

DE-INDUSTRIALIZATION IN 1860-80

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ABSTRACT

De-Industrialization of Indian manufacturing sector was started in late 18th and beginning of 19th century. Before that, till the first half of 18th century India played an important role in world export market especially with its textiles industries but after facing competition from Britain mechanized manufactures it had started to lose its market power not only in world market but also in domestic market as well. Traditional hand weavers and spinners were mainly suffered from severe decline of traditional and artisanal industry. Britain cheap clothes attracted domestic buyers and discriminatory tariff policies of high rate of tariff on export and lower rate of tariffs on imports especially on products which were imported from British market had transformed India from a net exporter of final goods like metal products, silk cloth, woolen cloths etc to only net importer of raw material like woolen and silk yarn. While India's total share in world industrial product was around 25 per cent in 1750 it only remained 2 per cent by 1900. This paper tries to study the de-industrialization on the context of Indian industries and also tried to review some of the arguments presented by great historians and economists like Amiya Bagchi, Bipin Chandra, Prasanna Parthasarthy etc. over a long period of time. Some of these were argued that de-industrialization was caused by colonialism in India, while others have some different views.

INTRODUCTION

British India saw a decline in its industrial sector mainly in traditional industry and modern industry which was increasing in its place did not compensate for this loss. However, it was not the case that industrial sector was always weak but at a certain period of time it was well developed. The Indian share in production of world manufacture output was around 25 per cent until Mughal Empire started declining. This share fell sharply in 1900, when India's contributed only 5 per cent of world manufacturing product. As using handicraft production method was the main component of India's manufacturing sector. This decrease in share of output was either seen as decline of handicraft sector or de-industrialisation. So what happened to traditional industry mainly handicraft industry during British rule which caused decline in industrial share or de-industrialization of Indian industries has been an active topic for debate among many economists and historians. Britishers impact on industries also seen as adverse impact of colonialism on India.

DE-INDUSTRIALISATION- DEFINED

At 1800 there was a significant place for India's manufacturing sector in world. Some of important industries included spinning and weaving, manufacture leather, handicrafts, leather goods and metal goods etc. These industries did not use machineries, and were mainly operate at small scale and most of these were family labour oriented. Tirthankar Roy (2000) defined them as traditional industries. With the same logic he defined Modern industries as those industries that used machinery and operates at large scale factories. In his view modern industries were product of industrial revolution.

Theory of de-industrialisation mainly consists of four propositions-

- Traditional industries were declined in India. Traditional industries mainly included handicrafts, weaving and spinning industries.
- It declined due to competition from machine made products which were also cost effective.
- It is implied that this battle between hand tools and machinery based products was forced by Britain's commitment to free trade which was argued by them as engine of growth. But in reality it does not enhanced Indian growth at all but on contrary became a reason for decline of India's local industries.
- While closer economic relationship with Britain did create some modern industries in India which includes textile mills, but this creative role did not compensated for overall destruction caused to industrial sector due to fall of traditional industry.

Pre-British rule India consisted 'village communities' which were self sustaining in producing their own subsistence. But British government through its discriminatory revenue policy forced them to produce only for market and thus broke these communities. Hence deindustrialization also added to rural poverty as production for market was not enough profitable.

The de-industrialisation of Indian industry does not reflect the British manufactures conditions, as in Britain decline in handicraft sector was compensated with growth of modern industry. In India handicraft industry declined and there was no modern industry to compensate this loss. So, decline of handicraft also symbolizes reduction in profits and employment and it also reduced potential chances for development of handicraft industry into mechanized industry. One possibility for a country to de-industrialize could be raising comparative advantage in its agriculture export sector. Agriculture export sector may either be strengthened by advancement of productivity of domestic land or because of increasing openness in the world market, or both. A second possibility can be deterioration of home manufacturing productivity which causes either by obsolete technology or competition from foreign sector (Clinginsmith and Williamson, 2004)

INDIAN EXPERIENCE

Indian de-industrialisation can be defined using two scenarios. First, demise of Mughal Empire was also said to be the cause of de-industrialisation, as this demise caused the supply-side problems in home manufacturing. With the decline of Mughal empire, the political and economic stability it had provided also vanished in the mid of 18th century and it also created scarcity of grain in all parts. It caused a bad impression on production capacity of agriculture sector as price of key non tradable i.e. grain rose in comparison with tradable i.e. textile. As grain was a dominant component of consumption, this decline in productivity should have put an upward pressure on subsistence wages of workers in cotton spinning and weaving industry (Parthasarathi 1998; Allen 2001). Any rise in wages facing Indian textile would have negative impact on Indian competitiveness in world market.

