REVIEW ARTICLE

The Intellectual Legacy of an Early Development Economist

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Parakunnel Joseph Thomas (1895-1965), a pioneering economist of the first half of the 20th century, wrote with depth and authority on a large and diverse range of issues – from mercantilism to the causes for agrarian distress in colonial India. These are areas of study that, interestingly enough, continue to engage present-day economists.

After being awarded a doctorate from Oxford University in 1924, Thomas first taught in Colombo and then became Professor of Economics at the University of Madras. His public life started in 1937 when he became a Member of the Madras Legislative Council, a position he held till 1942 when he became Adviser, Department of Finance, Government of India (GoI). He held this post till 1948. As India's representative, Thomas signed the Bretton Woods Agreement that founded the International Monetary Fund and the World Bank. He was also a member of the Indian delegation that signed the United Nations Charter in 1945 (Thomas 2019).

This review of the academic contributions of P. J. Thomas is based primarily on two books, the first, "*Mercantilism and East India Trade*," by P. J. Thomas himself on British mercantilist policies (Thomas 1926), and the second, "*Collected Scientific Papers of Pioneering Economist and Planner P. J. Thomas*," a more recent collection of his later writings, edited by E. M. Thomas (Thomas 2021). In the first part of this review, I evaluate Thomas's contribution to economic history. The second and third parts review his work as a development economist, followed by his writings and contributions to our understanding of the problems of Indian agriculture and the peasantry.

Mercantilism, the East India Company and the Trade in Indian Textiles

Thomas was a pioneer in his treatment of mercantilist policies pursued by England. His *Mercantilism and East India Trade* came out in 1926, well before Viner's *Studies in the*

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Theory of International Trade, which appeared only in 1937 (Viner 1937). It also presaged Heckscher's magisterial two-volume survey of mercantilism across Europe, followed by a short paper. These were published in 1935 and 1936 (Heckscher 1935, 1936).

Thomas (1926a) connected mercantilism with the rise of English nationalism and the construction of the English state, viewing it primarily within the domain of interests of the upper middle class, namely, the bourgeoisie. Thomas recognised that mercantilism was a set of shifting policies designed to augment national economic power. He analysed the acrimonious debate on East India trade. The value of commodities imported from India far exceeded those exported, causing an unfavourable balance of trade. Indian exports to Britain were manufactured products, which were bound sooner or later to displace English products, with the trade itself a monopoly granted by royal charter to the East India Company (EIC). This obviously barred other traders from the profits of trade (Thomas 1926a). There were many other grievances against EIC, such as stock-jobbing, raising prices unreasonably, and causing an enormous mortality rate of sailors at sea. His argument ran counter to the views put forward by writers like Thomas Mun, who, in his *Discourse of Trade from England Unto the East-Indies* (1621/1930), argued that the EIC's India trade had added to the prosperity of the nation. Thomas also showed that Britain's rise as the first industrial nation on the basis of a mechanised cotton textile industry was largely at the cost of India's cotton manufacturers, through the use of stiff tariffs, sumptuary taxes and straight prohibition. In contrast to much of Indian economists' writings at that time, Thomas's book was based on primary documents available in British libraries and archives. From the late seventeenth century, light Indian cotton textiles had a greater demand than the heavy English broadcloth for everyday wear. He broke new ground in giving a detailed account of the import of Indian textiles into England and its growth, the effect on the woollen manufacturers of England, their protests, and the protectionist measures taken by the English government to first curb, and finally ban, the import of Indian calicoes (the generic name for Indian cotton textiles). The EIC also tried to popularise ordinary Indian piece goods by offering them at a low price. Soon workers were using them as "shifts," and for long cloth as well as sail cloth. It was also used by the poor for daily wear. The resulting increase in the import of calicoes rang alarm bells in many quarters. By the seventeenth century, England had become the leading woollen manufacturer in Europe, with protection granted to the industry by English monarchs from Henry VII to Elizabeth I. Silk also became an important industry in England. With woollen and silk production falling in the last decade of the seventeenth century, the English economy went through a severe production and employment crisis. This crisis was widely attributed to the displacement of British woollen and silk textiles by Indian textiles. In 1720 the Parliament passed the Calico Bill, prohibiting the wearing of all calicoes in the United Kingdom and Ireland.

Writers of the period such as Viner do not discuss the pressures that led to the ban on wearing calicoes in the UK and Ireland. Inikori (2009) discusses competition between Indian cotton and slave-grown cotton, and the damage the EIC-imported Indian cotton textiles wrought on West African cotton textiles. Thomas (1932) underlined England's debt to India in respect of calico-printing. Kobayashi's (Kobayashi 2020) is the most recent work on the role of Indian cotton textiles in the 18th century international economy. But there is no reference to Thomas (1926a), nor does he discuss the political economy behind England's shift from being an importer of Indian cotton textiles to becoming a prohibitor of their import and use within the United Kingdom.

