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DADABHAI NAROJI'S INTERPRETATION OF BRITISH ECONOMIC POLICY

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Abstract:

Dadabhai Naoroji (1825-1917) was among the leading Indian nationalist leader who arouses the feeling of economic nationalism and propagated it. The most instrumental during this regard had been his theory of Drain of wealth. Dadabhai Naoroji, the grand old man of India, was a patriarch of liberalism in India and one among the founders of the Indian National Congress. He was one of the pillars of the early phase of Indian National congress. He was the first nationalist leader who co-related Indian poverty to colonial policies of British government. He along with other leaders like, M.G.Ranade and R.C Dutt criticized British government theory of free trade. Dadabhai Naoroji's argument was that British colonialism had destroyed India's self dependent economy. He argued that British government was draining the wealth of India through it the payment of home charges, military charges and guaranteed interest payment on railways investment. He openly declared 'Swaraj' as the goal of Indian National Congress, through he was advocating self government as the only remedy for the ills from which India was suffering. Dadabhai Naoroji was elected to the House of Commons as a liberal candidate from Central Finsbury, which was a remarkable event of his life. Not only in India but out of India also he stood for the right of Indian people. He made vigorous efforts to interest British members of parliament in India affairs and for this purpose he organized the Indian Parliamentary Committee which rendered very valuable services to India for many years. It were his sincere efforts that India succeeded in getting a resolution, pertaining to the holding of simultaneous examinations in England and India for the Indian Civil Services, passed in the House of Commons.

Keywords: Nationalism, liberalism, Swaraj, Drain of wealth.

Introduction:

Dada bhai Naoroji was pioneer in making Indians aware of the Vicious cycle of British economic policies. He explained how Indian economy was transformed from self sufficient economy to the status of dependent agrarian economy which presented golden opportunity for British capital investment. He explained to Indians that British methods of exploitation are sophisticated and invisible and more dangerous as compared to rustic methods of loot and extortions employed by earlier rulers. British Government changed its economic policies in 19th century by following free trade and foreign capital investment. Dadabhai Naoroji put forward the Drain of wealth theory. Poverty in India, consistent with them, was the results of a gentle drain of Indian wealth into Britain-a result of British colonial policy. Naoroji described six factors which resulted within the external drain. Secondly, India didn't attract immigrants which brought labour and capital for economic process. Thirdly, India purchased Britain's civil administrations in India and her Indian army. Fourthly, opening the country to trade allowed for foreigners to require highly paid jobs over those of equally qualified Indians. Lastly, the principal income-earners would spend their money outside of India or leave with the cash as they were mostly foreign personnel.

Emergence of economic nationalis

Dadabhai Naoroji was one of the foremost economists of his times. He has rightly been called a pioneer in the field of economic nationalism. At the time of his advent on the Indian political scene, the people of the country were groaning under the weight of heavy taxation and suffered from want, scarcity and unemployment, which were recurring features of Indian economy under the British rule. Dadabhai Naoroji, by systematically diagnosing the malady and analyzing the factors which were responsible for the economic sufferings of the country, enlightened the people and roused them from their stupor. He molded the trend of economic thinking of the time and can without doubt be said to have laid the economic foundation of Indian nationalism. In every regime, even within the most oppressive one, there could be some people or groups who enjoy the prevailing system and flourish. The same was the case during British period. There were many rajas, maharajas, nawabs, zamindars, talukdars, mahajans and sahkars who lived fully satisfaction and without the smallest amount anxiety. But was the state as an entire , happy and prosperous? Clearly no, because though a couple of classes enjoyed, masses suffered. It was sectarian economic



appeasement. The country lacked the environment of economic nationalism, during which the entire nation could enjoy the fruits of progress and production. Dadabhai Naoroji (1825-1917) was among the leading nationalist leaders who aroused the sensation of economic nationalism and propagated for it.

