



Mains Marathon

Day 37: “The British's economic policy in India was started with mercantilism and ended with patronage”. Analyse. (250 Words)

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Approach / Explanation / Answer

- Introduce briefly by mentioning the three stages of British Economic Policy.
- Explain the three stages in detail.
- Conclude suitably.

Answer

The British's economic policy in India was carried on broadly through three phases. The first phase (1757-1813) of **'mercantilism'** was one of **direct plunder in which surplus Indian revenues were used to buy Indian finished goods** to be exported to England. In the second phase (1813-1858) of free trade India was converted into a **source of raw material and a market for British manufactured goods**. The third phase (1858 onwards) was one of **finance imperialism in which British capital-controlled banks, foreign trading firms and managing agencies in India**. This phased exploitation was carried out through a range of economic policies, primarily in the industrial and agricultural sectors of the colonial economy.

First Stage (Mercantilism)

- In this phase there was large-scale drain of wealth from India which constituted 2-3 per cent of Britain's national income at the time. It was this wealth that played an important role in financing Britain's industrial revolution.
- In this stage, **there was no large-scale import of British manufactures into India**, rather, the reverse occurred—there was **an increase in export of Indian textiles, etc.** The weavers were, however, ruined at this stage by the Company's monopoly and exploitation. They were forced to produce for the Company under uneconomic compulsions.

Second Stage

This stage is also termed as **Colonialism of Free Trade**. It started with the **Charter Act of 1813 and continued till 1860s**. **India was to serve as a market** for the ever-increasing output of British-manufactured goods especially textiles. At the same time, **the new capitalists in England, needed from India exports of raw materials**, especially cotton and foodgrains. The export of raw materials was increased sharply to meet the dividends of the Company and profits of British merchants. In this phase,

the following dominant features were visible:

- India's colonial economy was integrated with the British and the world capitalist economy. This was made possible with the **introduction of free trade**.
- The **Permanent Settlement and the Ryotwari system in agriculture** were introduced to transform traditional agrarian structure into a capitalist one.
- Administration was made more comprehensive and included villages and outlying areas of the country.
- **Personal law was largely left untouched** since it did not affect colonial transformation of the economy.
- Modern education was introduced to provide cheap manpower to the vastly expanded administration.
- The taxation and the burden on peasants rose sharply due to economic transformation and costly administration.
- India absorbed 10 to 12 per cent of British exports and nearly 20 per cent of Britain's textile exports. After 1850, engine coaches, rail lines, and other railway stores were imported into India at a large scale.
- The Indian Army was used for British expansion of colonialism in Asia and Africa.

Third Stage

The third stage is often described as the **Era of Foreign Investments and International Competition for Colonies**. It began around the 1860s in India owing to several changes in the world economy. These changes were as follows:

- Britain's industrial supremacy was challenged by several countries of Europe, the United States, and Japan.
- **The pace of industrialization increased sharply** (use of petroleum as fuel for the internal combustion engine and the use of electricity for industrial purposes were significant innovations).
- The world market became more unified due to **the revolution in the means of international transport. Liberal imperialist policies got replaced with reactionary imperialist policies**, which were reflected in the viceroalties of **Lytton, Dufferin, Lansdowne, and Curzon**. The **strengthening of colonial rule over India** was meant to **keep out the rivals as well as to attract British capital to India and provide it security**. As a result, a very large amount of **British capital got invested in railways, loans (to the Government of India), trade** etc. in India. The notion of training the Indian people for self-government vanished.
- Now, the aim of British rule was declared as **permanent 'trusteeship' over the Indians**. The **Indians were declared to be permanently immature—a 'child' people—needing British control and trusteeship**. Geography, climate, race, history, religion, culture, and social organisation were all cited as factors in making the Indians unfit for self-government or democracy. The British thus tried to justify their rule over Indians for centuries to come—all in the name of civilising a barbaric people— "the White Man's burden".

Thus, the British's economic policy in India was started with mercantilism and ended with patronage

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