



# Revisiting Indian Economic History in the light of Recent Progress in Global Economic History

**DF-ISEC WORKSHOP**  
**25<sup>th</sup> January 2012**

**Development Foundation**

#218, J P Royale, Sampige Road, Malleshwaram, Bangalore 560 003, India  
Tel +91 80 23467944, Fax +91 80 23467948, E-mail : [info@devf.org](mailto:info@devf.org), [www.devf.org](http://www.devf.org)

# Contents

- Introduction
- Background
- Objectives
- Methods and materials
- Results and Discussion
- Interpretation of India's Economic History
- Standard of Living

# Introduction

- ❖ The basic question that **economic history** concern is why certain countries grown rich, and some others remained poor? (**Roy 2000**).
- ❖ In other words, what causes and prevents economic growth? This question was explicitly asked when many former colonies became independent after World War II (**Easterlin 2001**).

- ❖ A systematic economic history of India during the early part of cultural development has not yet been attempted.
- ❖ Some scholars have indeed given us fragmentary accounts of particular periods or have dealt with various topics bearing upon the economic life in the past (**Sabahuddin** and **Shukla 2010**).
- ❖ There is a strong need for estimates of Indian GDP during the early colonial period, to assess the strong revisionist claims about Indian economic performance made recently in the context of the Great Divergence debate (**Broadberry** and **Gupta 2011**).

# Background

**It has been argued that, India has been an under performer in wealth production historically.**

- But the data shows that, GDP as the measure of wealth, this argument is not tenable till 1700 AD.

## **Standard of living of Pre-colonial India.**

- The historical data and 18<sup>th</sup> century quantitative data doesn't support this argument; the measures of quality of life including life expectancy were comparable at par till 18<sup>th</sup> century.

