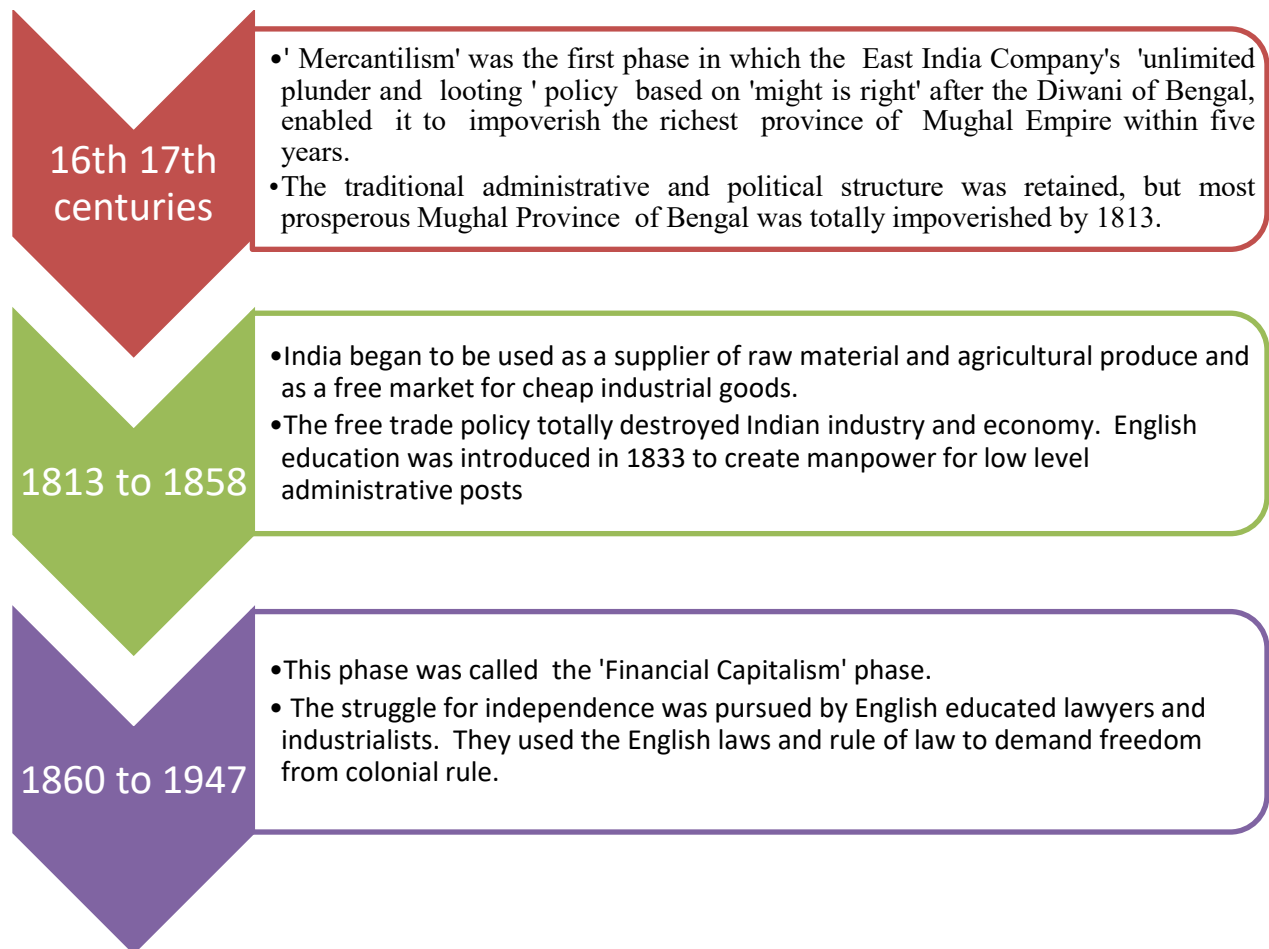


## Topic 1

## Imperialism and colonialism in India

The three stages of Colonialism:



### THREE STAGES OF COLONIALISM IN INDIA AND IMPERIALISM

1. Colonialism was the control of Asian and African countries by European traders so that the raw agricultural material from these

colonies could be used in European factories. As such colonialism in India was an ancillary growth to the development of European Capitalism and the Industrial Revolution. The colonies were subjugated to bring about growth in their respective native country in Europe.

2. The British developed their colonial relationships in India in trade, agriculture and finance, in a way that was beneficial to Britain. They also kept the trade and agriculture under-developed in certain other areas in order to strengthen their control of India and increase its reliance on Britain. This iron-grip on Indian economy was a gradually increasing process that was achieved in three broad stages that also coincided with the developments in Great Britain.

