

MODERN ECONOMIC THOUGHT IN INDIA

- During the 19th century, the economic and social life of the country underwent far-reaching changes under the impact of the political administration, educational system, and economic policies of British India
- This changes in the economic and political condition resulted in the development of a new line of thinking in the country
The economic matters were largely influenced by a revolt against the British rule
- The growing poverty, the rise of Indian nationalism, increased contact with the west, intellectual influence of the west etc influenced the 19 th century economic thought

DADA BHAI NAOROJI (1815-1917)



- Born on september 4,1815
- He came from a parsi family of Bombay
- He was the first Indian to be appointed as professor at Elphinstone College, Bombay
- He was the first Indian to occupy a seat in the parliament in England, and the first Indian to be a member of Royal commission
- He, in collaboration with W.C.Bannerjee,started the London Indian Society to bring Indians and Englishmen together for the exchange of views on the subjects related to India.
- He fought for financial justice for India in the house of commons and his labour met with some success when a royal commission was appointed in May 1835.



- In 1847, he was appointed as prime minister of Baroda state
- In 1892, he was elected as member of the house of commons
- He was elected President of the Indian National Congress in 1886-1906.
- His economic ideas are contained in his monumental work, Poverty and Un-British rule in india
- He was known as “the grand old man of India”



CONTRIBUTIONS OR ECONOMIC IDEAS OF NAOROJI

1. THE PROBLEM OF POVERTY

- Acc. To him the poverty of the Indian people was the main problem
- India was getting poorer and poorer every day, and it was evidenced by a number of facts
 1. Low national income of the country
 2. Low export and import figures
 3. Low standard of living of the people
 4. Low revenue returns of the government
 5. Recurring famines
 6. High rate of mortality
- He held that existing poverty was the direct result of British rule in India




- He calculated that total income of British India was only Rs. 20 per head per annum but the cost of living was Rs.34 per head for the entire country
- They didn't get enough to provide the bare necessities of life.
- In his opinion, the main reason for India's poverty was the exhaustion of her previous wealth and excessive expenditure on European service and public debt.
- He pointed out that every war which they fought after 1858 , beyond the frontiers of India was clearly and mainly for safeguarding the imperial and European interests of Britain.
- Indian money was used for the home establishments of railway directors and government superintendents and another large portion went by way of salaries and allowances to large European staff.
- Only small portion went to Indian, as they were employed on low paid jobs.

2.THE DRAIN THEORY

- Acc.to him appalling poverty of the Indian people was due to the British rule under which heavy taxes were imposed on Indian people.
- It was a heavy drain on the resources of the country.
- If the income from taxes is spent on the country in which it has collected, the money circulates, among the people of the country, the economic activities are promoted, and the prosperity of the people is increased.
- But when the income raised through taxes in one country is transferred to another country, that money is lost forever. It doesn't stimulate trade and industries in the taxpaying country.



- He felt that under British rule , India had the costliest administration in the world.
 - He thought that extravagant cost of British administration had a disastrous effect on the economy.
 - He estimated that the drain which was to the tune of 3 million pounds at the beginning of the 19 th century increased to 30 million pounds towards the end of the last century.
 - Acc.to him heavy drain of wealth from India to England was one of the main causes of the poverty of India.
 - The drain of wealth took place in number of ways
 - 1.large remittances made by European officials of their savings in India.
 - 2.large remittances were made in the form of salaries and pensions
 - 3.government expenditure in England and in india.
 - 4.non-official Europeans made remittances from their business profits in India.
- 

- The money which has gone out of India to England was once again come back as British Capital and Foreigners have monopolised trade and industry. It has once again resulted in drain of wealth.
- He collected statistical data to prove his drain theory.
- He examined the figures of exports and imports between the years 1835 and 1872 and pointed out that the value of exports exceeded that of imports by 500 million pound.
- He also pointed out that every war which the british fought after 1858 beyond the frontiers of India was clearly and mainly for safeguarding the imperial interests of Britain.
- When railways were built in india , India had to spend large sums on salaries and allowances to European staff.
- Large sums of money went out of India in the form of profits on railways to England. Thus the benefits were enjoyed by the foreigners and the burden of public debt was borne by india




- Thus according to Naoroji, the economic resources of India were drained in 2 ways;
 - 1.through internal drain,i.e. through transfer of purchasing power by means of taxation,interest payments etc
 - 2.through external drain i.e. through unrequired exports which produced no equivalent returns in the form of imports.
- He attempted to prove that the claim of British that India had made progress during their rule was wrong. On the other hand he stated that they were the causes of ruin of the country
- He felt that it was wrong to consider India as Nature's tragedy and the Indian agriculture a gamble in the hands of monsoon.
- Thus he concluded that “if India didn't progress under the Englishmen, there was no justification for their existence here.



He suggested the following measures to remove India's poverty and to reduce drain.

- Indians and Englishmen should be paid equal salary for the same type of job. Regarding the Britishers employed in India and Indians employed in England, he suggested a fair and reasonable apportionment between the 2 should be made.
- Britishers were getting high salaries and so they should not be paid any pension.
- No country could invade India through sea and so she should not be charged for the maintenance of the Indian navy.
- Indians should be given due representation in the government and foreign capital should come but not the foreign capitalist who took everything from India.

3. NATIONAL INCOME IN INDIA

- He was the first Indian to calculate the national income of India and shares of various groups in it.
 - Acc. to Naoroji, the national income estimates and figures which were published in THE INDIAN ECONOMIST were incomplete. It was the only journal which gave such knowledge on those days.
 - He demanded that per capita income estimates for British India should be published every year.
 - On the basis of official figures, he calculated the per capita income for the Bombay presidency during the years 1867-70 at rs.20.
 - He calculated that the requirement for meeting the basic needs of an ordinary Indian was about Rs.34.
 - The high and the middle class get a larger share, while the poor masses did not get enough for their basic necessities of life.
- 

4. TAXATION, MILITARY EXPENDITURE AND PUBLIC DEPARTMENTS

- a glaring example of exploitation of Indian resources and discrimination of Indians is the taxation policy adopted by the British Government.
- In England taxes constitute 8% of income while in India it was about 15% .
- He criticised the then Indian government for abolishing duties on cotton imports from Manchester as it was harmful to the newly established Indian factories.
- Acc.to him the main cause of India's poverty was excessive expenditure on European services and interest paid on public debts.
- In 1893 military expenditure of India was alarming.
- So Naoroji suggested that the military expenditure should be limited and England should pay her share for maintenance of British army in India and for other military services.

5. CRITICISM ON BRITISH ADMINISTRATION

- Through the speeches in the house of commons, Naoroji severely criticised the British administration in India
- The main attack was on the unjust, destructive and exploitative attitude of the East India Company.
- It was on the one hand destroying the internal trade of the country, and on the other hand employing the imported labour in administration. Thus Indians were denied their due share in administration of the country.
- He felt that it was wrong to consider India as a nature's tragedy and the Indian agriculture a gamble in the hands of monsoon.
- He said that if India didn't progress under the Englishmen there was no justification for their existence here.



CONCLUSION

- He was the first economic thinker who provided the pattern of economic thought for modern India.
- He emphasized on material concept of wealth and the circulation of National income, i.e. he has been considerably influenced by physiocratic school.
- He was the first Indian to calculate national income and percapita income.
- As an economist he gave a concept that the national income depends on the productive efficiency of factors of production
- He has been recognized as a father of Indian nationalism
- He shall always remembered in the history of the nation as a nationalist, a true son of mother India, and as a practical economist with a clear vision of the problems of the country.

