

The problem of colonialism in classical political economy : analysis, epistemological breaks and mystification

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1. Real and assumed epistemological breaks in Smith and Marx

The term 'political economy' (or *economic politique*) seems to have been used for the first time in France in the early seventeenth century and was part of the discourse of public administration and nation-building (Groenewegen, 1987). Rousseau used the term in the sense of the science of management of the public fisc as late as the 1750s (Rousseau, 1755). But by the second half of the eighteenth century, the phrase 'political economy' was being used quite generally by the Physiocrats and by Sir James Steuart (1767) to designate the general study of the wealth of a nation, its distribution and the causes of its increase or decline. Adam Smith's *Inquiry into the wealth of Nations* is a culmination of this period of development of political economy as 'the science of the legislator' (Winch, 1983). This extended scope of the subject was considered the proper field of discourse of authors such as Richard Cantillon or Josiah Tucker who referred to the study of commerce rather than the wealth of nations as their subject-matter (Cantillon, 1755; Tucker, 1755).

Whether authors of the first three-quarters of the eighteenth century referred to the study of the wealth of nations as the study of commerce or as political economy, they explicitly related that study to politics, and to issues of justice and morals. Adam Smith published the first edition of his *Theory of Moral Sentiments*, in 1759, seventeen years before the *Wealth of Nations*, and five editions of the book were prepared by him during his lifetime, in 1761, 1767, 1774, 1781 and 1790 (Skinner, 1987, p.358). The fact that two editions of the book were brought out by Smith after the first edition of the *Wealth of Nations* had come out showed that Smith did not think that this latter book had superseded the *Theory of Moral Sentiments*. But historians of economic thought - even perceptive scholars such as Eric Roll or Joseph Schumpeter - have only noticed the *Theory of Moral Sentiments* and ignored its intimate relation to the *Wealth of Nations* (Roll, 1954, p.143; Schumpeter, 1954, pp.129-30). The latter book has been seen primarily as

the pure economic analysis of a commercial society. The famous 'invisible hand' of Smith (1776) has been regarded simply as a statement of the justification of *laissez faire* as the basic principle that should inform the governance of a commercial society. However, in the *Theory of Moral Sentiments*, the proposition about the invisible hand was derived as a special case of the more general dictum that individual actions motivated by selfish desires (or presumably their opposite) can have unintended social consequences. In the particular case discussed in the *Theory of Moral Sentiments*, the rich, according to Smith (1790, pp.184-5),

in spite of their natural selfishness and rapacity, though they mean only their own conveniency, though the sole end which they propose from the labours of all the thousands whom they employ, be the gratification of their own vain and insatiable desires ... are led by an invisible hand to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants and thus without intending it, without knowing it, advance the interest of the society, and afford means to the multiplication of the species.

There are other passages in the same book which throw considerable light on what Smith considered to be the appropriate framework for analysis of the motivation and consequences of public policy - often deriving from very different attitudes to the public sphere (Ibid., pp.185-187). All this analysis and the necessary distinctions between different ethical systems vanished in the memory of economists and policy-makers following *laissez faire* doctrines, and an 'epistemological break' between Smith's *Wealth of Nations* and his other writings was imposed by the selective memory of the following generations, although the author himself never executed such a break (for the concept of 'epistemological break' see Althusser, 1969 pp.32-36; Althusser attributes the concept to Gaston Bachelard).

The epistemological break between the old disciplines informing the science of the legislator or the sociologist and the ethics and jurisprudence of the philosopher and the new discipline of political economy was canonized by Ricardo's *Principles* (1817). Dugald Stewart was apparently the first famous teacher to have offered in 1799 the first course in political economy (Winch, 1983, p.512). The first formal chair in Modern History and Political Economy was created by the East India Company in 1805 in the college which was meant to train the Company's cadre of covenanted servants to be sent out to India (Keynes, 1951, p.91). But it was Ricardo who was credited by N.W. Senior with separating out the science of political economy in pure form (Senior, 1852, as quoted by Winch, 1983, p.512). However, long before that, the name of the divine Dr. Smith was being invoked by most followers of the *laissez faire* doctrine,

without specifying any of the political and social conditions which were stressed by Adam Smith for implementing his recommendations. This disembowelling of his theories was probably most glaring when it came to the discussion of the justification of acquiring or holding dependent colonies and the policies to be enforced on them. The severing of the connection of formal political economy with the other disciplines in the general area of the study of the 'human sciences' (to adopt a phrase which is far more popular in France than in the Anglo-Saxon countries) had generally unfortunate consequences for the use of political economy to analyse actual human societies. Such severance provided powerful tools for the analysis of the working of a pure capitalist economy but the truncated corpus became a burden when it came to the analysis of working of non-capitalist societies or even societies in transition to capitalism. All non-capitalist societies were treated as deviations from the norm to be corrected by applying the scalpel of the *laissez faire* doctrine.

Adam Smith, David Ricardo or Jeremy Bentham found the basic social system and the state to be eminently acceptable. But they wanted to improve their working through gradual or radical reforms that would keep intact the basic structure of that state or society. The designation, 'science of the legislator' can be appropriately applied to this whole corpus of thought since it was meant to provide the legislator the implements for making *laissez faire* an active principle in the codification of laws. Ricardo's contemporary, Georg Wilhelm Friedrich Hegel wanted to create a philosophy that would allow the construction of a perfect state embodying the working of reason. Such a state would use not only the rationality of individuals but also 'the cunning of reason' which is the working out of the interaction and conflicts between different systems in a form that none of the participants in the systems could have foreseen, let alone actively constructed. One reason that such a formulation acquired magisterial authority is that educated Germans were acutely dissatisfied with the existing form of states in the numerous territorial sovereignties into which Germany was divided. These states could not successfully face the competition posed by the post-revolutionary French state or the victorious state of ever-perfidious Albion (Avineri, 1972; Taylor, 1979; Hampsher - Monk, 1992, chapter 9). Another reason Hegel became important to later writers on politics and society is that Hegel sharply posed the problem of adaptation of backward societies to the demands of their emergence as 'historical nations', that is, nations which would have an internal dynamic of their own and not simply be tossed hither and thither like so much driftwood on the ocean currents of history. In the process he also provided the stimulus for construction of many variants of conservative ideology which had precisely the aim of stemming or containing the emergence of social forces that seemed to threaten the old order.