Second scenario suggest that main driver of de-industrialisation was the victory of British machine made products over Indian local markets. India suffered negative globalization price shocks as British products were much cheaper. Staring from mid eighteenth century, British market had started to snatch away both India's place and profitability in foreign market. Even before introduction of mechanized technology which were started somewhere in 1780 an 1820, India had also started to lose its grip over world market. The second scenario is more popular among various Indian scholars (Trinthankar, 2002). After the French War, local markets of India were taken over by British factory made products and long term impact of de-industrialisation was not only result of post 1850 price shock but also negative productivity of agriculture sector caused by decline of Mughal Empire.

DE-INDUSTRIALIZATION DEBATE

During the Nationalist movement, de-industrialisation became an important theme of discussion among many Indian historical writers as this movement has given more power to governance of India which it can use for its people. Failure of indigenous industry was one of the main arguments of nationalist as they blamed it onto British government. In opinion of many nationalists, competition with cheap British mill industrial product was the main driver of movement of Indians from handloom industry to agriculture sector. Other also argued that this shift was caused by cost-effective techniques of Britishers which they obtained by using machinery produced clothes. Apart from this, discriminatory policy of low import tariff on British goods also caused a huge loss to Indian weavers. Rapid productivity advancement of European manufacturing sector mainly led by Britain caused fall in prices of manufacture products in foreign market. It became very difficult for local Indian manufacturers and industries to compete with the growth of mechanized production capacity of foreign sector, as a result local manufacturers had to face price shock and reduction in profits. There was another powerful shock which further severe the problems of local industry, this was changes in trade relations of

India and its trading partners, it included reduction in trade barriers like tariff rates which means now Foreign products can be delivered in Indian markets more easily especially British made products. This resulted in downfall in supply price of manufactures in India. As there was more improved transportation in foreign markets, price of Indian exports reduced further which was caused by high domestic market prices.

In an article criticizing the viewpoints of nationalists, Morris D Morris claimed that there was lack of more accurate evidence available showing fall in Indian handicraft industry. He added further in his argument that nationalists also failed to consider the possibilities of rise in demand of Indian cloth within India. Morris explained his argument by taking plausible situations like an increase in country's population level and rise in buying capabilities of people which was caused by a rise in per capita income could raise demand for local products. Hence, even though imports from Britain rose it would have caused only a mere or no reduction in local industries production. So his main argument was that without considering these possibilities of increasing market's size nationalists had tried to exaggerate the negative impact of Britain's transfer of its products to Indian market.

Morris arguments also had attracted many historians and scholars' views. Bipin Chandra was also a part of these responses. In response of Morris views many historians argued that Morris had not taken into account a large pool of evidence regarding fall in share of traditional handicraft which can be easily accessed from various government and famine reports. They also added that foreign imports entering India's domestic market was so large that its negative impact on domestic manufacturers cannot be ignored. They also responded to Morris argument of increase in market size and increase in per capita income, they said that even if we can consider demand for domestic products could rise as a result of increasing market size but there was no such concrete evidence regarding rise in per capita income during 19th century as suggested by Morris. In contrast there was evidence showing either decline or stagnation in per capita income during this period. Morris had also argued that low price of yarn in world market could also helped Indian local manufacturers to produce better quality clothes at fewer prices but it did not seem to provide any great help to Indian weavers. Ratio of import of yarn to that of woolen clothes was also very low from period of 1849 to 1889. Woven cloths imports were raised by 25.6 mn sterling, while import of yarn only rose by 1.8 million sterling. Furthermore prices of exported woven clothes from Britain were also fallen more frequently in comparison with fall in price of yarn. Average price of exported yarn reduced from 12 pence in 1844-46 to 11.7 pence in 1859-61 to 12.8 pence in 1880-82. While average price of exported cloth per pound also reduced from 22.5 pence in 1844-46 to 20.5 pence in 1859-61 to 19.4 pence in 1880-82 (Bipin Chandra, 1968).

CENTRAL PROVINCES (1860-1880)

This section examines effect on handloom industry in Central Provinces from 1861 onwards. There were many groups which were employed in weaving industries in Central Provinces; some of them were Koshtis, Koris and the Mahars. They produced silk cloths. In the 18th century they migrated in this part of India. Their clothes were used by higher castes of Maharashtra. Due to various causes like increasing Britain's market power, changes in taste and preferences of people in fashion caused by British markets and rising competition from British imported clothe, a slow decline began in India's industries shares not in world market but also within India. In 1860s construction of railway made import of foreign clothes much easier. While introduction of railway made foreign clothes cheaper but on other hand it helped in export of food grains and caused prices to raise. The combined effect of cheap cloth and high food prices had adverse effects on local manufactures and producers. Among high class changes in fashion caused rise in demand for lesser quality clothes. Before the mid 19th century, there was a limit on export from Britain textiles. There were many hurdles like communication gap and lack of proper knowledge about Indians taste and preference in clothing. To overcome this problem of taste difference an official was appointed by Indian state's Secretary. This person was J. Forbes. He was ordered to find the taste and preference of Indian buyers and also local products which could be easily manufactured by British manufacturers. These collections of data seem to help Britain's suppliers to fulfill the needs of Indian buyers. Effect of this was soon noticed on Central Province market. American Civil War also played an important role in reduction of cotton prices. All these events resulted in flood of British imports in Indian market. These clothes were 30 percent cheaper than local products and also were manufactured in closed imitation of Indian tastes. A very large part of Indian local markets were captured by Britain manufacturers as their clothes were cheaper and also seems in good condition as machine made products were more précised while compared with handmade products.

