

<https://www.internationalviewpoint.org/spip.php?article6240>



Historical events

# India and the Colonial Debt

- Features -

Publication date: Thursday 10 October 2019

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**The former Indian minister and a member of the parliament, Shashi Tharoor demanded Britain to pay reparations to India and other former colonies for its decades of imperial rule. He made the case in a debate entitled ‘This house believes Britain owes reparations to her former colonies’, organised by the famous debating society, the Oxford Union in 2015.**

It's really interesting for the debating society to choose such a topic 61 years after the British left The English East India Company, as is well known, obtained, besides the political rule in India, the exclusive monopoly of the tea-trade, as well as of the Chinese trade in general, and of the transport of goods to and from Europe. But the coasting trade of India and between the islands, as well as the internal trade of India, were the monopoly of the higher employés of the company. The monopolies of salt, opium, betel and other commodities, were inexhaustible mines of wealth. The employees themselves fixed the price and plundered at will the unhappy Hindus. The Governor-General took part in this private traffic. His favourites received contracts under conditions whereby they, cleverer than the alchemists, made gold out of nothing. Great fortunes sprang up like mushrooms in a day; primitive accumulation went on without the advance of a shilling.

The trial of Warren Hastings swarms with such cases. Here is an instance. A contract for opium was given to a certain Sullivan at the moment of his departure on an official mission to a part of India far removed from the opium district. Sullivan sold his contract to one Binn for £40,000; Binn sold it the same day for £60,000, and the ultimate purchaser who carried out the contract declared that after all he realised an enormous gain. According to one of the lists laid before Parliament, the Company and its employees from 1757-1766 got £6,000,000 from the Indians as gifts. Between 1769 and 1770, the English manufactured a famine by buying up all the rice and refusing to sell it again, except at fabulous prices.”

Karl Marx. Chapter XXXI : The Genesis of the Industrial Capitalist, Capital, Volume I

Tharoor pointed out “India's share of the world economy when Britain arrived on its shores was 23 per cent. By the time the British left it was down to below four per cent. Why? Simply because India had been governed for the benefit of Britain. Britain's rise for 200 years was financed by its depredations in India. [1]

One can certainly debate amount the quantum of wealth transferred to the imperial centres from the colonies but his remarks are worth considering. And, he is not the only one to make such a demand. The noted economist Utsa Patnaik estimates that the British siphoned off \$ 45 trillion from India. [2]

## Drain Theory

Dadabhai Naoroji, an important figure in the Indian political scene in the 19th century, spoke of an annual drain of 200-300 million pounds to Britain. He was among the pioneers who dealt with this issue. The British siphoning system adopted various means “The drain consists of two elements the first, arising from the remittances by European Officials of their savings, and for their expenditure in England for their various wants both there and in India ; from pensions and salaries paid in England; and the second that arising from remittances by non-official Europeans.” [3]

He estimated that this drain was caused by regular remittances back home by European employees on various

counts - supporting families, repatriation of savings, purchasing British goods – both individual and government; interest charges on public debt held in Britain (which excluded interest payment on railway loans and other debts incurred for productive works). Apart from these, colonial India was forced to pay a certain sum towards governance, maintenance of the army, war expenses, pensions to retired officers and other expenses accrued by Britain towards maintenance of the colony, the Home Charges. It consisted of interest on public debt raised in England, annuities on account of railways and irrigation works and payments to British employees, employed in India as well as pensions to retired employees worked in India. [4]

Although it was, and still is, impossible to make an accurate estimate of the extent of drain from India to Great Britain during the British rule, some estimates speak on the quantum of such drains. Versa Anstey estimated these Home Charges to be around 35 million pounds annually. Moreover, the British rulers realised the cost of battles they fought with native rulers from India by raising loans. [5] Verelst estimated that during the period of five years just after Battle of Plassey, total volume of drain from India in terms of goods and bullion was 4, 94, 16, 11 pounds sterling. S.B. Saul also made an estimate of such drain based on balance of payments alone and his figure for the year 1880 alone amounted to 4.14 per cent of India's national income. Naoroji's initial estimate was Rupees 8 million per year that went up to Rupees 20 million in 1893 and Rupees 515 million per annum in 1905. Various others including Ganesh Vyankatesh Joshi, Sir Dinshaw Edulji Wacha, Sir Surendranath Banerjee & Romesh Chunder Dutt made similar estimates. Even though the estimates of these members of the upcoming native bourgeoisie or their political representatives were at certain variance, it was undeniable that a consistent transfer of wealth was taking place from the Indian subcontinent to Britain.

## England grows at the detriment of India

An observation by the historian Irfan Habib, on this huge drain of resources is instructive. He notes “the fact that India had to have a rate of saving of 4 per cent of its national income just to pay the Tribute must be borne in mind when economists speak of the lack of internal capacities for development or the low per capita income base, from which the British could not lift the Indians, however much they tried. [6] It is obvious that the huge amount of drain of resources and bullion from India to England created a serious impact on the economy of India and a favourable effect on the economy of England. Calculations reveal that more than one third of the Indian national income was taken away by the British in some form or the other.