Karl Marx followed Hegel in taking the problematic of a backward state or society such as that of Germany as a central concern of his work (Furet, 1988). However, instead of a philosophy of history, he started on the quest for a philosophy of revolution. This in turn, led him to the study of the dialectics of capitalism - the latest phase in the development of human society. In the process he also put the Hegelian dialectic on its head, taking the material conditions of human beings as the foundation of all philosophical, historical or scientific enquiry rather than treating ideas or thought as virtually divorced from the way thinking beings lived in society. But in undertaking a spectroscopic analysis of capitalist society - which was itself an accomplishment that was almost superhuman in its magnitude - he never could come back to the concerns of his youth. Contrary to Althusser's claim, the mature Marx did not supersede the young Marx : Marx did not live long enough to finish what the young Marx had begun. Marx's discovery of classical political economy and his life-long engagement with the dialectics of capitalism and with theories of surplus value should be seen as a case of 'epistemological broadening', not of 'epistemological break'. That broadening would have required a thorough enquiry into the ideological and material constituents of non-capitalist societies : the early student of Greek philosophy had to leave that task to be executed by others (cf. Ste Croix, 1981, chapters 1 and 2).

As we shall try to demonstrate in the rest of the paper, the problematic of colonialism was covered over rather than sorted out in the writings of most nineteenth century followers of classical political economy. In the same way the finitude of human life imposed an epistemological break on the work of Marx and Engels which cost Marxism dear as far as the analysis of non-capitalist or backward capitalist societies was concerned. V.I. Lenin, Leon Trotsky, Rosa Luxemburg and Mao Zedong had to undertake fresh analysis of underdeveloped capitalist or pre-capitalist societies. They were often accused of violating the principles of the two founding fathers, for the reason that he latter could not finish in their old age what they had begun in their youth (McLellan, 1979). That story of the recovery of the full-blown Marxian problematic dating back to the days of *German Ideology* (Marx and Engels, 1845-47) will be taken up in a separate paper.

2. The discourse of colonialism in Adam Smith

Adam Smith's denunciation of colonial conquests and of monopoly companies is justly celebrated. Smith, however, distinguished between colonies in new lands empty (or emptied) of people, and colonial rule over lands with settled populations. In his discussion purely economic factors play a dominant, but by no means an exclusive, role.

The colony of a civilised nation which takes possession either of a waste country, or of one so thinly inhabited that the natives easily give place to the new settlers, advances more rapidly to wealth and greatness than any other human society (Smith 1776, Vol.II, p.63).

The colonist, with abundant land, with no rent, and virtually no taxes to pay reaps all that he sows. If he employs labourers in order to augment his production, he has to pay them high wages because of the scarcity of labour. 'The cheapness and plenty of good land encourage improvement, and enable the proprietor to pay those high wages' (Ibid., p.64). 'The liberal reward of labour encourages marriage. The children, during the tender years of infancy, are well fed and properly taken care of, and when they are grown up, the value of their labour greatly overpays their maintenance. When arrived at maturity, the high price of labour, and the low price of land, enable them to establish themselves in the same manner as their fathers did before them' (Ibid., p.63). Finally, 'what encourages the progress of the population and improvement encourages that of real wealth and greatness' (Ibid., p.64).

Adam Smith was here giving a more or less summary account of the reasons for the spectacular growth of the American colonies planted by the British. This account is also consistent with his view that there could be no forcible imposition of the rule of the British Parliament on those colonies. He was not alone in arguing that the only natural development would be that eventually the American colonies would become more populous and prosperous than Britain and the seat of government should be removed from Westminster to some place across the Atlantic (Pocock, 1980, p.81).

Smith put down two conditions for a new colony of settlers to prosper. There should be abundance of land, and the colony must not be planted in 'conquered provinces which had been fully inhabited before' (Smith, 1776, Vol.II, p.65). Secondly, the colonists must not belong to 'savage and barbarous nations', because among them 'the natural progress of law and government is still slower than the natural progress of arts, after land and government have been so far established as is necessary for their protection' (Ibid., p.63).

Adam Smith's condemnation of colonies of exploitation, under which the inhabitants do not enjoy the liberty to regulate their own affairs is also quite unequivocal. Scholarly attention has been devoted chiefly to his condemnation of companies of merchants enjoying monopoly privileges under charters issued by their governments : 'The government of an exclusive company of merchants is, perhaps, the worst of all governments for any country whatever' (Ibid., p.68). He excoriated the government of the Indonesian archipelago by the Dutch East India

Company because of the evil effects it produced for the economy and the welfare of the inhabitants of that archipelago. He extended that analysis also to the probable effects of the rule of Bengal by the English East India Company: 'The English Company have not yet had time to establish so perfectly destructive a system [as prevailed in the Dutch East Indies -- A.B.]. The plan of their government, however, has had exactly the same tendency' (Ibid., p.132). In a celebrated passage, he pointed to the stark contrast between the interests of the East India Company as a sovereign, and its interest as a company of merchants :

It is the interest of the East India Company, considered as sovereigns, that the European goods which are carried to their Indian dominions should be sold there as cheap as possible; and that the Indian goods which are brought from thence should bring there as good a price, or should be sold there as dear as possible. But the reverse of this is their interest as merchants. As sovereigns, their interest is exactly the same with that of the country which they govern. As merchants their interest is directly opposite to that interest. (Ibid., p.134).

Smith did not stop with the uncovering of this stark contrast, but went on to develop the theme that the character of the government of the East India Company was itself likely to be distorted by the combination of mercantile monopoly and absolute authority in the same hands : the administration of the Company in India 'is necessarily composed of a council of merchants, a profession no doubt extremely respectable, but which in no country in the world carries along with it that sort of authority which naturally overawes the people, and without force commands their willing obedience. Such a council can command obedience only by the military force with which they are accompanied, and their government is therefore necessarily military and despotical' (Ibid., p.134). This theme was further developed by Burke (1783) in the *Ninth Report*, who characterized the system as that of 'coercive monopoly'.

Read together with the reasons advanced by Smith for the prosperity of English colonies in North America, including their liberty in governing their own affairs, and for the desirability of expanding the market in Bengal through fierce competition among traders (Ibid., 133), Smith's analysis amounts to a condemnation of any alien rule on a group of settled inhabitants, especially when such rule might lead to a retardation in the growth of the market through a transfer of the surplus from the dependent country. For the explication of the latter part of the analysis, however, we have to turn to Burke's *Ninth Report* (Burke, 1783), and to Lauderdale (1809).

Adam Smith argued also that the granting of exclusive privileges to merchants for trading with distant parts of the world was harmful to the mother country because of its effect in

increasing the prices of imports from the colonies, and because of its tendency to divert capital to trades which are less profitable from the point of view of the mother country, though not necessarily from that of the company of merchants. Finally, he was acute enough a student of politics to realize the evil influence of the privileged company on the policies of the home government and on the behaviour of its servants who are in charge of the government of the conquered country.

To found a great empire for the sole purpose of raising up a people of customers may at first sight appear a project fit only for a nation of shopkeepers. It is, however a project altogether unfit for a nation of shopkeepers, but extremely fit for a nation whose government is influenced by shopkeepers (Ibid., p.110).

Adam Smith in effect argued that the abolition of monopolies was in the true interest of the nation of shopkeepers, although it might go against particular sectional interests. The campaign for abolition of the monopoly privileges of the East India Company drew fire from Smith's analysis of the evil influence of sectional interests in corrupting good government as well as from his demonstration of its effect in retarding economic development in the home country.