In response with these changes local weavers also had taken some steps. Most immediate step was lowering their products prices in order to compete with British manufacturers; they accepted lowered subsistence than abandoning handicrafts. Second in order to reduce their cost they opted mill spun yarn. In 1877 Empress Mill was established in Nagpur. Empress Mill adopted new spinning frame technique which was first time used by an Indian mill this technique required only unskilled labour. After some time it became a larger producer of yarn. With the adoption of new technique a new type of problem was also faced by manufactures. A new problem of marketing and finance was raised as most part of production cost was needed for yarn. This resulted in increasing dependency of handloom weavers on un-organised sources of finance which mainly included middlemen. They even needed finance for inputs of their final product.

The extent of competition faced by handloom weavers from machine made cloth can be observed from table given below. The data shows that ingenious goods captured a notable market share

even when cotton price fell during American Civil war and railway also reached Nagpur. In reality weavers were succeeded in earning benefit during wartime even though these profits were only temporary. There was an enormous expansion in cotton's cultivation and much more wealth flowed in areas having more reputation of good quality cloth. This explains the rising shift in value of exported cloths between 1863-64 and 1867-68.

TABLE

Piece Goods Imports and Country Cloth Exports, Central Provinces (in mounds)

	Import of Piece Goods		Export of Country Cloth	
	Mds	Rs	Mds	Rs
English				
1863-64	22,881	4,157,169	60,352	2,500,560
1864-65	58,496	5,686,495	54,277	4,419,699
1865-66	29,070	3,495,123	55,052	5,775,485
1866-67	58,402	6,615,671	52,893	5,605,898
1867-68	101,474	9,431,978	61,582	5,400,932

Source: Peter Harnetty "De-industrialization' Revisited: The Handloom Weavers of the Central Provinces of India c. 1800-1947,"

Provincial Administration Report showed clear results of negative impacts on the handloom manufactures due to rising competition from imported English goods in 1875 and their rising popularity. After 6 years. J.H. Morris who was Chief Commissioner at that time also accepted that there was indeed decline in handicraft industries but refused to believe that it had any negative impact on employment level and argued that it showed diversion of labour into some other remunerative channels. In direct contradiction of Morris view, Director of Agriculture at that time, J.B. Fuller maintained that competition from European goods have caused severe harm to weaving industry. The situation of handloom weavers was precarious. For example, in Jubbulpore district Koshtis were able to earn only two to 4 annas a day which was hardly sufficient for them and their families. They claimed that competition from manufactured cloth reduced their profits in past period they could make around 2 rupees profit from a single *than* of cloth.

Obviously from the 19th century handloom weavers had experienced decline in standard of living and Koshtis was the main section which had suffered mostly from this. However, overall situation of handloom weavers was generally very unsatisfactory. From the starting of 19th

century all the textile requirements of local markets were fulfilled by handloom weavers and they also succeeded in maintaining flourishing export trade, notably to Britain. Expansion of British rule, improvement of communication, construction of railways and without any protection from tariffs resulted in decline of handloom cloth industry.

CONCLUSION

It can be easily observed that during 19th century Indian weavers and spinners suffered a severe competition from foreign machine made clothes especially from Britain's manufacturing sector. Share of Indian Industry also suffered a severe decline both in terms of employment and income. Although this paper was mainly concerned with a part of de-industrialization period i.e. 1860-1880, situation of overall spinners and weavers can be observed with reference to Central Provinces. Handloom weavers had to face this foreign competition by cutting their livelihood. We have also observed two possible causes of de-industrialization which were fall in Mughal Empire resulted in reduction in productivity of agriculture sector which further resulted in increase in industrial worker's wages. This increase in wages caused high cost for manufacturing in India. Now competing with Britain's cheap cloth became more difficult and discriminatory policy of British government also added burden on domestic manufacturers. Even though Morris had argued that there were no actual fall in traditional industry. We can say that it did not increase but remained stagnant. He had supported his argument by taking certain situations which were not taken into account by nationalists like increase in market size for Indian cloths, increase in per capita income and rising population, there could be a rightward shift in demand curve for Indian clothes. But there were also many historians who argued in against of Morris views and their reasons also seemed very plausible. So by all these evidences there was indeed fall in share of industry in both employment and income which resulted in De-industrialization. And the process of de-industrialization was mainly started from beginning of 19th century and period between 1860-1880 played an important role in this as impact of introduction of railways can be seen in this period and impacts of de-industrialization started to become more and more obvious.

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