What many writers (Riello and Roy 2009; Kobayashi 2020) failed to point out was that the advent of Europeans in Asian waters, starting with the Portuguese, followed by the Dutch, the English, and the French, changed the manner of trading altogether. Their respective governments authorised the arming of merchant boats against piracy on the high seas. Assaults on rivals' trading posts were common (Bagchi 2005). The ruin of the once dominant, handicraft-based Indian cotton textile industry in the nineteenth century was caused not just by the advent of machine-made textiles in Britain but also by the conquest of India by Britain, which then followed a systematic policy of promoting British manufactures in India and discouraging the growth of Indian manufacture, except for crudely processed products such as jute products.

Thomas and Natarajan (1936) reproduced the figures of specie and bullion imported into and exported from Madras from 1822-23 to 1849-60 on both private and government accounts. On government account there was always a large net export. In famine years there was a net export also on private account. In other years, the net import on private account could not compensate for the drain on private account. So there was a continual net decline of the circulating medium, causing prices to decline (*ibid.*). Thomas thus blames the excessive extraction of revenue by the British under the *raiyatwari* settlement and consequent diminution of currency for the depression in the Madras Presidency (1820s to 1850s).

Thomas (1927) traced the origin of federalism in financial allocation by the colonial government to 1867, when the Finance Member of the Governor General's Council drew up a scheme of financial decentralisation by which the "entire revenues and expenditures should be placed on the local governments." The scheme was partially adopted in 1870-71 when Lord Mayo was the Governor General of India.

Thomas continued his exploration of public finance in colonial India in a series of later articles. He argued (Thomas 1929) that the Indian system of public finance needed urgent readjustment, and critiqued proposals for re-ordering the financial system put forward by the Round Table Conference of 1932 (Thomas 1933b). He did the same thing for the scheme of devolution of powers (between the Central

Government and the provinces) under the Government of India Act, 1935, and analysed the state of Indian finances during the Depression (Thomas 1935a).

His work on federal finances, which favoured the policy of giving some control to the provinces over elastic taxes (Thomas 1939), in some senses anticipated the work of Iqbal Gulati, Amaresh Bagchi, and M. Govinda Rao on centre-state financial sharing.

Contributions as a Development Economist

In his review of Vera Anstey's popular book, *The Economic Development of India*, Thomas would challenge her proposition that India's economic backwardness was India's own fault, impeded as the country was by a rigid caste system and its general embrace of superstition and irrationality (Thomas 1930b). He argued that despite all these obstacles India's economic development in the past had equalled that of Europe. British policies destroyed India's thriving manufactures, reducing it to a stagnant agrarian economy. In later writings, Thomas would also challenge Anstey's other hobbyhorse, namely, that India's economic development was impeded by her excessive population growth.

Long before Prebisch (1950) and Singer (1950), Thomas pointed out how free trade policies imposed by the countries of Europe and North American on their colonies in Asia, Africa, and Latin America had divided the world between industrialised and agrarian economies (Thomas 1933a). The way forward was through state-aided industrialisation, he argued. In fact, he went even further than Prebisch and Singer, who focused principally on the secular tendency of terms of trade of primary products to decline. Thomas, on the other hand, questioned the whole framework of international trade.

Thomas used Kahn's multiplier formula (Kahn 1931) to argue that the basic cause of the 1930s Depression in India was the shortage of purchasing power. While an extensive programme of public works such as road construction, irrigation works, and provision of drinking water, might get India out of the rut of the Depression, the central problem of the Indian economy was structural (Thomas 1935a). Thomas argued that incomes and employment needed to be shifted out of agriculture to industry through an extensive programme of industrialisation (Thomas 1937). He dismissed the idea that excessive population growth impeded industrialisation, pointing out that during the nineteenth century, when Europe was fast industrialising, rates of population growth of European countries were far higher than those of India. India had made advances in the production of cotton cloth, steel, cement, and sugar since the end of World War I, despite which the standard of living of the masses had not improved. According to him, the two basic reasons for this were, first, inefficient and insufficient production, and secondly, a highly inequitable income distribution. If the army of unemployed labour, especially in rural areas was utilised, it would simultaneously raise the purchasing power of the masses and lead to increased national income. The government could ameliorate the living standard of the masses by changing the regressive and burdensome land tax policy. It needed to give up its laissez-faire policy and instead increase public expenditure on productive sectors. Thomas also called for economic nationalism and a drive for self-sufficiency. Finally, Thomas wanted a more balanced economy, with industry playing a much bigger part in the economy (Thomas 2019).