3. The Hume-Tucker law of economic development

Adam Smith was not alone in opposing commerce by conquest but was one among a number of other writers in the eighteenth century who tried seriously to analyse the necessity or desirability of foreign conquests for the sake of advancing the prosperity of the home country. Smith argued that any country which followed the same policies as Britain in promoting liberty and freedom of trade could do as well. However, at least one of his contemporaries, Josiah Tucker of Gloucester, put forward a set of arguments to show that a rich country pursuing policies of free trade would continue to enjoy an advantage over its poorer neighbours or partners, and it needed no crutches of conquest or privileges in order to stay ahead. Tucker's arguments arose partly out of his contestation of David Hume's theory of equalization of the conditions of rich and poor nations under a regime of free trade, but Hume had anticipated important elements of Tucker's theory. Edmund Burke, Hume, Smith and Tucker all argued, for very different political reasons, that the American colonies should be separated from Britain. Some of them in fact agreed with Benjamin Franklin that the American colonies would eventually overtake Britain in population and prosperity, and the logical outcome of a continued union would be for the seat of government to be removed across the Atlantic (Pocock, 1975, Winch, 1978, chapter 7; Pocock, 1979, 1980, 1985a; Miller, 1981, 'Conclusion'). Practically all

of them would have shuddered at the prospect, mainly because they loathed the kind of government they thought such a union would require - either a fully republican government, with no monarchical element in it, and riddled with factiousness, or an oligarchical monster with all patronage concentrated in a seat of government operating from across the Atlantic.

It is fascinating to speculate how much the general anti-colonial or anti-empire attitude of these men of letters (only Burke among them was a practising politician) was shaped by the rise of the American colonies to the position of potential challengers to the British power and the authority of the British government. My concern, here, however, is the narrower one of linking the political stance of Tucker and Hume to their `strictly economic' reasoning. I shall concentrate mainly on Tucker because he has written more extensively than others on the irrelevance of colonial conquests for the prosperity of a rich nation (for a more extensive treatment, see Bagchi, 1993).

In 1763, the year in which the Seven Years' War between England and France ended, Tucker published a tract setting out the reasons why it was stupid to go to the war for `the sake of procuring, enlarging or securing of trade' (Tucker, 1763). This was republished in 1774. He added a new Tract as an introduction to the whole collection, and there he set out fully the grounds for concluding that under a regime of free trade, the rich country will continue to prosper and may even stay ahead of the poor country (Tucker, 1774a).

On p.36 of this new Tract, Tucker formulated a proposition which may be characterized as the Hume-Tucker law of economic development and international prices (Hume comes close to the same proposition in his essay, `Of Money' ; see Hume, 1752a):

[o]perose or complicated manufactures are cheapest in rich countries; and raw materials in poor ones. And, therefore, in proportion as any commodity approaches to one, or other of these extremes, in that proportion will it be found to be cheaper, or dearer, in a rich or a poor country.

In tracing out the implications of trade between a rich country and a poor one, Tucker carefully distinguished between the case in which the riches are derived from a windfall gain such as the receipt of a large indemnity and the case in which the riches are earned `in the way of general industry'. In the former case the effect will merely be to raise wages and costs all round in the richer country, and the country will export less to, and import more from, its poorer neighbours. Not only will the initial surplus in balance of trade be dissipated but the earnings in

real terms will come down to what they were before. This is in conformity with the specie-flow mechanism of adjustment outlined by David Hume (1752a and 1752b).

The case is quite different when the rich country is richer because it is better developed in terms of manufactures and trade and has higher incomes per head. (Tucker does not specify the differential advantage in terms of differences in per capita incomes and wealth, but his meaning is clear). The rich country has a higher productivity of labour because it is endowed with better implements, better infrastructure, a more extended and more intensive trading network, and a more productive agriculture. Tucker adds another factor which has gained prominence in the recent literature stressing the superiority of rich countries in generating new knowledge and better learning (cf. Krugman, 1979). The poorer country, however willing to learn, will not have the advantage of 'equal means of instruction, equally good models and examples', and hence 'though both may be improving every day', the rich country will be able to 'keep comfortably ahead of the poor' (Tucker, 1774a, p.31). The rich country will be able to save and invest more and further augment its productive capacity all the time. The larger market of the country will also provide a better scope for productivity growth through increasing division of labour and through a brisker skill formation process. The rich country will have a lower cost of capital, and hence, in spite of the higher wages, the higher level of productivity and the lower cost of capital may lead to a cost advantage in comparison with the poorer country, especially in the newer branches of manufacture or in manufactures in which technical progress is rapid.

This set of factors alone can be used to derive the proposition which Hume had also adumbrated, that if full employment prevails in both the trading countries, the manufactures requiring more labour and raw materials and less skill and capital will migrate to the poorer country and the rich country will specialize in more and more 'operose or complicated manufactures'. Tucker drove home his conclusion by adding two other factors which are distinguished by a novelty that remained unrecognized until recent times. In the richer country, with denser networks of trade, and with larger numbers of 'more quick and dexterous' tradesmen, competition will be more fierce, and goods will be cheaper (Tucker, 1774a, p.34). This is reminiscent of the theory that 'contestable markets' with easy entry can produce results which are almost as good as those that are supposed to be derived from purely competitive markets (Baumol, Panzar and Willig, 1982). Finally, 'the higher wages of the richer country' and the greater opportunities afforded by it 'for the exertion of genius, industry and ambition' will lure away 'a great many men of spirit and enterprise' from the poorer country, causing a drain of brains and entrepreneurship (Tucker, 1774a, pp.52-53).

This last factor is, of course, 'the backwash effect' discussed by Myrdal (1957), and is part of theories of cumulative causation strongly advocated by Nicholas Kaldor (1972). As Kaldor recognized, the addition of such factors will lead to cumulative disequilibrium processes; the assumption of full employment would be rendered unrealistic, and the poorer country may not simply continue to lag behind the richer but may experience absolute impoverishment. (If we add two factors which have become much more important since the days of Hume and Tucker, and which were not naturally considered by them, viz., static economies of scale, and international mobility of capital, the increasing dispersion between rich and poor countries under a regime of free trade becomes an almost inescapable inference).

Josiah Tucker has been rightly characterized as a precocious theorist of the so-called 'imperialism of free trade'. (Semmel, 1970, chapter 2). But he may equally be claimed as a precursor of the theory of the new imperialism of free trade, based on a monopoly of knowledge and innovative capacity possessed by today's rich nations, belonging to the OECD.

From the point of view of the historiography of colonialism and of the system of unequal interdependence spawned by capitalism what is interesting is that Tucker's opposition to formal conquest of a poor country by a rich nation based on the above propositions underlying a dynamic theory of international trade left no reverberation in the nineteenth century literature at all. Once the colonial conquests were made, most of the reasoning underlying the opposition to such conquests was almost consciously covered by a mist of unfounded extrapolations.

