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Drain of Wealth Theory

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Abstract: *Till the Battle of Plassey, the European traders imported bullion into India in return for the exports of Indian cotton and silt goods which had a flourishing market in the west. But the situation was soon reversed after the conquest of Bengal when East Indian Company not only stopped importing bullion into India, but began to purchase goods from the surplus revenues of Bengal and profits made from duty free inland trade. Thus began the plunder of Bengal and by the close of 18th century almost the whole of the country became "a playground of plunder" by the British[1]. This process of "Continuous plunder" of India's raw materials, resources and wealth by Britain to enrich itself at the cost of India's growing poverty, led to the formulation of theory of "Drain of wealth" by the nationalist like Dada bhai Naoroji. M G. Ranade and others.*

Keywords: Battle of Plassey, East Indian Company, Flourishing Market, Drain of Wealth.

Introduction: It was in his paper "England's Debt to India" read before a meeting of the East India Association, London on may 2, 1867, that Dadabhai Naoroji first put forward the idea that Britain was extracting wealth from India as the price of her rule in India, that "out of the revenues raised in India, nearly one fourth goes clean out of the country, and is added to the resources of England" and that India was consequently "being continuously bled." Subsequently, "The moral and material drain" from India was the continuous theme of other papers written by Dadabhai Naoroji Viz., Poverty and Un-British Rule in India (1867), the wants and means of India (1870) and on the comber of India (1871).

From 1867on wards, Dadabhai literally dedicated his life to the propagation of the Drain theory and to launching a roaring and raging campaign against the drain, which was declared by him to be the fundamental evil of British rule in India. He wrote in 1880 that "the most important question of the day is how to stop the bleeding drain from India[2]." In 1886, he remarked, "The short of the whole matter is that under the present evil and unrighteous administration expenditure, the romance is the beneficence of the British rule, the reality is the bleeding of the British rule[3]." In his opinion the British policies were "leading to the draining of the life blood of India and its wealth."

Dadabhai Naorji, who was the earliest and most vociferous exponent of the theory of Drain of wealth and greatly highlighted it during the national movement, said in 1905 that it was "the evil of all evils" and "the main cause of Indian poverty." He said, "The lot of India is a very sad one. Her condition is that of a master and a slave; but it is worse, it is that of a plundered nation in the hands of constant blunders with the plunder carried away clean out of the land. The British invasion is continuous and the plunder goes on."

Almost simultaneously with Dadahai Naoroji, two other Indian leaders rose to point out the evils of the Drain of wealth. Justice M.G. Rande delivered, in 1872, a lecture in Pune on Indian trade and Industry in which he criticized the drain of capital and resources from India and observed; "One-third of the national capital was taken away by the British in some form or the other." Another prominent India leader who stressed the Drain Theory and propagated it through his writing and other public activities was R C Dutt, who in the preface to the volume of Economic History of India[4] 1901 pronounced that on half of net revenues flows annually out of India and added mournfully: Verily the moisture of India blesses and fertilises other lands. He laid the following sin at the head of this drain, "So great an economic drain out of the resources of a land would impoverish the most prosperous countries on earth. It has reduced India to a land of famines more frequent, more widespread and more fatal, than any known before in the history of India or of the world." In the preface to his second volume he criticized England, "the richest country on earth for stooping to levy this annual contribution from the poorest" and emphasised that this contribution drains the life blood of India in a continuous, ceaseless flow.

The Drain theory was officially adopted by the Indian National congress at its Calcutta session in 1896 when it proclaimed that the famines in India and the great poverty of the people had been brought about "by the drain of the wealth of the country which has been going on for years together." R C Dutt Considered the consequences of the Drain of wealth more devastating than the loot and plunder made by foreigners invaders like Nadir Shah, who " came, looted the country and went back immediately thereafter, the loss of the wealth was temporary, the blow fell and then came to an end. But in the case of British rule, the drain was a part of the existing system of government and was, therefore, ceaseless and continuous, increasing from year to year. The wound were thus kept perpetually open and the drain was like a running sore."

The Nature and Sources of Drain of Wealth:- The nationalist definition of the drain was the idea of transfer of wealth or commodities from India to England without the former getting back any equivalent economic, Commercial or material returns. Hence, the drain in the Indian conception inevitably took the form of an excess of exports over imports. Many of the Indian tried to compute the exact amount of drain. These estimates differed from person to person and from year to year because of different persons using modes of calculation and also because the gap between exports and imports was growing continuously.

The most important constituent of the drain was the remittances to England of a part of their salaries, incomes and savings by English civil, military and railway employees and the payments in England by the Government of India of the pensions and furlough allowances of English officials. The burden of the East India company's London establishment

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and of dividends to its share holders was replaced after 1858 by the costs of the Secretary of State's India office. After 1813, the Drain of wealth largely consisted of home charges. In 1833 the commercial business of the company was totally banished. Therefore, the company's shareholders had to be given a yearly dividend of 10 ½ % out of the revenues of India. Therefore the company was forced to borrow in order to defray these charges. Consequently the debt of the company began to increase immensely. It stood at £ 69 million when the rule of the company ended. As the loans of the company were raised in England the interest on this debt became another source of the Drain of wealth.

The home charges consisted of many items such as (i) purchases of military stores (ii) expenditure on India office Establishment (iii) interest on railway capital investment (iv) interest on debts (v) non effective charges of the army; and (vi) pensions and gratuity payable in England to retired civil servants of the company.

