and nurtured…by public encouragements and national premiums." However, "after a reasonable course of years, attempts ought to be made to wean this commercial child by gentle degrees…" (Tucker 1758, cited in Bagchi, 1994, p. 86).

Unfortunately, the self-enforcement by subordinate capitalist states of the neoliberal policies have also led to the creation of large armies and military forces by those states. The main function of these forces is not so much to defend the state against external aggression – although in the neoliberal era, the number of wars has increased enormously – as it is to suppress the resistance of the ordinary people against neoliberal policies.

Volume 28 of *A People's History of India* covers the state of the Indian economy from 1858 to 1914. The book is divided into four chapters, "The Economy as a Whole: Population, National Income, Prices," "Colonialism and the Indian Economy," "Agriculture," and "Industry, Trade, Finance." Habib, with his usual breadth of scholarship and catholicity, refers to practically all the printed books and articles covering the period. He even refers to Tirthankar Roy's *Economic History of India 1857-1947*, a very large part of which is based on assertions that are demonstrably false and which ignores earlier work that has already stated what the author thinks is new.

In estimating population growth, Habib relies mainly on Kingsley Davis's work. I myself would have preferred Leela and Praveen Visaria's much more disaggregated estimates of population in the *The Cambridge Economic History of India*, *vol. 2*, to which Habib refers but does not use. He rightly criticises both F. J. Atkinson, Accountant General of British India, who tried to reply to William Digby and Dadabhai Naoroji's allegation that India had become impoverished under British rule by attempting to show that agricultural productivity and per capita income had increased over the period 1875-1895, and Alan Heston's estimates in *The Cambridge Economic History of India*, *vol. 2*, which claimed that per capita income had increased by 0.62 per cent per year between 1868 and 1920. He achieved this feat by assigning even lower figures than Atkinson to the initial years. In Table 1.6, Habib produces a national income series by linking Atkinson's estimates for 1875 to those of Sivasubramonian (2000) for the period up to 1820-1. I would not accept Atkinson's estimate of an increase in per capita income from Rs 30.5 in 1875 to Rs 41.7 in 1895 (in 1875 prices) because Atkinson assumed without any evidence that agricultural productivity had increased all round over the period. This was the period that witnessed the devastating famine of 1876, which affected most of southern and western India, as well as famines in Punjab and elsewhere (officially designated as "scarcity"). As Saith (1992) has demonstrated, many of the official claims about increases in productivity per acre cannot stand careful scrutiny.

In Extract 1.2, Habib reproduces a passage from a report by the Collector of Mathura, connected with the Dufferin inquiry into the condition of the "lower classes" of the United Provinces and estimates the income of a typical villager to be Rs 11.40, only a third of the per capita income estimated by Atkinson. He asks, "whose per capita income was Atkinson talking about?" Indeed, even if we take Atkinson's income at face value, it should be noted that it was greatly raised by the very high incomes of British officials and big zamindars in all the permanent and taluqdari settlement areas.

In Table 1.9, we are given indices of five-yearly averages of general prices for the period 1857-1910. There is a serious methodological problem, of which I am sure Professor Habib is aware, in accepting such an index as conveying the cost of living of different classes of Indians, especially in a period that was characterised by huge famines. During a famine, the price level spiked in many regions, with practically no limit. This was especially true in British India, where the government followed a hands-off policy in markets for foodgrains and allowed them to be exported from the country even at the height of a famine. The exception of George Campbell's famine relief policy during the Bengal famine of 1873-4 was taken as a cautionary tale by all British officials after that — the policy was to be eschewed at any cost, however many lives were involved: budgetary surpluses were more important. Moreover, in times of shortage, the poor generally had to pay much higher prices than the rich (I find it curious that Habib does not refer to or make use of K. L. Datta's thorough inquiry (Datta 1914) into the causes of price rise in the early twentieth century).