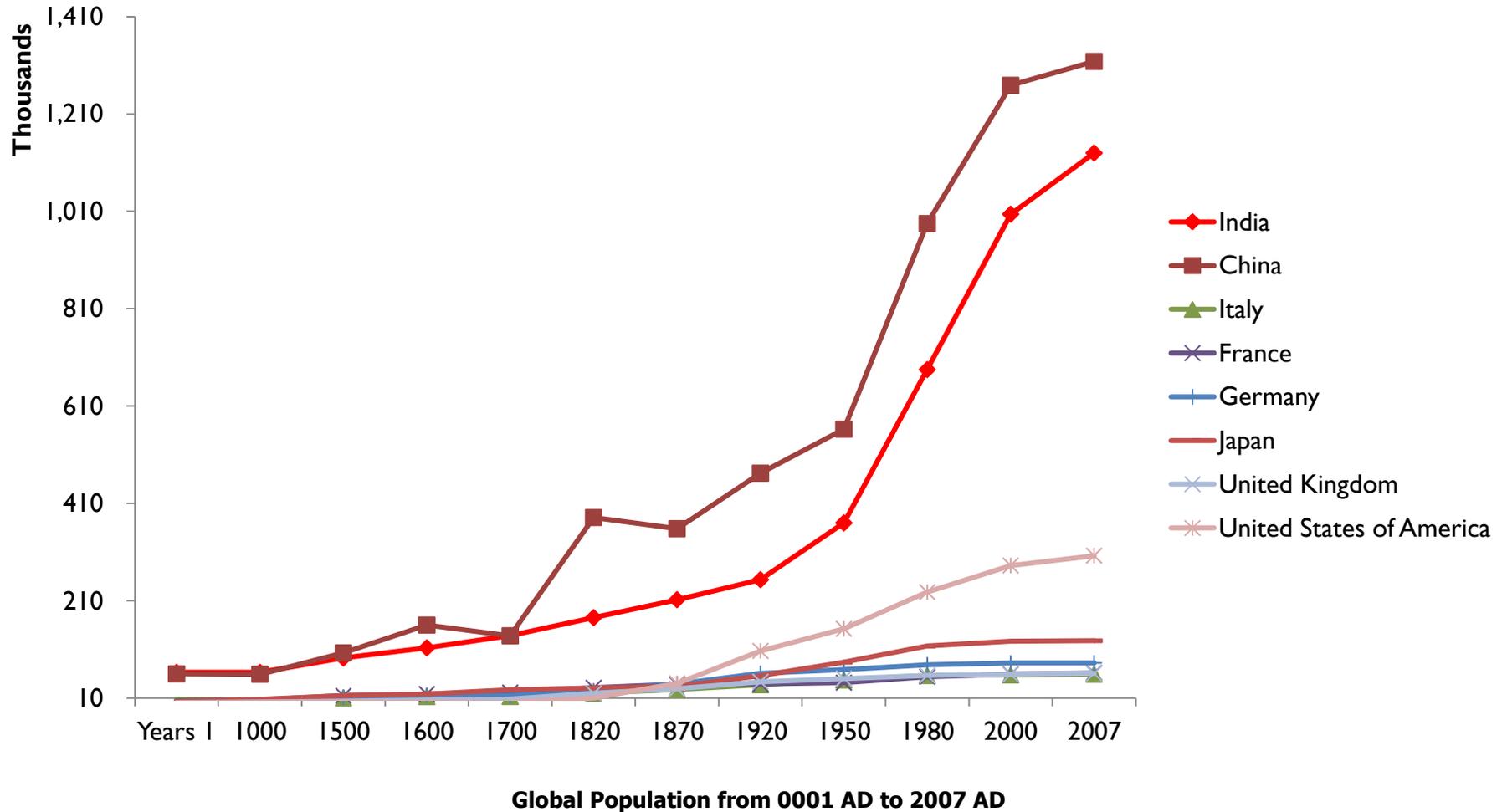
# Objectives

- To understand the economic performance of India over past two millennia in terms of GDP growth
- To understand the Colonial and non-colonial view (interpretation) of Economic History
- To understand the standard of living during Pre-colonial India and other parts of the developed world

# Methods and Materials

- In order to achieve the requirement of our *First objective* in the present study, we compared the GDP data available for 8 countries.
- To satisfy our requirement for the *Second objective*, substantial data on the standard of living of Pre-colonial India was surveyed and studied extensively.