Most of Tucker's arguments regarding colonies were centred on the effects their possession would have on the mother or conquering 'nation' (It was quite usual in those times to use the word 'nation' indifferently for a 'country', although sometimes the 'nation' in a stricter sense was also meant). Adam Smith considered the balance of advantages and disadvantages for both the conquerors and the conquered, and for both colonies of settlement and exploitation. Tucker's arguments would apply also to both the sets of colonies. But he poured special scorn on schemes of conquering a settled population for the sake of advancing trade. In his planned but only partly completed treatise on political economy, the *Elements of Commerce and Theory of Taxes* (Tucker, 1755, pp.140-181), Tucker rebutted the argument 'that exclusive Companies are necessary in order to maintain Forts, Governors, and Soldiers along the Coast; - otherwise these Establishments must be supported at the Public Expense' (Tucker, 1755, p.141). Tucker asked (Ibid.)

To what *commercial* uses are these forts to be applied? If they are in order to plant a colony - then the having a few ports, without making further Settlements, is only being at a continual Expence to answer no end. If they are to awe and bridle the Natives, it would be difficult to shew, what Advantage can accrue to Trade by insulting and disobliging the people you trade with : And sure I am, that that Shopkeeper would be deemed a strange kind of creature, who would go and *bully* all his customers, in order to bring custom to his shop. - But perhaps it may be said, Forts are necessary, in order to prevent other European Nations from trading with these countries : If so, then I ask, Do these Forts prevent any Nations whatever from trading, if they have a mind to trade ? Do the *English* Forts, for example, prevent the *French*, or the *French* the *English* from trading to India ? Not at all.

(Italics in the original)

It is ironical that this should have been printed just two years before the battle of Plassey and the beginning of the conquest of India by the British East India Company. Tucker's further arguments against monopoly companies with exclusive privileges of trade with foreign countries - arguments that almost fully anticipated the similar but more elaborate arguments of Adam Smith in the *Wealth of Nations* - also fell on deaf ears. According to him if the Dutch East India Company had

always acted according to their original Plan of being *Traders* instead of *Conquerors*, they would have employed a much greater Number of Shipping than they now do, they would have exported and imported larger Quantities of the Merchandises of the respective Countries, and they would have spread that wealth among all the Individuals of the State, which by being ingrossed and monopolized in a few Hands, hath done more real Mischief to the Vitals of their Constitution, than all their other Enemies put together (Tucker, 1755, p.142).

Tucker presented the effects of monopolization of the trade by exclusive companies as a species of taxation :

they *Tax* the European Goods which they sell in Asia, and the *Asiatic* Goods which they sell in Europe, with an *higher Price* than the private Trader would do, and then apply a Part, and a very small Part, of this Tax to the Purposes of their Military Establishments, and put the rest in their Pockets. But of all Taxes, this is the worst and most pernicious in its Consequences; for a Tax upon the *Exportation of our own Manufactures*, is a Tax upon our own Industry and Labour; and a Tax upon the Importation of raw Materials, is no other than a method of tying Mens Hands behind them, lest they should render themselves and

their Country Service. - The only Tax of this Nature which is justifiable, is that which our *East India* Company lays upon Tea, and such other Articles and foreign Manufactures, as do not promote general industry *at Home*, so far the Tax is right : But then it ought to be considered, that in Proportion as these Articles are taxed by the Company, in the same Proportion is the public Revenue defrauded of its just Due. For certain it is that were the Trade to *India* and *China* as free and unrestrained, as the Trade is to *Spain* and *Portugal*, the consequence would be, that Tea and all other articles would be sold to the consumer much cheaper than they now are, even though the present customs were doubled upon them. And then would the Revenue itself be prodigiously increased; may, the Temptations of smuggling Teas, and other *Asiatic* Commodities from *Denmark*, the Isle of *Man*, *France*, and *Holland* would be proportionably decreased; and this likewise would prove another source of great Gainings and Savings to the Nation (Tucker, 1755, p.143).

Tucker sought to prove by this line of argument that the nation and not the Company would really support the forts in foreign countries through this species of indirect taxation.

4. Burke, Lambert and Lauderdale : challenge to the East India Company's regime in India

Although Smith and Tucker both analysed the effects of monopoly privileges of exclusive companies on the prosperity of the home country and the colonized country and Smith reflected on the style of administration of the colony under the rule of a foreign monopoly company, neither considered the possibility that a tribute would be extracted from the colony to support the military and administrative establishment maintained by the ruling company. The mode of extraction of such a tribute and its consequences for the colony formed a major theme in the deliberations of the *Ninth Report* attributed to Edmund Burke (1783), and in the books of Anthony Lambert (Colebrooke and Lambert, 1795) and Lord Lauderdale (1809) on the state of India under the government of the East India Company. This theme miraculously vanished from the deliberations of most of the officials, politicians or publicists concerned with British India after 1817 when James Mill wrote his apologia for British rule in India (Mill, 1818). The *Ninth Report* of the Select Committee of the House of Commons to take into consideration the state of the administration of Justice in the Provinces of Bengal, Bihar and Orissa was submitted to the Parliament on 25 June 1783 and was based on documents collected by it during the course of its investigation (Burke, 1969, p.1).

In the *Ninth Report* Burke took on board the politics and political economy of the connection of Great Britain with India, as mediated by the East India Company, and overseen by the British Parliament and the Crown, of the state of the economy of the dependencies of the East India Company in all its aspects, and of the state of administration of justice in those territories under the dispensation of the Regulating Act passed by the Parliament in 1773. There was no attempt to absolve any of the major actors of their role in this play and interplay of interests and irresponsible authority. Burke clearly marked the two great links in the connection of Great Britain to India, viz., the commerce carried on by the East India Company and 'the government set over the natives by that Company, and by the Crown' (Burke, 1783, p.222).

Burke pointed out that before the conquest of Bengal and the acquisition of the right to collect its territorial revenues by the East India Company, the major European traders, including the British East India Company, had to send enormous quantities of bullion to India in exchange for the goods bought there for the European market, since Indian demand for European wares fell far short of European demand for Indian materials and manufactures. Burke judged that this influx of money into India 'encouraged industry, and promoted cultivation in a high degree' (Ibid., p.222). The British conquest of Bengal changed all this radically: 'bullion was no longer regularly exported by the English East India Company to Bengal, or any part of Hindostan; and it was soon exported in much smaller quantities by any other nation' (Ibid., p.223). A mockery of trade took the place of the former style of exchange between Great Britain and India. 'A certain portion of the revenues of Bengal' was 'set apart to be employed in the purchase of goods for exportation to England', and this was called the 'Investment' (Ibid.). Not only was the British East India Company's 'trade' carried on in this fashion. For the sake of inter-European amity, the governing Company felt obliged to make certain concessions to the chartered companies of other European nations. The legal and illegal fortunes made by the British Company's servants provided the wherewithal for the other European powers to carry on their trade. The latter bought commodities in Bengal with the funds provided by the Company's servants and the export of those commodities became the means of remitting their fortunes, sometimes by devious routes (such as by way of China and the Americas), to Britain.