Drain - a national loss

The Drain Theory The most important cause of the poverty of India, according to the Indian National Leaders, was the drain of wealth of the country to England. Some of the leaders were of the opinion that this drain was the very fountain head of all economic evil in India. A great deal of the nationalist agitation in India during the period 1880-1905 was due to the feeling that a large part of India's national wealth or total annual produce was being taken away to England for which India did not get adequate returns. In this manner, India was being forced to pay every year an indirect tribute of Lakhs of rupees to her foreign masters. Gradually and gradually the drain theory went on becoming popular and came to exercise so much influence over the minds of the people of the country that a number of British spokesmen and writers felt compelled to make consistent efforts to prove that the entire theory was economically wrong and unsound. Drain theory constituted the heart and soul of the economic thinking of Dadabhai Naoroji. He was the greatest theoretician of the drain theory. He worked tirelessly on it day in and day out with rare devotion throughout his long public life. The Drain theory was propagated by a number of scholars and thinkers in broad outline, but only a few worked out its intricacies. Dadabhai Naoroji started work on the theory in 1867. Gradually his views went on gathering support and found near-universal acceptance among the nationalists with the publication of his classic 'Poverty and Un-British rule in India'. The various speeches and writings of Dadabhai Naoroji and his evidences before various C He quoted from the 'Native Opinion and the 'Rast-Gofar', two of the leading newspapers of Bombay to show that his opinion was shared by the rising generation or educated Indians. At the same time and as a remedy for the poor economic conditions prevailing in the country, he suggested that the least that the British people could do was to lend back to India the wealth derived there from, in order to develop its resources. Dadabhai Naoroji reiterated his views regarding 'the material and moral drain' from India in his papers 'The Wants and Means of India' and 'on the Commerce of India, and 'on the Commerce of India', read before the Society of Arts, London, in 1870 and 1871 respectively. However, the Revolutionary implications and original thinking which came to be associated with the drain theory later on were not yet to be found in these papers. At this time, while condemning the economic consequences of the drain, Dadabhai Naoroji believed in the value of political association between England and India and of the resultant drain. 'If India is to be regenerated by England', he acknowledged, 'India must make up its mind to pay the price,' He however, advised England to adjust its financial relations with India in an equitable manner and to increase the production of the country so that it might be enabled to meet the cost of British rule and bear the drain without impoverishment. ommissions, particularly Welby Commission, are to be relied primarily for presenting a detailed economic analysis of the Drain Theory propounded by him.

For Increasing the national production of India he once again recommended the use of foreign capital on a large scale. Thus, in 1870, he asked the British to 'repair the impoverishing effect of a foreign rule by the importation of large foreign capital,' and expressed the opinion that if sufficient foreign capital was brought into the country, and carefully and judiciously laid out all the difficulties and discontent would vanish in no time. In his 'Statement to the Select Committee on East India Finance in 1871, Dadabhai Naoroji once again accepted the necessity for the drain 'as the natural economical result of a foreign rule,' and urged the British statesmen to find proper remedies 'so that the burden of the millions and millions that are 'year after year drained' from India to England may be reasonably lightened and the ability of the people to meet the legitimate portion of the drain increased to the necessary extent.'

By 1873, when he prepared the first draft of his famous paper on the 'Poverty of India', Dadabhai Naoroji's views on the drain were beginning to be formulated in his more well-known militant form. By 1876 the drain theory had fully crystallized in his mind and was presented in its entirety in a revised draft of the 'Poverty of India' read before the Bombay Branch of the East India Association. He concluded his paper with the emphatic statement that: 'Owing to this one unnatural policy of the British rule of ignoring India's interests and making it the drudge for the benefit of England, the whole rule moves in a wrong, unnatural and suicidal groove'; and with the warning: 'Nature's laws cannot be trifled with, and so long as they.