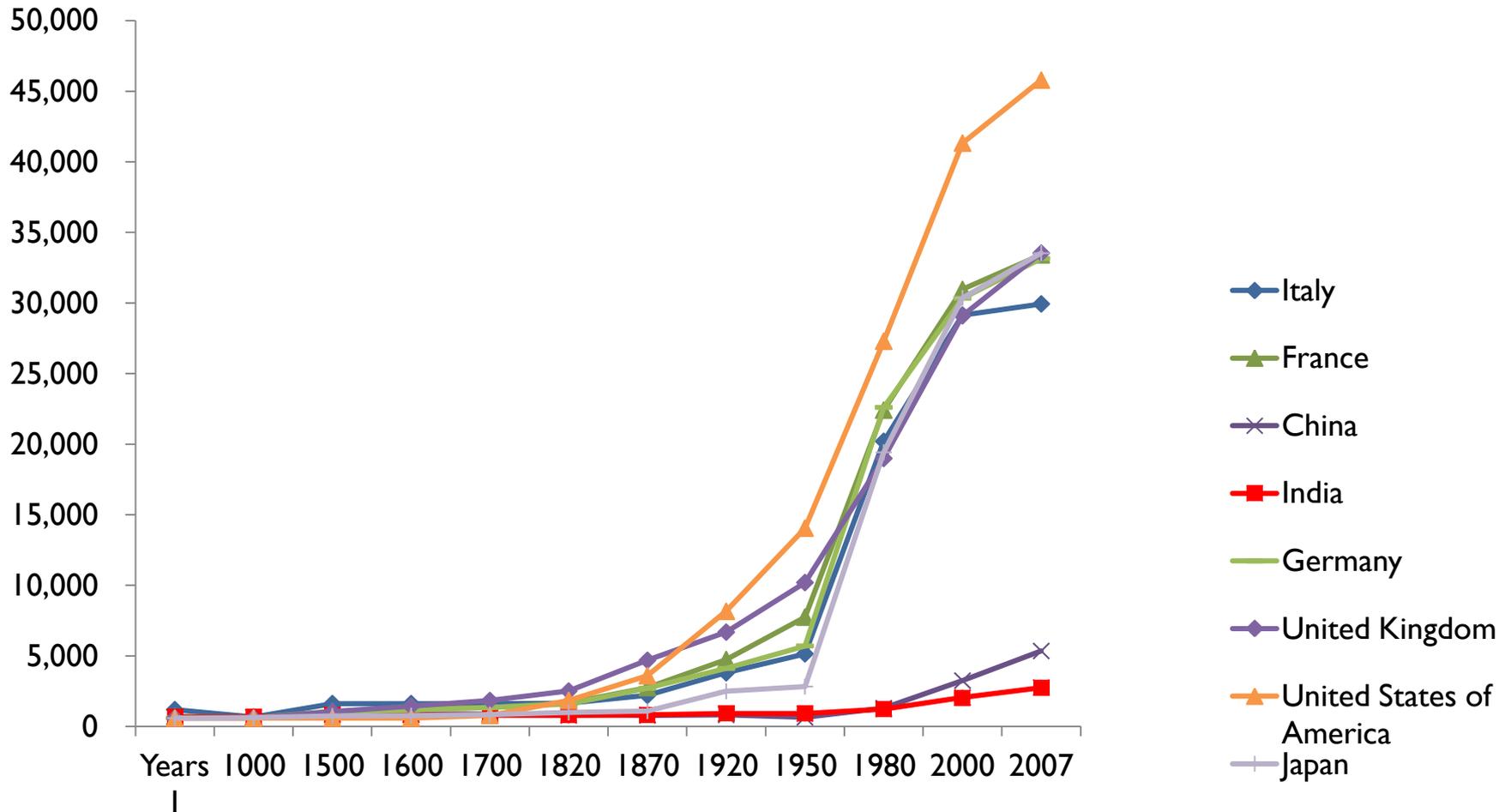
# Results and Discussion



# Population Growth

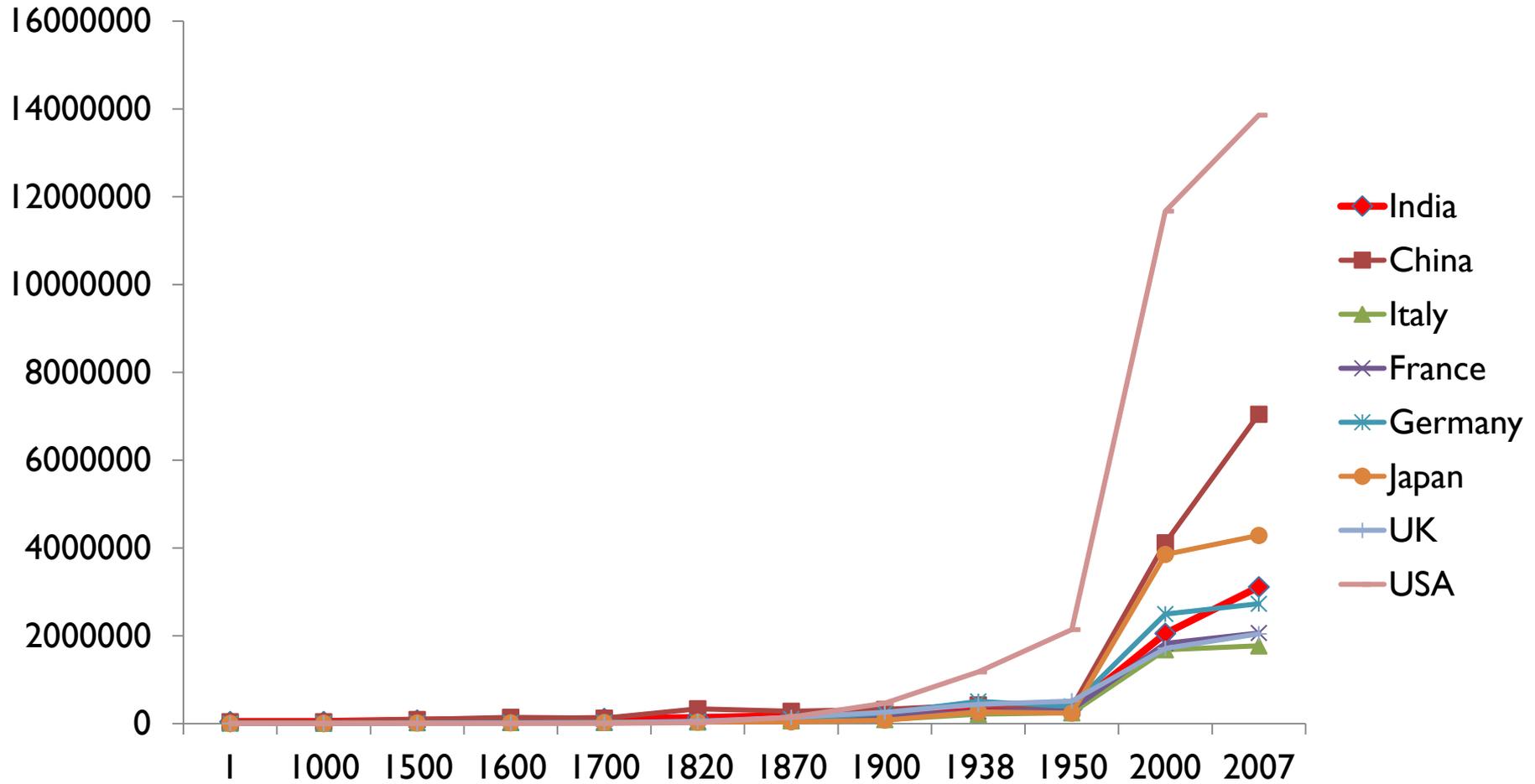
- *India occupied the first position from 0001 to 1000 AD and was followed by China. China overtook India and became the nation with the highest population from 1000 AD to 1700 AD.*
- World population declined in the fourteenth century and resumed its upward growth from 1400 AD onward.
- India was in the second position from 1820 to 1938 AD and China was ahead of India

# GDP Per Capita



- India appears to have maintained its position as a pre-eminent economic and cultural world power till around the 11th century.
- After this, its relative position steadily declined.
- India ranked fourth from 0001 AD to 1700 AD in GDP per capita at PPP.
- Italy was the leading country till 1600 AD and United Kingdom rose to first position after 1700 AD.
- United Kingdom dominated the world with a highest GDP per capita from 1820 to 1938 followed by USA, which became the leading nation from the years 1913 to 1938.
- India's GDP per capita however, drastically declined during the period 1820 to 1938

# Total GDP @ PPP



- ❖ India occupied first position in global GDP from 0001 AD to 1000 AD. Later, India ranked second from 1500 to 1700AD. *India had significantly contributed for global GDP during pre colonial periods.*
- ❖ India's GDP drastically declined from 1820 to 1890, later during the early 1900 it demonstrated slow growth. During the colonial period, France and Italy dominated the world with a good GDP.
- ❖ India's economic performance was very poor during the early post colonial period. India showed good economic growth after 1980.

# India's Economic History Interpretation

- ❖ India did not have the benefit of a balanced history of itself, or of the West and the Rest (**Gurumurthy 2011**).
- ❖ Many Historians of the nineteenth and twentieth centuries who wrote under the auspices of the imperial government and had preconceived ideas about the India's past, set a distinct trend in Indian historiography (**Sharma 2011**).
- ❖ The most historically accurate view of pre-modern India likely lies between the two most prominent ones. One side of the debate indicates that pre-British India experienced a complete lack of development, while the other portrays the region as economically flourishing during that time period (**Moore 2007**).
- ❖ The economic history of India can be traced back to 3500 BC, which marks the birth of an urban civilization, based on the surplus produced by the peasants (**Sharma 2011:8**).