The upshot was, according to the *Ninth Report*, that

The whole exported produce of the country [i.e., Bengal and Bihar - A.B.] (so far as the Company is concerned) is not exchanged in the course of barter; but is taken away without any return or payment whatsoever. In a commercial light, therefore, England became annually bankrupt to Bengal, to the amount nearly of its whole dealing; or rather, the country has suffered what is tantamount to an

annual plunder of its manufacture and its produce to the value of twelve thousand pounds (Burke, 1783, p.226).

Burke held the Parliament equally responsible with the East India Company for this perversion of the meaning of trade. The British government wanted a share in the territorial revenues of Bengal as soon as the rumour of the fabulous riches they promised reached the shores of England. The proprietors of the East India Company stock and the British government decided to share these riches :

About two hundred thousand pounds was added to the annual dividends of the proprietors. Four hundred thousand was given to the State; which, added to the old dividend, brought a constant charge upon the mixt interest of Indian trade and revenue, of eight hundred thousand pounds a year (Burke, 1783, p.224).

Thus the territory under East India Company's rule had to generate an export surplus of a minimum of eight hundred thousand pounds a year as a tribute, whatever happened to its inhabitants in the way of drought, floods or trade cycles. It generated, on Burke's computation, a surplus of twelve hundred thousand pounds a year during the period of the rule by the Company. The Ninth Report goes on to analyse the numerous ways in which the commercial monopoly of the Company combined with state power exercised by it, and the arbitrary authority assumed by its servants by virtue of the coercive power of the Company, depressed the earnings of Indian cultivators of opium, producers of silk cocoons, manufacturers of raw silk and silk cloth, weavers of cotton cloth, and producers of salt, and in many cases reduced the latter to the slaves of the Company and its agents in all but name (for a more detailed analysis see Burke, 1783; and Bagchi, 1993).

However, Burke's analysis did not stop there. The impossibility of Indian traders, artisans and other aggrieved parties to obtain justice when the whole machinery was under the control of the persons who were themselves the fount of the injustice was clearly laid out. The difficulty of restoring the principles of free commerce under a dispensation which mortgaged the territorial revenues of the dependency to the payment of an annual tribute was also clearly brought out.

The analysis of the *Ninth Report* laid bare several major contradictions in the relation between the rationale for governance as understood by Burke and most of his contemporaries among the ruling elite and the system of rule instituted by the East India Company in India. Burke, depending on his Anglo-Indian authorities, assumed that Indian society was characterized, like the British society, by `property moveable and immoveable, descendible property as well as

occasional property held for life' (quoted by Marshall, 1965, p.183). Burke's whole political philosophy (including the grounds of his later attack against the principles of the French Revolution) was based on the legitimacy of rule by hereditary property-holders (Hampsher-Monk, 1992, chapter VI; Pocock, 1982). This postulate was accepted by the ruling elite of the eighteenth century irrespective of party affiliation. Yet here was the East India Company riding roughshod over many of the private property rights of landholders and others in Bengal and denying all political right to the propertyholders and *a fortiori* to the rest of the populace. If Burke were to bring to bear on the problem of Company rule over the Indian possessions the same principles as he used to espouse the cause of separation of the American colonies, there could not be a trace of a case for the Company's rule over India. Moreover, if, as has been argued by Pocock (1980), faced with the choice between the stability of oligarchic government, and the anarchy of extension of franchise to a distant empire, Burke and many of the other political economists and publicists chose stability, how could they stave off instability without resorting to despotism of a kind which they abhorred ?

In the *Ninth Report* Burke did not go so far as to plead the case for withdrawal of the Company from rule over India. But how were 'cabal and corruption' (Burke, 1783, p.201) or 'the corruptions or oppression of British subjects in power' in India (Ibid, p.204) to be prevented ? In days without steamboats or the telegraph, trying to regulate the Company's affairs from Britain in any but the grossest manner, while allowing the Company to retain its privileges and imposing on it a duty to act as the bailiff of the Parliament for raising a tribute, was almost a hopeless task. The Governor General and his Council must be given enough leeway to judge the situation by themselves and act locally. Their authority must be rather 'ill-defined'; how could they be prevented from giving construction to that authority which, the *Ninth Report* alleged 'rendered them perfectly despotic' ? (Ibid., p.207). As the same *Report* pointed out, if such construction were allowed, 'no action of theirs ought to be regarded as criminal' (Ibid.). Eventually, through the Cornwallis reforms, and through the tightening of Parliamentary control over East India affairs, a workable model of despotism was fashioned for India. In the tension between stability and empire, stability had won again, but on the basis of a redefinition of the relation between the Parliament and the colony - a redefinition that reduced it to the status of an abject dependency, without any possibility of challenge to the metropolitan country. The strict forbidding of European colonization in India was motivated as much by the desire to prevent a challenge to this despotic order as by the jealousy the Company harboured against any possible competitors in the area reserved for it.

No other document of the eighteenth century gave as full an analysis of the nature and consequences of the East India Company's rule in India as the *Ninth Report* did. But several others commented critically on the economic aspects of the Company's monopoly of trade with foreign countries and its combination with state power. Anthony Lambert, an independent merchant operating in Calcutta, in his part of the book by Colebrooke and Lambert (1795) estimated the amount of revenues extracted by the Company from its Bengal territories and showed it to be far higher than the revenue that used to be levied by the pre-British government of the Nawabs who acted as the nominal agents of the Mughal Emperor in Delhi. He estimated the surplus revenue (over and above the expenses of collection) raised by the Company in 1792-93 to be £ 2.49 million. He argued that the increase in European demand for Indian goods had only partly compensated the fall in Indian output because of a decline in domestic demand. This latter fall was attributed by him implicitly to the drain of an exportable surplus for the payment of tribute to the Company and the Parliament. He likened the Company's acquisition of sovereignty over the Indian territories to a trust and argued that the trustee was not entitled to any 'compensation for the expense and risk at which he acquired secure authority, where he had no pretensions' to authority on the basis of 'the voluntary election of the subjects' (Colebrooke and Lambert, 1795, p.225). Lambert's theory of legitimacy of governments was much more radical than that of Burke, but he again stopped short of wanting an end to the Company's rule in India but only wanted a cessation of its monopoly privileges.

This line of analysis relating to the effects of the extraction of a tribute by the Company was continued into the new century by James Maitland, eighth Earl of Lauderdale (1809). The Company was being criticised in Britain for failing to augment exports of British manufactures to India. Lauderdale attributed this failure to the process of impoverishment of the Indian people under the Company's government.

