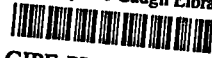


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**THE DEVELOPMENT OF
CAPITALISTIC ENTERPRISE
IN INDIA**



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THE DEVELOPMENT OF
CAPITALISTIC ENTERPRISE
IN INDIA

By

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PREFACE

RESIDENCE in any one of the principal oriental countries is bound to stimulate a western mind to consider the differences between his own and eastern civilizations, and the reasons for these differences. During a dozen years as an economist in Japan, India and China, a number of conclusions which I first formed tentatively have gradually become convictions.

One of these is that if economic forces play the important part in western countries which most thoughtful people attribute to them, they must be even more important in the Orient, because of the greater pressure of population upon the natural resources in those countries.

A second is that many of the striking differences between occidental and oriental cultures are adaptations of the same human clay to differing economic conditions. Since the opening and settlement of the New World, the West has been pressed in a new mould, leaving the East of to-day in a medieval cast.

A third is that detailed studies of the evolutionary movements now in process in several eastern countries would throw very useful light upon the origins and nature of the competitive system which has characterized the modern economic history of the West.

The corollary to these conclusions is that the much-needed understanding of contemporary problems in Asia requires careful study and appreciation of the economic conditions now underlying change in eastern countries, and of the effects of these changes on the traditional habits, customs and attitudes of their people. Such an investigation should be matched comparatively with the studies which have been made of the economic history during recent centuries of western Europe and America.

For many years, Japan and China have held the center of the oriental stage. Japan, a small nation, was rapidly becoming a Great Power, while China, a very large nation, was threatening to disintegrate. India, though rivalling China in size and populousness,

was the forgotten nation of the East, because her affairs were in the hands of the United Kingdom. With the War, India came into the limelight. Within the country, there were feuds between the Hindus and Mohammedans, between laborers and employers and between Indians and their European government. All these were closely related to the new economic forces stirring in the country. Yet until the investigations of the Indian Industrial Commission in 1916-8, no considerable study of Indian economic conditions had been made since the Factory Labor Commission's work in 1908. In 1926, the need for fuller understanding of India's economic changes, especially those having to do with the growth of capitalistic enterprise, led the government of India to institute a remarkable series of investigations into several aspects of Indian life. The Royal Commission on Indian Currency and Finance published a report and voluminous evidence in 1927; this was followed by a two-year investigation and report by the Royal Commission on Indian Agriculture, and a similar survey by the Indian Statutory Commission. In the meantime, the Indian Tariff Board had investigated and reported on several of the important industries, including cotton and steel manufacturing. Most recently the elaborate inquiry and the voluminous report by the Royal Commission on Indian Labour has added to the wealth of material for students of Indian affairs. The present study was undertaken in 1926 when only one of these Commissions had yet gotten under way. I regret that for the purpose of this study, only a few of the most general results of the 1931 decennial census of India are as yet available.

My work was generously financed by the Bureau of International Relations of Harvard University and Radcliffe College. To the members of this Bureau I am deeply indebted for the opportunity of over one and a quarter years for travel and study in India and for the time thereafter which has enabled me to prepare this study. Obviously the work of an individual, however assiduous, cannot even remotely stand comparison either in resources or results, with that of a Royal Commission or a Tariff Board. I have, it is perhaps needless to say, drawn abundantly and gratefully from the records of these governmental bodies. But this official material was not published until after I had returned from India, and subsequently in working through the evidence gathered by the Commissions it has been encouraging to discover that many of my own inde-

pendent, contemporaneously formulated conclusions were confirmed by theirs.

As an outsider, with neither Indian nor British ties, I have attempted to maintain a detached mind; though I am aware that this is an impossible attitude. I have also allowed myself occasionally to cast a ranging glance along the margins and background of my special theme, in order to see it both in the perspective of general economic history and in the comparative setting of analogous recent movements in China and especially in Japan.

I have appended no bibliography, partly because my study has been based on observation as well as on reading, but also because Miss Vera Anstey's admirable book, *The Economic Development of India*, gives an excellent bibliography of the subject.

The study was undertaken through the interest and under the direction of Professor Edwin F. Gay of Harvard University, who has given constant encouragement, correction and criticism. While I am wholly responsible for the demerits of the work, these would have been far greater but for his friendly vigilance.

For assistance and courtesy in making my enquiries, I am deeply in debt to a large number of other persons, officials of the India Office in London, of the central and various provincial and local governments in India, and to a host of men and women, business men, labor leaders, laborers, missionaries, college professors and others, both Indian and Europeans, so numerous as to make the mere mention of their names impossible. For assistance in preparing the manuscript for the press, I am indebted to Miss Martha Anderson of the staff of the National Bureau of Economic Research, and to my wife, who has given much time to the reading of proof and to the making of the index.

D. H. B.

Washington, D. C.

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