## India's Economic History Interpretation

- ❖ The most historically accurate view of pre-modern India likely lies between the two most prominent ones. One side of the debate indicates that pre-British India experienced a complete lack of development, while the other portrays the region as economically flourishing during that time period (**Moore 2007**).
- ❖ During the past century, a number of groups have interpreted India's economic history to suit their agendas. The British crown justified a century-long rule and harsh treatment of native Indians with the "orientalist" (or "imperialist") view that the British Empire's rule "heralded modernity in India" and thus, India was lucky to play host to colonization (**Roy 2000**).
- ❖ **Andre Gunder Frank** proposes one theory regarding India's pre-British economy. In "India in the World Economy, 1400-1700," Frank posits that the subcontinent maintained a thriving center of commerce, which only fell prey to British expansionism due to problems caused by its own rapid development (**Frank 1996**).

- ❖ **James Mill 1817**, asserted that Indian Society had remained substantially unchanged since its inception.
- ❖ **According to Weber** *‘there is a fundamental contrast between oriental and occidental religion; the former he sees as being characterized by contemplative mysticism, and the latter by ascetic activism.’* Hinduism he regards as typical of the former, Judaism of the latter world view. Central to the Hindu view, states Weber, is the notion of a *‘caste-structured world thought to be eternal and unchangeable’* (**Weber 1967:3**).
- ❖ **Max Weber** charged not only on Hinduism, but also all eastern religions, as being on a world-view of world negation and life-denial. According to him even Western Europe had this same worldview when dominated by the Roman Catholic religion, until it was rescued by the new Protestant faith. And till this was achieved, the Industrial Revolution and Capitalism could not be ushered in (**Weber 1976**).
- ❖ **Nadkarni** opined that, Hinduism is not all concentration on spiritualism or God. The common misunderstanding about Hinduism is that it is other-worldly that it takes the mundane world only as an illusion, a false entity, and that therefore, there is nothing worth doing in this world for human beings except to seek liberation from the illusion of the world and unite with the supreme reality, the ultimate bliss (**Nadkarni 2006 pp 28**).

# India's Economic History Interpretation

- **Gombrich** commented that 'Allowing for many obvious differences it may well be that the appeal of Buddhism to the merchants of ancient India was very similar to that of protestant reformist movements to the merchants of 16<sup>th</sup> century Europe' (**Gombrich 1988:73**).
- **Pierence 1950**, noted that in the middle of the seventeenth century Asia was a far more important place than Europe.
- The riches of Asia were incomparably greater than those of the European states. Her industrial technique showed a subtlety and a tradition that the European handicrafts did not possess. And there was nothing in the more modern methods used by the traders of Western countries that Asian trade had to envy (**Toussaint 1966**).
- Adam Smith, while referring to China, Egypt and India acknowledged that they were "the wealthiest in the world, chiefly renowned for their superiority in agriculture and manufactures" (**Pereira 1997**).

# India's Economic History Interpretation

- In the opinion of Indian national leadership one of the most important causes of the poverty in India was the drain of wealth to England ...In fact, a great deal of the national agitation during the period under study was based on the drain theory or the belief that a part of the national wealth or of its total annual product was being exported to England for which India got no adequate economic or material return. Or in other words, India was being compelled to pay an indirect tribute to the English nation (**Bipanchandra 1965:103**).
- **Disraeli 1881**, pointed out that, the key to India lay in London. British rule was not maintained for the benefit of the Indian, nor simply for the sake of direct British interest in India; the Raj was there to keep firm the foundation on which much of the structure of formal and informal empire rested.
- The greater part of the soil is under irrigation, and consequently bears two crops in the course of the year.... It is accordingly affirmed that famine has never visited India, and that there has never been a general scarcity in the supply of nourishing food (**Durant 1954:441**).