While investigating the causes of frequent famines that erupted in India, R C Dutt remarks “the drain from India was unexplained in any country on earth at the present day, one half of the net revenue flows annually out of India verily the moisture of India blesses and fertilisers other lands” [7] ... “So great an Economic Drain out of the resources of land would so impoverish the most prosperous countries on earth; it has reduced India to a land of famines, more frequent, more widespread and more fatal than any other known before in the history of India, of the world.” [8]

This huge drain of resources from the colony to the imperial centre had, naturally, resulted in calamitous effects on the Indian economy and its people. Instead of such resources invested in India, they were looted and siphoned off to England. Also, the reimbursement of the huge public debt undertaken by the government required growing tax burden on the population. The tax burden in India during 1886 was 14.3 per cent of its total income which was very high as compared to 6.93 per cent in England. [9]

A large portion of the tax proceeds were spent to reimburse British creditors. Naturally, this mechanism impoverished the Indian agriculture and industry. Alongwith other imperial economic policies it created a stagnant economy in the XVIII & XIX century. “India in the eighteenth century was a great manufacturing as well as great agricultural country, and the products of the Indian loom supplied the markets of Asia and of Europe. It is, unfortunately, true that the East Indian Company and the British Parliament ... discouraged Indian manufactures in the early years of British rule in

order to encourage the rising manufactures of England . . . millions of Indian artisans lost their earnings; the population of India lost one great source of their wealth.” [10]

This drain of resources had disproportionate impact on the peasantry as it was largely paid out of the land revenue which was collected from the peasants. According to Mike Davis “In the late-nineteenth-century Bombay Deccan, for example, the annual process of revenue collection began with the impounding of grain in village stockyards. In order to eat from their own harvest, the ryots [11] had to immediately borrow money to pay off the taxes. Typically the moneylenders bought the crop at half of the current market value but lent money at a usurious 38 percent interest. If the peasant was unable to promptly repay the principle, the exorbitant rates of interest ballooned to astronomical dimensions. “I remember one case which came before me,” wrote a former district officer, “in which a cultivator was sued for 900 rupees, principal and interest, the original debt being only ten rupees worth of grain, borrowed a few years previously.” [12]

## The Indian Railways

The advocates of British colonial expansion and imperialism have always claimed that in spite of defects, it was the superior western science and technology introduced by the colonisers that lifted India from the cages of middle ages. The construction of the railways in India is cited as one of the prime examples of such a modernisation. Surely, a railway network of such a scale was quite unparalleled in the colonies. Nevertheless, it is pertinent to mention that many nations around the world and especially, in Europe, built railways without the misery inflicted by colonisation. Probing the question further, we find that the railways were first devised by the British East India Company for its own benefit. In the words of the Governor General Lord Hardinge, the railways would be beneficial “to the commerce, government and military control of the country”. [13]

In its very conception and construction, the Indian Railways was a big colonial scam. British shareholders made absurd amounts of money by investing in the railways, where the government guaranteed returns on capital of 5 per cent net per year, unavailable in any other safe investment. That was an extravagantly high rate of return those days, possible only because the government made up the shortfall from its revenues, payments that of course came from Indian, and not British, taxes. [14] It was genuinely a windfall gain for British shareholders who made astronomical sums investing in the railways with guarantees from the government paid totally from Indian, and not British, taxes. No doubt, a splendid racket for Britons, at the expense of the Indian taxpayers.

## Famines and death

A recurrent feature in colonial India that the British government never really acknowledged, were the famines. Between 1760 - 1943 terrible famines hit the country, regularly. Culling data from the official British sources, one can estimate that more than 85 million Indians perished due to these famines which took on genocidal proportions. A journalist from New York Herald, John Russell Young, “found more evidence for his thesis that “English influence in the East is only another name for English tyranny.” ... “Young was weighing the costs of empire borne by the Indians. “There is no despotism,” he concluded, “more absolute than the government of India. Mighty, irresponsible, cruel ...” Conscious that more than 5 million Indians by official count had died of famine in the preceding three years, Young emphasized that the “money which England takes out of India every year is a serious drain upon the country, and is among the causes of its poverty”. [15]

The harvest from India was looted to feed Britons. “Laid head to foot, their corpses would stretch the length of England 85 times over. And this happened while India was exporting an unprecedented amount of food, up to 10m

tonnes per year.” [16] It didn't exactly result from free market policies, but rather a free market excuse, made use of to justify what was a genocide under the cover of a drought induced famine. Moreover, British policies included bans on famine relief efforts, hard labour death camps, death marches, ‘famine taxes’, extreme internal duties, prohibition of indigenous industry which competed with England's industries, etc.