In tracing the root cause of this impoverishment Lauderdale found it in the whole system of relations between Britain and India. Under this system, the East India Company and the Parliament wanted their annual tribute, and the tribute was often increased arbitrarily. So when the internal resources of the Company's territories were insufficient, the Governor General resorted to war. These wars yielded fresh tributes. After recounting the history of all the wars in which the Company's government had engaged since the 1790s, and computing the tributes the Company had extracted either from the defeated governments or from the conquered territories, Lauderdale held these fresh bouts of tribute extraction responsible for further impoverishment of the Company's territories (Lauderdale, 1809, pp.28-118). Lauderdale compared the depredations

of the Company in India with those of France in Europe, both in their actual conduct and in the justification given for that conduct :

Those who have justly reprobated that insulting progress of libels on the powers of Europe, by which France has vindicated, and continues to vindicate her usurpations on the Continent, cannot countenance and accredit a defence of our conduct in the East, founded on similar accusations against the native princes (Lauderdale, 1809, p.119).

Lauderdale did not consider the monopoly exercised by the East India Company as 'the most pressing or the real evil' from which the demand for British manufactures in India suffered, claiming that even the extinction of the monopoly could not produce 'the salutary effect of opening that vent for the produce of Britain, much desired by the manufactures' (Ibid., p.133). The real evil lay in the conversion of the normal mechanism of trade into a vehicle for remittance of tribute from the conquered territories, as had in fact been recognized in the East India Company's own *Report on the Export Trade* published in 1793 (Lauderdale, 1809; Barber, 1975, pp.118-25).

5. The fashioning of an apologia and a secure foundation for British rule in India

James Mill's *History of British India* (Mill, 1818) has been rightly seen as the most massive apologia for British rule ever written, and one of the most ferocious attacks penned by a Western writer against all non-European civilizations. Many of the lines of argument became axioms of theorizing by imperialist and indeed many anti-imperialist writers as well (Mill, 1873, p.40; Britannica, 1883, p.307; Forbes, 1951; Stokes, 1954, pp.53-54; Barber, 1975, pp.127-133, Guha, 1988). Most of the basic ideas in Mill's *History of British India* had been anticipated. Condorcet had already dismissed non-European civilizations as not worth considering in his scheme of progress of human society (Forbes, 1951). Evangelicals such as Charles Grant had condemned the Indians as being steeped in sin and squalor to be rescued only by the light of Christianity and the discipline and example of British rule (Stokes, 1959, pp.29-35; Embree, 1962). The theory of small peasant farming as contrasted with settlement with large *zamindars* (really state-licensed rent-collectors) had been worked out in the despatches and memoranda of Alexander Read, Thomas Munro, William Thackeray and others involved in the administration of the districts of the Madras Presidency acquired from Tipu Sultan, the defeated and slain ruler of Mysore (Ambirajan, 1978, chapter 5; Stein, 1989). Contrary to the claim made in a recent book (Majeed, 1992) that James Mill's tome was an attack on the whole ideology of the British establishment, it was a wily defence of the dominant ideology regarding the mechanism of

British rule in India that had emerged during the deliberations of the British House of Commons prior to the renewal of the East India Company's Charter in 1813. The major planks of this ideology were as follows :

1. The state has been always and should be treated as the real landlord in India.
2. It was a mistake to give away so much of revenue and the appearance of authority to the *zamindars* under the Permanent Settlement of Cornwallis.
3. In future all the land revenues should be settled with actual occupiers of the land, and the state as landlord should maximize its rent, subject to its long-term stability and security of rule.
4. Indians should be excluded from all positions of authority as had already been done under the Cornwallis system.

If anything, the ideology for imposing a despotic rule on India was strengthened by James Mill's effort, although he was an apostle of democracy as far as Britain was concerned. This paradox in Mill's ideological stance is paralleled by the other paradox that a believer in a strong and despotic British presence could also be a supporter of peasant occupancy of land, as the Madras school of land tenure system led by Alexander Read and Thomas Munro so powerfully exemplified. (We should carefully distinguish between peasant occupancy and peasant proprietorship, because the advocates of the *raiayatwari* system would no more confer proprietary rights in land on Indians than the advocates of a *zamindari* settlement; see in this connection, Bagchi, 1992). William Thackeray, the uncle of the novelist, and a protege of Thomas Munro, argued the case for peasant proprietorship on the grounds of productivity and welfare of the peasantry, (incidentally impugning some of the arguments for building up and preserving great estates in England), and also of the security of British rule in India. In his memoir dated 29 April 1806, addressed to Lord William Bentinck, then Governor of Madras, the first argument advanced by Thackeray against a permanent *zamindari* settlement was that under it the power of the government would be curtailed :

In all countries it may be good to limit the power of the prince; but, here the government must keep as much power as is consistent with private rights, in its own hands. It will therefore be right to limit the demand on the land; but still to keep up as much communication with the people, as possible. It may be considered an axiom... that all internal government is connected with the revenue; that whomsoever the people of India pay, him, they regard as their superior, and is the most important person, in regard to themselves... [In case of a *zamindari* settlement] the *circar* will be removed from the immediate sight of the ryot, and a certain portion of authority, power of getting information, influence and command of resources, will be transferred to the *Zemindar*, without a sufficient

counterbalancing advantage. This will happen, in regard to the ryots, peons, and inhabitants at large, even though they get pottahs from the Zemindars; but much more will the waste, give influence. The waste is the grand means of improving the people, - turning the peon into the husbandman. The waste lands afford a great patronage, and particularly affecting the peons, who swarm over the country. If a Zemindar is appointed, he becomes the patron of every man, without subsistence. The revenue peons, the village servants, must always exist. Would it not be better that all these people, should look up to the circar, and inasmuch as regards the support of our authority, that the influence, information, and assistance which these people can afford, should be at the service of the government? (Thackeray, 1806, pp.455-56).

Thackeray reiterates the point about *raiayatwari* being valuable for keeping a channel of information open between the Indian subject and the British ruler, and the utilization of the waste for settling 'the peons' (the landless workers) and increasing the state's income. He also questions the justice of surrendering any revenue for the purpose of encouraging cultivation of waste lands to 'a ferocious poligar, an avaricious speculating saucar, or an intriguing dubash' (Ibid., p.457) that is to any intermediary between the British authorities and the *raiayat*. (The British civil and military officers, including Thackeray's patron, Thomas Munro, had already more or less extirpated the 'ferocious poligars', claimants of kingly authority derived from the Vijayanagara Kings, in the Ceded districts, with exemplary ferocity of their own : see Rajayyan, 1968 and Stein, 1989, pp.84-88).

In his Report of 4 August 1807 (Thackeray, 1807) Thackeray expanded his case for a *raiayatwari* settlement in the Ceded Districts to question the desirability of large estates in any country, and of creating a class of wealthy estate-holders in India. But he did not forget to point out the inexpediency of limiting the growth of government revenue by making a permanent settlement with 'mootahdars', who would be the South Indian equivalents of the Bengal *zamindars* :

It is impolitic to limit the land revenue of a great province, especially of one in which there is much waste land: though it may be absolutely necessary to limit the demand on individual estates. It may be expected that a good deal of land may be brought under cultivation, in 50 years of our mild government, and be liable, to pay a land tax, like those estates now assessed (Thackeray, 1807, p.563).