When the crown took over after the revolt of 1857, the drain of India's wealth increased because of over-Europeanization of services, bigger army, more capital investment, extension of railways, more purchase of stores, bigger and higher salaries, etc. The entire debt of the company was taken over by the crown. Rs 47cr was added to India's debt as the cost of crushing the 'mutiny' India had to pay many undue charges. She had to pay the price of transfer of the company's rights to the crown, the cost of wares in china, the establishment charges of the new India office in London, expenses of ships that sailed from England but did not take part in the hostilities, cost of Indian Regiments for 6 months, training at home before they sailed, cost of entertaining the sultan of Turkey in London, running charges of lunatic Asylum in Ealing, England, the price of gifts given to the Zanzibar mission, cost of diplomatic mission of England in China and Persia, part of permanent expenses of the Mediterranean fleet, entire cost of telegraph line from England to India and so on. As a consequence, the national debt of India rose from £ 70 Millions in 1858 to £ 140 millions in 1876 millions £ 224 millions in 1900, £ 274 millions in 1913 and £ 884 millions in 1939. The annual interest on this debt constituted a huge Drain of wealth from India. In 1945, Lorrence Rosinger estimated the drain at 135 Million annually. William Digby had given the figure of total drain from the 19th century onwards as £ 60080 million. In fact so large was the number of Englishmen sympathising with India on account of the drain and its evil results that R. C. Dutt was led to exclaim, "A cynic might remarks that, as the flow of wealth from India to England increased in vdume, England paid back the debt by copious streams of sympathy and regrets."

Economic impact: The drain of wealth checked and retarded capital accumulation in India, thereby creating road blocks to the industrialisation of India. Indian products and treasure drained to England without adeque return was of great help in creating conditions in that country conducive for the growth of British factory industry in the early stages of the industries revolution[5]. What is worse is that part of the British Capital entered India as finance capital and further drained India as finance capital and further drained India of her wealth. Naoroji Complained, "British India's own wealth is carried out of it and then that wealth is brought back to it in the shape of loans, and for these loans she must find so much for interest, the whole thing moving in a most vicious and provoking circle." The drain had an immense effect on income and employment potential with in India[6]."

Moral Drain:- The moral Drain or moral impoverishment according to Dadabhai Naoroji, was due to the exclusion of Indians from positions of trust and responsibility in their own country. Unsparing in his critique of the humiliating and insulting measures adopted by the British to keep Indias out of higher positions in the government, he wrote, "All the talent and nobility of intellect and soul, which nature gives to every country, is to India a lost treasure."

Gestation Theory:- However the point of view of the drain theorist have recently been questioned by some scholars. For instance Ranade's opinion that economic backwardness is due to sociological causes has been supported by some. A gestation theory has been put forward by Morris D. Morris. He says that during gestation period Britain played the role of a "night watchman providing security, national administration and a modicum of social overheads on the basis of which economic progress is expected to occur." Indian scholars are of the view that the foreign capital was either not properly utilised or underutilized to a great extend while the colonial government pursued a policy of deliberate and guided underdevelopment. It is interesting cutting that some commentators, mostly British criticised their own government's policy in language not much different from the one quoted earlier during the heyday of imperialism. For instance John Sulivan complained against the annual economic drain from India before the House of common select committee 1848 thus "our system acts very much like a sponge, drawing up all the good things from the banks of the Ganges, and squeezing them down on the banks of the Thams...

Montgomery's views: Montgomery martin in his book Eastern India[7] published in London in 1838 pointed out how the increased volume of drain from India with the lapse of years had impoverished an industrious, peaceful and once prosperous nation. He says that a three million pound drain per year on British India" amounted in thirty years, at 12 per cent compound interest, to the enormous sum of nearly 724 million pound for fifty years. So constant and accumulating a drain even on England would soon impoverish her, how sever then must be its effects on India, where the wages of a labourer is from two pence to three pence a day?

It has been mentioned earlier that Morris D Morris assigned the role of a "night watchman" to the English during the gestation period of economic progress. They provided security, administration and the modicum of social overheads on the basis of which further development was expected to occur. Romesh chander Dutt however, shows the role of the English as, night watehman in a dubious light in his

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book Economic History of India[8]. According to him, the commerce of India was forced and artificial. India was forced to export food grain while near famine conditions prevailed in the country.

"It is instructive, if somewhat painful, to watch how this process works. The annual economic drain to Great Britain is met directly from the revenues of India. A great part of the revenues of India is derived from the soil in the shape of the Land Revenues. The land Revenue is realised, generally from cultivations in southern India, and from landlords in Northern India who in their turn exact rents from their tenants. Cultivators pay their revenue of their rents by selling a large portion of the produce of their fields, keeping an insufficient stock for their own consumption. Exporting merchants have their agents all over the country to buy what the cultivators are compelled to sell; and railways rapidly transport these purchases to seaports whence they are exported to Europe. India presents a busy scene to the winter globe trotter when these transitions take place in very large town and market but under the cheering appearance of a brisk grain trade lies concealed the fact that the homes and villages of a cultivating nation are denuded of their food to a fatal extent, in order to meet that annual tribute which England demands from India[9]."

Conclusion: The author continues poignantly; "Every nation reasonably expects that the proceeds of taxes raised in the country should be mainly spent in the country .... Taxation raised by a king, says the poet, is like the moisture of the earth sucked up by the sun to be returned to the earth as fertilising rain but the moisture raised from the Indian soil how descends as fertilising rain largely on other lands, not on India."

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