Beyond the death and devastation of millions of Indians, it was this super-exploitation that made England wealthy. It is no coincidence that the Europeans gained total control of Indian ports like many other parts of the world including South-east Asia and China at gunpoint in the decades before the Enlightenment, and that the plunder of Bengal after the Battle of Plassey in 1757, (which entirely caused the world's worst famine: 10 million dead – one third the population, in a region that contained cities more prosperous than London) immediately preceded the Industrial Revolution. “By the end of Victoria's reign, however, the inequality of nations was as profound as the inequality of classes. Humanity had been irrevocably divided. And the famed 'prisoners of starvation,' whom the Internationale urges to arise, were as much modern inventions of the late Victorian world as electric lights, Maxim guns and "scientific" racism”. [17]

## Colonial debt and reparations

The process of colonial rule in India meant economic exploitation and ruin to millions, the destruction of thriving industries, the systematic denial of opportunities to compete, the elimination of indigenous institutions of governance, the transformation of lifestyles and patterns of living that had flourished since time immemorial, and the obliteration of the most precious possessions of the colonised, their identities and their self-respect.

The creation and perpetuation of Hindu–Muslim antagonism was the most significant accomplishment of British imperial policy: the project of divide et impera would reach its culmination in the collapse of British authority in 1947. Partition left behind a million dead, 13 million displaced, billions of rupees of property destroyed, and the flames of communal hatred blazing hotly across the ravaged land. No greater indictment of the failures of British rule in India can be found than the tragic manner of its ending.

These numbers tell only a very small part of the story, but they do help us imagine the scale of the value that flowed from the colonised world to the European since 1492. It would be extremely difficult, and unfair, to put a price on the suffering wrought by colonialism. And is there sufficient money in the world to compensate for the damage it inflicted? “Could appropriate statuary be a way of symbolic atonement for colonialism's misdeeds? Why doesn't the British government erect a statue to the unknown Indian peasant, who suffered the harsh impact of British taxation, opposite that of Robert Clive that stands in Whitehall?” Nick Robins asked. ” [18] Clive, the Commander-in-Chief of British India, was a British officer and privateer who established the military and political supremacy of the East India Company in Bengal. He was one of the leading plunderers that bought power in England from the proceeds of their plunder in India. His statue stands uncontested in the heart of Whitehall, the seat of the British government.

We need to immediately get out of the discourse around charity whenever the question of colonial debt and its reparations is raised. It is not an issue that can be merely relegated to economics but an ethical and moral acknowledgment about the debt that imperialism owes to the rest of the world. The practical demands for reparations can range from official apologies, unconditional cancellation of the third world debt, financial reparations to really subdue the colonial instincts whenever it resurfaces as it is doing right now in its neo-liberal incarnation in the form of an extreme oppression against the majority of the people in the planet – both within and outside the borders.

William Dalrymple, an acclaimed writer and historian from Scotland raises the question of whitewashing of the colonial enterprise in the way history is taught in British schools. “The British empire does not figure on the syllabus in

textbooks,” Mr. Dalrymple said. “British children read about the Tudors, Stuarts, and then about Hitler. The role played by the British in between is left out.” [19]

### [CADTM](#)

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[1] <https://www.independent.co.uk/news/uk/home-news/dr-shashi-tharoor-tells-the-oxford-union-why-britain-owes-reparations-for-colonising-india-in-viral-10407997.html>.

[2] <http://www.cadtm.org/How-Britain-stole-45-trillion-from-India>.

[3] Naoroji Dadabhai, Poverty and Un-British Rule in India, London, S. Sonnenschein, 1901.

[4] Ibid

[5] <http://www.economicdiscussion.net/indian-economy/the-drain-meaning-causes-and-consequence-indian-economy/19014>.

[6] Ibid

[7] Romesh Dutt, Indian Famines - Their Causes and Prevention, P S King & Son, London, 1901.

[8] Ibid

[9] <https://abhimaniuas.com/blogs/Important-Issues-DetailedArticle/7781/Drain-of-wealth-and-Indian-Nationalism-brâ€”1857-1947-Indian-Historyâ€”General-Studiesâ€”Paper-I-By-abhimanu>.

[10] Ibid

[11] an Indian peasant or tenant farmer.

[12] Mike Davis, Late Victorian Holocausts - El Niño Famines and the Making of the Third World, Verso, London, 2000.

[13] <https://www.outlookindia.com/magazine/story/chronicles-of-the-colonial-loot/298029>.

[14] Ibid

[15] Mike Davis, Late Victorian Holocausts - El Niño Famines and the Making of the Third World, Verso, London, 2000.

[16] Ibid

[17] <https://www.theguardian.com/global-development-professionals-network/2015/nov/27/enough-of-aid-lets-talk-reparations>.

[18] <https://www.thehindu.com/news/international/london-ijf-2016-knowledge-not-money-best-form-of-reparation-for-colonial-rule/article8633116.ece>.

[19] Ibid