In his general case against large estates, he invoked the histories of ancient civilizations and the recent history of Europe. According to him, in the days in which the civilizations of Egypt, China and India flourished, the land was cultivated by small proprietors.

Italy, when conquered by the Romans, was full of people; and cultivation fell off when great citizens engrossed great estates. The grandeur of England is in a great degree to be attributed to the wisdom of Henry VII whose whole reign was employed in depressing the very great... The agriculture of France, and other continental countries, has been confessedly checked, by the laws which enabled the great to keep together vast estates. Where estates are very large, they must be managed, either through the agency of rapacious bailiffs, or leases to farmers. The great landlord is a proud noble, an expensive trifler, or an idle esquire; and they are full as likely to be so (and where they exist, are as much so), in India, as in Europe (Ibid., pp.568-9).

To the unproductive wastefulness involved in creating *zamindars* Thackeray added the lack of any special skill in cultivation possessed by any of the local potentates in India (Ibid., p.569). In England, he admitted, some big landlords were not only 'skilful farmers, but philosophic improvers, who have brought down all the secrets of chemistry to assist mother earth, in performing her task' (Ibid., p.568). Such landlords did not simply exist in India.

Invoking a more general argument regarding the relative importance of division of labour in manufacture and in agriculture, he asserted that there were no advantages of scale economies (this is not the phrase used by him but his meaning is clear) in agriculture. 'If a farmer has stock sufficient for the field he occupies, his produce and profit will be, in the same proportion, whether his farm be small or great. The earth generally produces in proportion to the labour and expenses bestowed upon it.' The division of labour, 'so important an advantage in manufactures, has little effect on agriculture. If this is the case in Europe (and the best authors, especially Adam Smith, seem to think so) great capitals can do little in Indian husbandry, by promoting the division of labour' (Ibid., p.570). Thackeray closes this line of argument thus: 'all over India, it is want of stock, not want of land, that keeps down improvement' (Ibid., p.573). In any case, it will take long for a *zamindar* possessed of capital to apply it for the improvement of land; long before that he will have reduced the tenants to 'a wretched condition': 'The mootahdar is a farmer of revenue; not a farmer of land. He may have some bullocks, and be a ryot himself too; but as a mootahdar, he can never cultivate, and hardly ever, superintend, even the cultivation of his own mootah' (Ibid., p.569).

Finally, there is the strand of political arguments against the creation of *zamindars*. *Zamindars*, *rajahs* or *poligars* were created by weak states or regimes. On the other side, the creation of *zamindars* would diminish the power of the British Indian state and its servants. Thackeray and his patron, Munro, who belonged to the military service of the Company, had a

contempt for judicial procedures and wanted direct, discretionary powers to be vested in the district Collector. 'As a collector', Thackeray claimed, 'a man may settle more in one day; than as a judge, in a month perhaps. The forms and appeals occasion a great delay; The simpler and poorer would be ruined; the richer and cunning would shield themselves behind the ample target of a rejoinder' (Ibid., p.564). This is the language of a despot, sure that he is the friend of the poor, and the sworn enemy of poligars. His detailed arguments are consistent with this general view of the problem of Governance of India :

It may be said, that great estates never existed in India; but the same kind of policy which kept them united so long in Europe, produced poligars, rajahs and zemindars. Force, official convenience, and defence under weak governments, seem to have produced these monsters in civil society... (Ibid., p.568).

Thackeray again and again likened the creation of *zamindars* and *mootahdars* in India to the creation of feudal estates in Europe. Just as they impeded agricultural progress and general prosperity of ordinary people in Europe so would the *zamindari* or *mootahdari* rights be an incubus on the toiling peasantry in British India.

Thackeray then tackled the question as to whether a gradation of ranks is necessary for maintaining a well-ordered society :

Our veneration for wealth is very proper, perhaps, because it tends to the security of property; but sometimes we seem to carry it so far, as to imagine that opulent men enrich society instead of society enriching them. When a man has acquired wealth by superior industry or talents, or good fortune, when his ancestors have acquired it, his wealth entitles him to respect... but for us, to set about a scheme to make a certain set rich, at the expense of the public with a view to public benefit, is to commit injustice without obtaining any equivalent advantage; and the least evil it will occasion, will be the hastening perhaps the chief evil of the inequality of conditions... One fat rajah supposes fifty-two ryots. These inequalities are the consequence of opulence, and are, on the whole, evils, which will follow of themselves, as far as the customs, of the Hindoos allow them. We need not hasten them. (Thackeray, 1807, p.575).

Thackeray finally drives home his point about the necessity of keeping Indian and British affairs on a different footing :

This equality of condition, in respect to wealth in land; this general distribution of the soil among a yeomanry, therefore, if it be not most adapted to agricultural improvement, is best adapted to attain improvement, in the state of property,

manners and institutions, which prevail in India; and it will still be found still more adapted to the situation of the country, governed by a few strangers, where pride, high ideas, and ambitious thoughts, must be stifled. It is very proper that in England, a good share of the produce of the earth should be appropriated to support certain families in affluence, to produce senators, sages, and heroes for the service of the state, or in other words, a great part of the rent should go to an opulent nobility and gentry, who are to serve their country in parliament, in the army and navy, in the departments of science and liberal professions ... but in India that haughty spirit, independence and deep thought, which the possession of great wealth sometimes gives, ought to be suppressed...

Considered politically therefore the general distribution of land, among a number of small proprietors, who cannot easily combine against government, is an object of importance... Our first object is to govern India; and then to govern it well; - and in these provinces, it would seem that both these objects, a strong government, and the security of private rights, would be attained, by a settlement such as I have proposed (Ibid., p.576).

Thus *pace* Platteau (1983) James Mill was very largely anticipated in his prescription for India - small properties and a strong despotic government which guarantees private property rights. That the security of property right meant little in a situation under which the chief asset of the peasant or the landholder was liable to an annual threat of confiscation in case he failed to pay his *kist* punctually to the government did not occur to any protagonist in the debate of the *raiyyatwari* vs. *zamindari* system of land tenure.