3. The first stage was Mercantilism between 16<sup>th</sup> and 18<sup>th</sup> centuries when the East India Company laid the colonial foundations. Taking a clue from its success several other European monarchs also chartered merchant companies. However, the East India Company acquired a near monopoly over colonial control in India and eliminated the French, the Portuguese and the Spaniards. The Carnatic Wars helped the process of defeating the French at sea as well as on land along the south east coast. This first phase of Mercantilism continued from 1600 to 1750s.

4. Under cutting the internal trade controlled by the Indian merchants was more difficult. Here, diplomacy, trickery, and military might were used first to gain permission to acquire land in remote coastal areas. After getting land they would immediately build forts thereon and arm it with cannons and guns. So fortified and secure, in place of trading the East India Company men would begin collecting revenue from nearby villages as a price for their protection. If any village failed to pay they would ravage it.

5. In addition, in Bengal the East India Company acquired the 'dastak' right from the titular Nawab under which it was exempted from paying taxes on the goods traded by the Company. However, due to prevailing corruption, the company officials were running a parallel illegal, private trade and began misusing the exemption for the privately traded goods also. All this profit in Bengal was first used to finance the Carnatic Wars against the French. After the French was reduced to controlling Pondicherry only, the illegal profits were used to purchase control of the Indian rulers themselves. Battles of Plassey and Battle of Buxar in Bengal 'won' partly by treachery, enabled the East India Company to get the 'Diwani' rights in 1764.

6. These were the 'might is right' policies under the first phase of Mercantilism. Disguised as traders and merchants the British got control of the economic and political power. It may be recalled that Bengal was well known for being the richest provincial kingdom

under the Mughals due to its rich agricultural lands and high yielding revenue and the flourishing trade with China. ( Please refer to Provincial Kingdoms essay for this)

7. The 'Diwani' of Bengal in 1764 fulfilled the twin objective of control over finance and monopoly over trade. Within a decade the Company totally exploited and destroyed the flourishing Bengal economy, that resulted in the major famines of 1770s. It established the pattern which the Company followed in all its territorial extensions later on. Between 1765 to 1770 the bullion estimated to have been sent out of Bengal to Britain was two percent of Britain's national income. This surplus directly financed the Industrial Revolution in Britain.

8. The other characteristic feature of this first phase of Colonialism was that the Bengal's traditional administrative and political structure was retained without any change. The only change made was in the revenue collection process that became more extortionists. This was partly due to necessity of lack of knowledge of the Persian language and local practices, and partly because the existing system was seen as being 'good enough' so long as fulfilled the objective of giving maximum profits. During this phase of Mercantilism the Company was not interested in anything beyond monopolized trade and profits.

9. The first phase of Colonialism ended after the trial of Warren Hastings for exploiting the province of Bengal that ended it in 1813. After this the East India Company was stripped of its control over the finance and political affairs of Indian colonies, though trade by it continued till the Indian Mutiny of 1858.

10. **Impact of Mercantilism**

11. Mercantilism had demonstrated the rise of a financially independent monarchy in Britain, separated from the control of the Church. The policies of the monarch were formulated in the economic interest for the merchant class. It included sea piracy, monopoly in trade over luxury goods from the East, and slave plantation based trade. This was the first time that world trade had become a source of additional revenue for the state and this reduced its dependence on revenue from land.

12. During Mercantilism, nationalism had replace religion as the dominant inspiration. A clear distinction was made between economic and non-economic objectives / activities of the state. Mercantilism had been pioneered by the Dutch Republic, taken over by Protestant England, at a time when Spain and Portugal were embroiled in religious persecutions and counter revolutions.

13. Mercantilism accumulated the surplus capital needed for financing the coal based industrial revolution in England. The industrial supremacy then gave rise to British Imperialism in the 19<sup>th</sup> century. As such, Mercantilism, followed by industrial revolution, followed by six decades of 'free trade'. The 'free trade' was a direct fall out of the success of the French Revolution in the 1770s, when the liberation wave had liberalized world trade also.

#### Second Phase of Colonialism in India:

14. In Britain itself the politics had come under the control of the industrialists. They needed the ever increasing markets for their manufactured goods. They also needed reliable sources for raw materials for their factories. In addition surplus agricultural produce was needed to feed the growing urban population concentrated in industrial towns.

15. As such India's cotton, iron ore and agricultural produce. But instead of paying India in bullion as was the prevailing practice, British adopted the policy of barter under the label of 'free trade' or 'laissez faire'. This totally wrecked the native Indian industry and the economy

16. Expansion of the Indian market for raw material as well as finished goods needed penetration in to the rural areas. For this a new state infrastructure was needed and was developed. English education was adopted after 1833 so that English educated Indians could be

employed in the central and state administration, the Provincial High Courts, the provincial Universities.

17. Railways was expanded only in to areas that needed to supply the raw material. Post and Telegraph offices were established all across the country. The concept of Rule of law was established as it was vital for trade, and the Indian Penal Code (IPC) was regularized. 'Sati', 'thuggi', and 'child infanticide' were made illegal through the newly introduced legal procedures. This second phase of Colonialism became a period of new liberalization of the Indian minds.