# India's Economic History Interpretation

- **Frank 1996** indicates that pre-modern India dominated Indian Ocean trade due primarily to its skilled and flexible textile workers and the diversity of exports provided at Indian ports.
- **Frank** contends that sea-based trade created prosperity for India, resulting in European trade deficits to the region, while internal, overland trade functioned similarly for more regional exchanges. In spite of minor trade deficits with the Chinese to the north, overland and sea trade complemented each other to make the subcontinent one of the most profitable areas in the world.
- The idea that one needs wealth to create more wealth is expressed thus: “Men, without wealth, do not attain their objects even with hundreds of efforts; objects are secured through objects, as elephants are through elephants set to catch them” (**Kautilya 1986:419**).

## India's Economic History Interpretation

- Acquired lawfully by the ancestors or by oneself, consisting mostly of gold and silver, containing various kinds of big jewels and cash, [one] that would withstand a calamity, even of a long duration in which there is no income,—these are the excellences of a treasury. (**Kautilya 1986:314-316**)
- Smallness and simplicity of construction, as of the iron and steel furnaces or of the drill-ploughs, was in fact due to social and political maturity as well as arising from understanding of the principles involved. Instead of being crude the processes and tools of eighteenth century India appear to have developed from a great deal of sophistication in theory and an acute sense of the aesthetic (**Dharampal: 1971**).

# India's Economic History Interpretation

- Arthashastra did not mean economics or political economy in a narrow sense, and included even Dandaniti (Governance). Its economics part included a study of the economy, varta, which in turn comprised of agriculture (krishi), animal husbandary (go-raksha), commerce (vanijya), money lending and banking (kusida), manufacturing, arts and crafts (Kala), sculpture and architecture (**Nadkarni 2006**).
- *This single [treatise on the] Science of Politics has been prepared by mostly bringing together [the teaching of] as many treatises on the Science of Politics as have been composed by ancient teachers for the acquisition and protection of the earth (**Kautilya 1986:1**).*
- **Price 1997** brought attention to those portions of *Arthasastra* that are relevant from the point of view of history of economic thought.

# Standard of Living

- **Parthasarathi 1998; Pomeranz 2000**, have suggested that Asian living standards were on a par with those of Europe in the eighteenth century .
- During the early modern period, India was the world's main producer of cotton textiles, with a substantial export trade. Indian textiles were exported to Britain on a large scale from the seventeenth century (**Robson, 1957**).
- By the early nineteenth century, however, Britain had become the world's most important cotton textile producer, dominating world export markets, and even exporting to India (**Ellison, 1886**).
- It is very likely that, in the middle of the eighteenth century, the average standard of living in Europe was a little bit lower than that of the rest of the world (**Bairoch and Leboyer 1981**)

- The Asians were, in fact, close to the Europeans in standards of living. India's textile workers in the 1700s had a standard of living equal to that of British workers. This was due to a productive agriculture. Abundant food production kept the price of food low, and cheaper food raised standards of living (**Maddison 1983**).
- **Spear (1970:47)** writes: 'There seems to be good ground for thinking that the average peasant had more to eat than his European counterpart'
- The year 1750 was pre-industrial. Hand and arm muscles were still much involved in manufacturing, and that year India was producing 24.5 per cent of the world's manufactured goods. China was producing 32.8 per cent (<http://www.fsmitha.com/h3/h35-tek.html>).

# Standard of Living

- **Parthasarathi (1998)** quotes numerous eighteenth century English observers who claimed that living standards were higher in Europe. Many of them cite the low level of wages in India as support for their conclusions.
- He further disputes this evidence and offers some comparisons of his own that show the real earnings of weavers in India were higher than those of their counterparts in eighteenth-century England.
- **Pomeranz (2000)** concluded that, average incomes in Japan, China, and parts of south-east Asia were comparable to (or higher than) those in western Europe even in the late eighteenth century.
- There was very little difference in living standards between India and the rest of the world during the first half of the sixteenth century. In fact some argue that living standards in India were superior to the rest of the world during this time (**Acemoglu *et al* 2002**).