Chapter 2 has the heading, "Colonialism and the Indian Economy." It is divided into three sections, "The Tribute or Drain," "The Imperialism of Free Trade," and "The Railways." Habib decomposes various components of the tribute or the drain. He also looks at the different ways the transfer of the tribute was effected. He notes that the surplus of exports over imports does not always convey the true magnitude of the drain. If, for example, there was heavy import of British capital for financing the import of railway or irrigation equipment, the conventionally measured export surplus would be smaller. Habib notes that there was an exceptional import surplus in the year 1859-60, primarily because of the cost of suppressing India's first war of independence (misleadingly called the "Sepoy Rebellion"). There is, however, more to it than that. The British imposed on India what has been called the cost of "self-ransoming" and the interest on the Government of India debt was entirely borne by the exchequer of the British Indian Government.

The size of the drain has been underestimated in most earlier estimates, because the exports from India were on a free-on-board basis, whereas the cost, insurance, and freight value of the exports to Britain was much larger. In other words, the profits made by British business houses with head offices in Britain and by the shippers who earned monopoly profits because of their control of most parts of overseas trade before World War I, have not been taken into account. Utilising some estimates by Debdas Banerjee (1990) and accumulating the export surpluses at 4 per cent compound rate of interest, I had arrived at a total amount extracted from India and Burma (the latter was then part of British India) from 1871 to 1916 as being between £3,199 million and £3,799 million (Bagchi 2006, Table 17.2). Given that the estimated total of British foreign investment world-wide was then £4000 million, the Indian plunder alone would have accounted for more than three-quarters of that investment (Britain was, before World War I, by far the largest foreign investor globally).

With regard to the railways, Habib gives a detailed analysis of the mode of construction, their rate of expansion, and their effects on the Indian economy. Although it would have been possible to build all railway equipment in India, neither the British government, nor the British-controlled railway companies encouraged this. Thus Karl Marx's hope that railway-building would encourage India's industrialisation never materialized (see Extract 4.2 in this volume). Habib underscores the fact that while the railways speeded up transport, they led to large-scale unemployment of India's long-distance transporters, namely, the Banjaras.

On page 41 we read,

> By enabling goods of bulk to move more cheaply, the railways had a levelling effect on prices: for example, the price of wheat would now fall in areas outside the main wheat-producing tracts . . . wheat availability there would become less when the railways moved supplies away from it to other parts.

On the same page we read again:

> The railways helped to relieve temporary food shortages in particular areas, but, in respect of large-scale failure of crops, the railways tended to spread the rise of prices over a larger territory and so to extend the area of a famine while lowering its intensity.

I believe that both these statements need some qualification. Habib notes on page 40 that the area theoretically served by the railways was 50 per cent of the land surface of India and that that percentage rose to 75 per cent by 1914. But he notes that "the area effectively served might have been much smaller." The key to my observation lies in the latter statement. Indian railways connected primarily the areas producing exportable crops to the major ports of British India, leaving the vast hinterland of the country unconnected by the railways. To take an example at random, until the last decades of the twentieth century it was not possible to travel by rail from Delhi to Bhubaneswar or Cuttack without passing through Calcutta. Moreover, railway freight rates were lower for long-distance carriage to the ports than for carriage of goods between stations inland (S. C. Ghose 1918).

Many modern economic historians argue that railways helped prices converge in British India (Hurd 1975 and McAlpin 1983). Ghosh (1949) and Rao (1999) have shown that there was very little price convergence of foodgrains as between the inland regions of India. In fact, Connell (1885) contended that by sucking away local supplies of subsistence crops, railways tended to aggravate the intensity of famines. Later research (Ghose 1982) has shown that a larger output of foodgrain in a state of independent India creates better entitlements to food via the route of more employment for rural labour. When historians such as Hurd (1975) contend that railways in British India led to market expansion, they completely ignore the endemic failure of effective demand in a colonial economy.