From now on Dadabhai Naoroji literally dedicated his life to propagation of the drain theory and to Launching roaring and raging campaign against the drain which was declared by him. Through innumerable speeches, letters to British newspapers, articles in journals, correspondence with officials, evidence before official commissions and committees and private correspondence - in fact in every conceivable manner of public communication - he tried to draw and rivet public and official attention on the single question of drain. Thus, for example, he wrote in 1880 that 'the most important question of the day is, how to stop the bleeding drain from India.' 'The merit or good of every remedy will depend upon and be tested by its efficacy



in stopping this deplorable drain’ In 1886,

summing up his critique of British rule in India, he remarked: 'The short of the whole matter is, that under the present evil and unrighteous administration of Indian expenditure. And so he carried on for nearly half a century, striving for the acceptance of his ideas of drain, presenting them, no doubt, sometimes in a crude, but always in an easily graspable form. As the years went by, his passion and anger increased. Unrighteous, despotic, plundering, unnatural, destructive, were some of the adjectives, he applied to the British policy which, in his opinion, was leading to 'the draining of the life-blood' of India 'and its wealth.

Criticism of the Drain Theory

The British criticism and refutation of the Drain Theory began almost simultaneously with its enunciation by Dadabhai Naoroji and others and culminated in the publication in 1911 of Theodore Morison's Book 'The Economic Transition in India' which was perhaps the bent exposition of the point of view of the critics. The burden of the attack on the drain theory was as follows: First, the critics said, the Indians overrated and exaggerated the drain, failing to make necessary deductions. They did not take into account the fact that part of the export surplus was accounted for by invisible imports, like shipping services, insurance charges on imports and exports, and expenditure incurred by Indian students and travelers abroad. The transactions on capital account also tended to falsify the relative weight of imports and exports - imports of capital reducing the real export surplus and repayments of capital exaggerating it. Besides, while calculating the figure for export surplus, the heavy imports of gold and silver should also be taken into account.

Secondly, the critics of the drain pointed out that India received adequate economic equivalents for the excess exports. The biggest part of the drain arose on account of interest on borrowed capital, which in turn represented economic development and enrichment of India and not its impoverishment. With the assistance of foreign capital railways were constructed, irrigation was developed, and plantation and other industrial enterprises were started and developed, all of which earned profits, only a small part of which was sent out of the country as interest. Moreover, in addition to earning profits, these enterprises increased, directly or indirectly, national income when all profits were taken out of the country, the wages and rent remained in India. Indians should, therefore, be thankful to foreign investors for making good the deficiency in India's own capital resources. The benefit to India was further enhanced by the fact that India's political connection with England enabled her to borrow in the cheaper market in the world. The return in the form of 'good government' could even be translated into economic terms for without it India's industrial development would not have been possible; in more positive terms, India had got an administration 'favorable to economic evolution cheaper than she could provide it herself.

Dadabhai Naoroji, the chief protagonist of the Drain Theory anticipated and countered nearly all the points made by his critics. An account of Dadabhai Naoroji's replies to the points raised by Theodore Morison can be given as follows:

Firstly, the Britishers charged Indian leaders that they could not differentiate between visible and invisible imports which consisted primarily of payments of services, shipping, insurance and banking charges. Dadabhai Naoroji did not commit any of the gross errors attributed to him in the matter of definition and calculation of the drain but pointed out that the official manner. This happened, he explained, in the following manner: The price of Indian imports was calculated in the official returns as their price at the Indian port and therefore already included their freight and insurance charges; on the other hand, the price of exports was taken as their price at the Indian port and therefore excluded the freight and Insurance charges which would be paid and added to their price at the port of their import. Therefore the drain as calculated by him was free of this particular distortion. As a matter of fact he went further and opined that if freight and insurance charges were added to the value of exports the drain would appear to be even larger than that calculated by him. Moreover, he told that the Britishers did not include transactions in gold and silver in compiling their balance sheets of exports and imports.