18. This was partly in earnest and partly to hide the increasing economic subjugation of India to Britain. The free trade policy was one sided and was meant to serve the purpose of the British only. Items such as tea, indigo, opium, for which British trade had no competition were made mandatory and its development was strictly controlled.

19. Heavy duties up to 40 per cent were imposed on India industries such as textiles and sugar. Duties were imposed even on the internal movement of Indian goods. This totally crushed the Indian handloom industry because the local markets were also flooded with cheaper manufactured cloth. Thus Indian goods were heavily taxed and restricted while British goods were allowed free movement. All

these duties were abolished only after the British goods market had been secured by 1840s.

20. The third and final phase of colonialism in India was 'Financial Capitalism' phase that began in 1860s. Three major developments in Europe coincided with this phase. First, with the emergence of United States of America, Belgium, France, Germany and Italy as industrialized powers the predominance of Great Britain was reduced. The technology of these new industrial powers was based on electricity and petroleum instead of on coal. The new technology required larger quantities of raw material for steel, chemicals, and petroleum. This revived the competition for control of Asian and African colonies among European industrial powers.

21. For this reason also Britain needed to strengthen its grip over India. After the Mutiny and the transfer of power from the East India Company to the Crown of Britain in 1850s large amounts of British capital began to be invested in Indian Railways, Tea and Coffee Plantations, coal mining, iron ore mining, jute mills, banking and shipping. Yet the investment was geared to meeting the needs of Britain and not of India. A huge Indian Army was raised and trained and cantonments established across the country, to protect British interests. This provided employment to Indians but all costs for these were met from Indian revenue. Just as in the first phase of Mercantilism Indian finance had been used to conquer and control



Indian territories, in the third phase the burden of taxation on Indian agriculture was increased to raise the Indian Army meant to protect British interests. Indian agriculture stagnated due to poor inputs and over exploitation of the soil.

22. During this **third phase of 'financial capitalism'** all talks of modernizing India and educating the Indian in self-government were discontinued. Already a significantly strong middle class educated in English language and law had emerged by 1860s. This lawyer predominated class analyzed and understood the methodology by which Britain was controlling India. For this reason the British adopted the new policy of 'divide and rule, divide the Hindus and the Muslims as their unity had been the strength of the Mutiny in 1858.

23. This new policy was first demonstrated in 1905 through the Partition of Bengal broadly along Muslim dominated Eastern Bengal and Hindu dominated Western Bengal. After widespread agitations, the Partition of Bengal was annulled in 1911, but six years were sufficient to drive a wedge between the two major of communities of India. Also in 1911 the capital of British India was shifted from Calcutta to New Delhi and began adopting another new policy of favouring the Muslims and other minorities over the Hindus through reservation of seats in all government organizations.

24. In sum, [the three stages of colonialism](#) in India differed in the declared objective and the means adopted, but all had the single goal of exploiting India's resources, destroying her native industries and subjugating Indian economy to British interests. The exploitation merely became more intensive and more legalized through the justifications of the 'rule of law' and maintenance of law and order. However, an indirect impact was the withering away of the feudal structure of administration of the Mughal and the establishment of a relatively modern financial structure of the British that was more suited to the new industrial age.

#### IMPERIALISM

25. [Imperialism is any form of political control or influence by one political community over another.](#) The theory of Imperialism in the 1880s was a response to the economic crisis, resulting from the 'free trade' policy followed by all the newly industrialized European countries and by the United States of America.

26. Under this policy the 'political state' was not allowed to interfere with international trade and commerce, and [no restrictions such as import or export duties could be levied](#) by any government. The 'free trade' was viewed as the commercial counterpart to Charles Darwin's theory of 'survival of the fittest'.

27. The Imperial structure was developed to serve two objectives:

28. collecting revenue and raw material from colonies

29. Defending the colonial territories against other hostile colonial rivals and natives.
30. Britain's version of Imperialism of 1800 was based on its naval supremacy. It was a 'Victorian liberal premise' that believed that the world market was an ever expanding place, based on world peace ensured by Britain's naval supremacy. However, the coal based industrial superiority of Britain was replaced by electric power and petroleum based industries that emerged from 1850s to 1880s in the United States of America, and was quickly adopted by Germany and Italy.

Why and how did imperialism survive in to the 19<sup>th</sup> century? Why did it not fade away like mercantilism? Why did it expand and revive at the peak of the liberal era?

31. The reasons for survival of Imperialism were that :
- a) Due to 'laissez faire' in trade, the raw material from the colonies became less important as a source of wealth creation. The new source of wealth creation was the output from the new factories, serviced by machines and wage labour.
  - b) Under industrial capitalism of the new imperial powers like Germany, France, Italy, Japan, free labour of the plantations was replaced by wage labour in the factories. The two World Wars were the culmination of the clash of strength between the imperial powers. Imperialism collapsed only after the massive destruction of the Second World War.