The chapter on agriculture discusses peasant agriculture, the commercialisation of agriculture, agrarian classes, rural indebtedness, plantations, and famines. Habib discusses the incidence of famines and some of their causes, the predominance of landlordism and its emergence even in *ryotwari* areas. Using B. B. Chaudhuri's work, in Table 3.3 he gives the value of land prices as multiples of annual land revenue over the period 1874-94. Interestingly enough, these multiples were generally far higher for Bihar zamindaris than for their Bengal counterparts. Habib thinks that this is because in Bengal sub-infeudation was far higher than in Bihar. I do not think that this explanation is correct. The degree of sub-infeudation in central Bihar districts was very high. For example, in Gaya,

> In 1870-1, the total demand of land revenue was Rs 13,80,320, payable by 4,411 estates owned by 20,453 proprietors. In 1881-2 the current demand had risen to Rs 14,36,900 payable by 5,614 estates and 59,172 proprietors, and in 1900-1 to Rs 14,80,700 due from 7,514 estates owned by 72,404 proprietors. The average payment from each estate has thus fallen during the three decades ending in that year from Rs 313 to Rs 256 and to Rs 197, and the payment from each proprietor from Rs 67-8 to Rs 24-4 and finally to Rs 20-8 (O'Malley 1906, p 177, cited in Bagchi [1975] 2010, p. 123).

In North Monghyr, the smallest recorded subdivision was 1/39680,000,000, according to an estimate in Bagchi ([1975] 2010, p. 124) on the basis of the data given in O'Malley (1909, p. 159).

I think that the explanation has to be sought in the much bigger sizes of the big Bihar zamindaris than the Bengal ones, the far greater impact of de-industrialisation in Gangetic Bihar and the far higher degree of caste oppression in Bihar than in Bengal. Many of the members of upper castes such as Bhumihars and Rajputs belonged to landlord lineages that would rather live in poverty as the owners of tiny estates than soil their hands with rural labour (some of them would work at menial jobs in Calcutta or Bombay but would not be seen doing so in their villages). For example, the Maharaja of Darbhanga was the richest zamindar in India, and there were some others who were also very rich. Members of their lineages could not hope to get a share of those zamindaris and had to rest content with carving up smaller estates. Secondly, the Bengali artisan or peasant could go and settle in the expanding delta of the Brahmaputra and Meghna, while the Bhagirathi delta was moribund. By the same route, the oppressed, labouring castes could escape caste oppression by converting to Islam. Some settled in the delta or went off to Assam to reclaim swamps and settle there. Moreover, Bengal had no generationally transmitted system of bondage comparable to that of Bihar, although the incidence of debt bondage greatly increased under the Permanent Settlement. These intricacies of history need further investigation.

In his bibliographic references, Habib mentions the work of Neil Charlesworth and Michelle McAlpin. Charlesworth had claimed that a dynamic capitalism had developed in the Bombay Presidency, including its countryside, in the nineteenth century under British rule. This claim has decisively been refuted by Mishra (1985). *The Cambridge Economic History of India*, *vol. 2*, contains a number of unscholarly articles which deny the fact of de-industrialisation, skate over the frequency and disastrousness of famines, and ignore all work by other authors. McAlpin's article in *The Cambridge Economic History of India*, *vol. 2*, is probably the worst among this genre of work. Not only does she claim the convergence of prices that has been shown to be false by the works of scholars such as Ghosh (1949) and Rao (1999), she makes atrocious mistakes in terms of basic economic analysis (for a thorough critique of the paper, see Ghosh 1984). Only one example quoted by Ghosh (1984), as it occurs on page 857 of Kumar and Desai (1983), in which McAlpin uses agricultural prices as a surrogate for agricultural output, will suffice. I have yet to come across this kind of travesty of elementary economic analysis in a "respectable" publication.