Thomas also focused on the employment implications of an industrialisation programme for India. He wrote,

> We produce today all our sugar, cement and matches, more than 80 per cent of our cotton cloth and a large part of our iron and steel goods, paper etc. Nevertheless, the total number of persons so far employed in organized industrial establishments is still only about 1.5 million. In case the rest of our requirements are also manufactured in India, another half a million labourers may be required. (Thomas 1941b, p. 65)

(Interestingly, Sivasubramonian (2000) puts the total number of people employed in all factories in 1940-41 as 2.144 million. Thomas was not far off the mark).

Thomas continued,

> But in India the number of unemployed persons runs to tens of millions and nearly every agriculturist is unemployed . . . There is thus no indication that indusrialisation by itself will cure India's unemployment or raise the standard of living of her population. This is because the causes of India's poverty lie much deeper. They are connected with a defective economic and social system. (Thomas 1941b)

This explains why Thomas devoted his attention to the problems of peasants and artisans rather than those of large-scale industries.

Thomas (1935b) discusses various methods of estimating the national income of India. There was as yet no proper estimate of the national income of India. Thomas favoured the method of aggregating the values of goods and services, as aggregating individual incomes involved a considerable amount of conjecture. But he favoured supplementing his suggested method with family budget surveys. Thomas (1940) discussed the usefulness of the Census as a tool of planning. Data relating to various sectors such as agriculture, industries, services, and occupational structure would be useful inputs for planning purposes. However, according to him, censuses would be much more useful if they were continually carried out by a permanent government body, as in fact was done in many developed countries, including the United States, at the time.

Beginning with his critical review of Vera Anstey's book in 1930 and ending with his papers on India's economic maladies and the problem of over-population published in 1941 (Thomas 1941a), Thomas's papers on development economics preceded by several years the articles of acclaimed modern pioneers, namely, Rosenstein-Rodan (Rosenstein-Rodan 1943, 1944), Alacevich (2020), Nurkse (1952), Rao (1952), and Lewis (1954). Thomas argued for the need to expand the domestic market, thus anticipating Nurkse (1952) by more than a decade, and Bagchi (1970) by more than three decades. For him, the key element of socio-economic change in India was the abolition of landlordism and the recognition of the actual tiller's right to land.

On the Peasantry, Agriculture, and Rural Development

P. J. Thomas was in favour of peasant proprietorship of land in India on grounds of both equity and efficiency. The issue of equity was obvious, in a country like India under British rule, where the vast majority of people lived in villages and depended on agriculture as the main source of living. He objected, as had economists such as David Ricardo, Karl Marx, and Henry George, to a class of landlords enjoying an unearned surplus. Peasant proprietorship, he argued, would improve the productivity of land, as the owner would put much more effort into cultivation than a wage labourer would. He dealt with these issues in a steady stream of writings from 1926. In these he addressed the issues of peasant proprietorship (Thomas 1926b), the economics of agriculture (Thomas 1928), the debate on tenurial systems in Madras Presidency (Thomas 1929), the problems of Indian banking (Thomas 1930a), and the Punjab experiment in revenue assessment (Thomas 1935c).

The range of his ideas and prescriptions in these papers are diverse. For example, he found that in fully developed paddy fields, as in the *jenmi* lands of Malabar, the difference in productivity between owned land and tenancy land was negligible, whereas in garden lands (orchards and plantations) the difference was great (Thomas 1929). From this fact, he argued for tenants to be given the right to purchase their land with government help if necessary. He was sharply critical of the Prakasam Committee's recommendation for the retention of the zamindari tenure (the Permanent Settlement) that had been first introduced into a third of the Madras Presidency in 1802 (Prakasam 1938) (The Prakasam Committee had been set up by the Congress government elected under the Government of India Act, 1935). Thomas pointed out that no settlement could be permanent in a world of continual flux. There was no justice in denying the tillers of the soil absolute proprietorship of the land, while allowing a host of parasites like the zamindars and other intermediaries to fatten on their labour. In 1930, Thomas argued for the creation of a proper central bank to address the issue of the gap between the official bank rate (the interest rate charged by the Imperial Bank of India) and the interest rate paid by farmers and ordinary people. Such a bank must have control over both currency and credit, holding the reserves of other banks and the government. He argued for expanding the reach and scope of cooperative credit societies to service the rural economy (Thomas 1930a).

It is of note that Thomas's home State of Kerala was one where ownership rights were conferred to actual cultivators of land through the Agrarian Reforms Bill introduced by the EMS Namboodiripad government in 1957, in Thomas's lifetime. However, the reforms were implemented only after his death.

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