But James Mill, of course, went much further in his wholesale condemnation of the civilization and government that prevailed in pre-British India, and in his insistence that the British were there only for the good of Indians. Private merchants such as G.A. Prinsep (1823) and John Crawford (1837) still compiled statistics of the foreign trade of British India and computed the amount of tribute that was extracted from its Indian possessions by the East India Company and the amounts of private fortunes that were remitted to Britain by the British civil and military officers and by the British merchants trading in India; and H.H. Wilson, the Mint Master in Calcutta, analysed the effect of efforts to remit the tribute and the private fortunes on the exchange rates and prices of important exportables (Wilson, 1830, pp.46-8). But James Mill stoutly denied that any transfer of tribute or any remittance took place of at all! (Mill, 1818, Vol.VI, chapter XIII; a trenchant critique of Mill's method of calculation of the tribute extracted from India, was provided by his editor, H.H. Wilson, in the same chapter of Mill, 1818, Vol.VI, on p.479n, of the 1858 edition). In his article, 'Colony' in the *Encyclopaedia Britannica*, Mill asserted, 'India, instead of yielding a tribute to England, has never yielded enough for the

purpose of its own government'. (Mill, 1826, as quoted by Barber, 1975, p.137). By then he was the Examiner of the correspondence of the East India Company (a position he had acquired through his authorship of the *History of British India* and patronage of David Ricardo and other friends in Parliament and in the East India House). Mill reiterated the same denial in his evidence before the Select Committee of the House of Commons to enquire into the Affairs of the East India Company of 1831-32 (Mill, 1831).

These assertions, of course, flew blatantly in the face of the facts : the Parliament exacted a tribute from the East India Company from the 1760s, the East India Company's stock and dividends were raised several times and the payments of the larger dividends came out of the East India Company's territorial revenues in India. The Company had both its own army and sections of the British army and navy maintained at the expense of the Indian tax-payers; the whole civil establishment maintained by the Company in India and London were paid for by Indian revenues or loans serviced out of the revenues; and on top of all that, many private fortunes were made in India by British merchants sheltering in the Company's patronage and power and remitted to Britain. But Mill's denial of all this became official orthodoxy. When John Horsley Palmer, a leading East India merchant and Governor of the Bank of England, was asked about the tribute exacted by the British in India, he did not deny its existence but claimed that in relation to the total production of India, the tribute was insignificant, and could not be a factor leading to India's impoverishment (Palmer, 1832, pp.224-26).

6. The closing of the ranks and the end of official dissent on British rule in India

In 1817 several major events marked the closure of dissent in ruling circles on the utility or justice of rule over India and other nonwhite dependencies. In that year the Maratha Confederacy was finally subdued. The kingdom of Nepal had also recently been brought into a subsidiary alliance with the British. No possible challengers to British rule in India remained west of the Brahmaputra or south of the land of five rivers. British rule over India became a *fait accompli*. Ricardo's *Principles of Political Economy* was also published in 1817. This book provided two major elements in the ideological construction of British rule over dependencies. The first was the theory of comparative advantage. This was essentially a static theory which took comparative costs (labour costs in accordance with the Ricardian labour theory of value) as between different countries to be given, and the specialization between countries producing agricultural goods and those produced manufactured goods to be decreed by those costs. Adam Smith had already effected an ideological demolition of mercantilist policies. Along with the

denigration of those policies there also occurred a total obliteration of any dynamic factors (apart from the forces of accumulation with the same technologies) that might lead to changes in comparative costs - factors that played an important role in the shaping of the Hume-Tucker law of economic development sketched above. Thus it became obvious to the common sense of British ruling circles that if India ceased to be a country exporting manufactures (as it had been throughout the seventeenth and eighteenth centuries) and became more and more specialized in the production of agricultural products and other raw materials, it must be because the comparative advantage of India lay in that direction. The result of a series of policies pursued by the British government for Britain and by the East India Company in India was accepted as a fact dictated by the principles of free trade.

The second element of the Ricardian corpus which entered powerfully into the construction of an ideology for British rule in India is the theory of differential rent. The theory that, with diminishing returns to the applications of capital and labour to land, rents would rise, and would rise by larger margins on the better fields was apparently formulated originally by James Anderson in his *Observations on the Means of exciting a Spirit of Natural Industry* published in 1777 (Cannan, 1917, pp.371-73; Schumpeter, 1954, pp.263-266). But it was rediscovered almost simultaneously (all the major publications came out in 1815) by Sir Edward West, Thomas Robert Malthus, Colonel Robert Torrens and David Ricardo (Schumpeter, 1954, pp.476, 489-90; Blaug, 1987). Ricardo in fact expressed his indebtedness to Malthus' work in this area (Ricardo, 1815, p.15n; Sraffa, 1951, pp.4-7; De Vivo, 1987, p.191). In the subsequent development of the doctrine it came to be known generally as the Ricardian theory of rent. This theory was applied by James Mill to attack the Cornwallis system and to argue that the state should act as the sole landlord in British India and absorb the whole of the rent element. Such a mode of taxation would be painless since it would leave the profit and the wages in the hands of the cultivator! (Mill, 1818, Vol.V, chapters V and VI; Mill, 1831; Stokes, 1959, pp.87-93, 110-123; Barber, 1975, chapters 8-10). Mill's book which was substantially completed in 1817 but published in 1818 not only embodied the Malthus-Ricardo-West theory of rent as applied to British India but also provided the larger ideological justification for British rule in India. If Indian civilization could be shown to be very inferior to the Greco-Roman civilization which had been inherited and further improved upon by the British, then in agreeing to rule India, the British were conferring a boon on the Indians. Once the immense superiority of the framework of British civilization and the system of rule instituted by the British was established, it was no longer necessary to provide justification for every little element of that rule. British benevolence would take care of any minor defects once they were detected by the guardians of that semi-barbaric, if ancient, people in the East.

In practice, the Malthus-Ricardo rent theory fell on its face when it was sought to be applied to the Indian countryside (Stokes, 1959, pp.99-103, 122-23; Stokes, 1976; Ambirajan, 1978, pp.168-70; Bagchi, 1992). But this was often thought to be due to the faulty implementation of the doctrine of differential rent rather than due to any limitation of the doctrine itself. That the Indian countryside did not conform to the requirements of the rent doctrine which could only be predicated of a capitalist agriculture with a neat separation between landlords, capitalist farmers, and wage-earning labourers had to be laboriously rediscovered by Richard Jones (1831), and Sir Henry Maine (1871), among others. Not only the policies applied to India but also the concepts required to understand India and the dependent colonies in general had to be understood as 'exceptions' to the general rule. One reason for this, of course, is the compulsion to hold on to the dependencies despite the obloquy on such a policy cast by Adam Smith. But the other reason, I would submit, lay in the premature separation of the consideration of political economy questions from the questions relating to the politics and social structures of all societies. The 'epistemological break' imposed on Adam Smith's corpus by the selective reading of later generations who regarded the *Wealth of Nations* as standing entirely on its own has to bear much of the blame for this *ad hoc* exceptionalism that obscured the understanding of all non-European societies, and of many backward European societies as well. As I argued, earlier, in Marx's inability to return to the original questions after his corpus had undergone an 'epistemological broadening' because of his preoccupation with the analysis of the political economy of that archetypal capitalist society, viz., Britain, we have a parallel hobbling of the Marxist analysis of non-capitalist societies - a hobbling that had to be painfully repaired by the efforts of Marxist (and non-Marxist) thinkers coming after Marx.

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