Habib divides the fourth chapter, titled "Industry, Trade, Finance" into four sections, "De-industrialisation: The Emergence of Modern Industry," "Capital Supply and Ownership," "Conditions of the Industrial Working Class," and "Industry and Trade." That very structure indicates the thoroughness of his investigation. I will only take up some issues where I can supplement his analysis. In the section on de-industrialisation, Habib shows that many traditional Indian industries suffered not just because of the "one-way free trade" (a classic coinage by R. P. Dutt) policy imposed on India, but also because of the arbitrary withdrawal of government custom (he cites the example of hand-made Indian paper). He gives a detailed account of the decline of the most important industries, especially cotton, from the second quarter of the nineteenth century. In his much cited work, Daniel Thorner did not deny that de-industrialisation had taken place in India, but he claimed that it had ceased by the end of the 1870s. J. Krishnamurty (1983), in his contribution to *The Cambridge Economic History of India*, *vol. 2*, denied the fact of de-industrialisation in Gangetic Bihar altogether, although his own data indicated that the share of industry had continued to decline down to the third decade of the twentieth century. In a later paper (Krishnamurty 1985), Krishnamurty admitted that qualitative evidence proved that Gangetic Bihar had suffered de-industrialisation. In a more recent paper Clingingsmith and Williamson (2004) admitted the fact of de-industrialisation in India but concluded, without providing any evidence, that it had ceased by 1860 and that displaced labour had found employment in agriculture. This is yet another example of the way that the discipline of economics has suffered under the neoliberal regime.

The three Presidencies differed greatly in respect of the supply of capital and entrepreneurship. Before the conquest of Bengal by the British, there was a large merchant class engaged in inland trade, banking, and shipping. The house of Jagat Seth, banker to the Nawabs, was a Marwari family settled near Murshidabad. There were other bankers who engaged in the transfer of funds across India, with Benares serving as a clearing node. Shipping was largely in the hands of Gujarati merchants. Bengali merchants seemed to have concentrated on the supply of, and trade in, cotton and silk textiles. After the British conquest, most of these avenues were closed to Indians. Even Dwarakanath Tagore, the most entrepreneurial figure of his time, could save some part of his fortune by investing in zamindari estates and creating religious trusts. Moreover, the Dayabhaga law, which governed the succession of Hindus, gave the head (*karta*) of the family absolute control, and allowed creditors to foreclose the whole property. A series of business crashes starting around 1829 finished off most big Bengali business families.

Among the three Presidencies, Indian businessmen survived best in Bombay. Several reasons lay behind this development. Bombay was the last Presidency to be conquered by the British. By then Indian businessmen had found a *modus vivendi* with respect to collaboration with the British. Secondly, Bombay businessmen never lost touch with sea-borne trade and were able to continue trade with West Asia and Eastern Africa. Thirdly, Indian businessmen also found a sanctuary among the principalities of the native kingdoms such as Baroda and Gwalior. Finally, the Mitakshara law (a modified version of which also governed succession among the Parsis) helped protect property against creditors since all the members of a joint family were coparceners under that law and the eldest adult male could not pledge any part belonging to the coparceners to repay his own debt. Several Parsi and Bohra families became textile magnates.

In Madras too, Indian businessmen did badly at first. But from about the last decade of the nineteenth century several factors helped enrich the Indian businessmen and turn them into bankers and industrialists (Tyabji 1995). Again, there were complex reasons for this. For a start, the Bank of Madras, the smallest of the government-backed banks, did not have an extensive field for investing its funds, and was willing to finance Indian businesses such as rice mills in the Godavari delta, oil mills, and the apex cooperative bank formed at the initiative of the government. The failure in 1906 of Arbuthnot & Co., the biggest managing agency in Madras Presidency, created an opportunity for Indian businessmen to acquire failed British firms, and led directly to the birth of the South Indian Bank. The promotional role played in the period up to 1910 by the Department of Industries of the Madras Government under the leadership of Alfred Chatterton also played a part in facilitating Indian enterprise. The long coastline of the Madras Presidency permitted Indians to become owners of boats and steamers. The conquest of Burma by the British created a new opportunity for money-lending to the peasants by the Chettiars of the Ramanathapuram region. Finally, in one of the cunning twists of history, the *ryotwari* system, which had proved so exploitative until the 1870s, permitted rich expansion in the cultivation of cash crops such as Tinnevelly cotton and groundnut, and, consequently, of rich farmers, such as the Gounders of Coimbatore. Some of them moved into the production of cotton textiles, and, later, into the production of textile machinery (Tyabji 1995).

I have shown how thoroughly, with minute attention to every detail of the colonial economy, Professor Habib has covered the performance of the impoverished, structurally adjusted British Indian economy. These two books should be part of the essential reading list for every student of India's history, and not just of its economic history.

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