Secondly, the Britishers protected the investment of foreign capital as it was for the economic development and enrichment of India. Dadabhai Naoroji condemned the foreign capital as the investment of foreign capital was neither essential nor beneficial. The need for it arose, commented he, because India's own capital had been and was being drained out by its rulers. In the absence of the drain, India might have itself financed railways, etc., and, in general, met its own requirement of capital. In reality, therefore, foreign capital replaced and not augmented India's own capital. If foreign capital had been a genuine addition to indigenous capital, it might have been welcome. Moreover, foreign capital imported into India was only India's own capital drained earlier. Therefore there was no genuine foreign capital invested in India.

The same was his opinion about the loans as they were neither needed nor usefully employed and that since they were nothing but India's own drained capital the question of their cheapness did not arise. Further, Dadabhai Naoroji also pointed out that a part of the Indian public debt was entirely political in nature and useless, inessential, and unproductive in character and that



there was no economic equivalent in return for it. Lastly, turning to the point of employment of Europeans into the administration of India and the payment of their salaries which was the heart of his drain theory, Dadabhai Naoroji denied that the drain under this head was compensated for by non-economic Services rendered. these services, to his views, were not essential to India and were in fact not needed by it since they could be performed equally well and more cheaply by Indians themselves. payments for these Services being therefore compulsory and in the nature of an imposition, precisely represented a drain. Even on the plane of law and order, Dadabhai Naoroji questioned the official assumptions and argued that India was not really properly protected since the British themselves were left free to exploit it. Moreover, the employment of British citizens threw India to non-economical losses such as the moral loss, the loss of wisdom and experience.

Expression of love and loyalty to british rule - a persuasive tactics

Dadabhai Naoroji was an admirer of British character and system. But he couldn't reconcile himself to the result of British rule out India. Hence the title of his book Poverty and Un-British rule out India. He expressed his earnest desire to ascertain in India truth British government. While addressing, a gathering in England in aid of the Indian Famine Relief Fund on July I, 1900, he said, "If it were British rule and not un-British rule which governed us, England would be benefited ten times more than it is." Dadabhai Naoroji adopted a persuasive approach to cure the malpractices of British rule and get the drain checked. He frequently mentioned British government's pledges and assurances given to Indians.¹⁰ He went to quote many British officials about the importance of India to British Empire which India's prosperity was a prerequisite for Britain's prosperity. Perhaps it had been his persuasive tactics that he reiterated within the 2nd session of the Indian National Congress that this Congress wasn't a nursery for sedition and rebellion against British government which it had been another stone within the foundation of the steadiness for that government' grappled with the settled, we are anxious to stop the political danger of the foremost serious order declared to exist by the secretary of state himself. He also appealed to the morale of British people and therefore the government, 14 and emphasized on cooperation to strengthen British government.

Concluding remarks

Dadabhai Naoroji struggled for this cause for subsequent 12 years before he died in 1917. But the revolutionary spirit with which he filled the Indian masses continued to figure till Indian people achieved the liberty in 1947, and made the sun of British Empire to set down in the East. Now at the passage of about half a century on acquisition of political nationalism, allow us to pause a flash and ponder whether we've achieved the economic nationalism too? Are the fruits of our development and progress fully available to the masses or only enjoyed by some classes because it happened within the past? Is it not true that quite one-half of our population still living below the poverty line?' If, the solution of those and similar questions isn't clearly affirmative, our independence isn't complete and therefore the dream that the good Indian leaders saw about India of future has not realized yet. A state where masses aren't fully satisfied and suffer from illiteracy, starvation and backwardness is usually a simple prey to the machination for foreign powers and susceptible to internal unrest. It is true, as Dadabhai envisaged that the prosperity of masses or economic nationalism isn't possible without self-rule or political nationalism. Similarly, it's also true that political nationalism or independence is incomplete without the welfare and prosperity of masses. Thus, both economic and political nationalism are supplementary and complementary to every other, and this is often what to be struggled for.

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