

### Book Reviews

Dinyar Patel, *Naoroji: Pioneer of Indian Nationalism*, Harvard University Press, Massachusetts, 2020, pp. ix + 352, Price ₹ 699/-.

In his foreword to *History and Political Economy: Essays in Honour of P. D. Groenewegen* (2004), Coats writes that Groenewegen's scholarship 'conclusively demonstrates the relevance of biography to the history of economics....' (p. xx). It is in this spirit that I review Dinyar Patel's biography of Dadabhai Naoroji (1825–1917), who made foundational contributions to the economics of imperialism. Naoroji was associated, in varying degrees, with political economists such as Henry Fawcett, Henry Hyndman, Rosa Luxemburg, Eleanor Marx, M. G. Ranade and Sidney Webb. With some, he only shared the podium, but with others he maintained frequent correspondence. I shall restrict my review to some themes related to Naoroji's economic thought.

The 'British imperial imagination' was that its colonial policy in the Indian subcontinent was benefitting the colonial subjects (p. 83); this was the dominant view in the United Kingdom (p. 52). Therefore, Naoroji's thesis—more popularly known as the 'drain theory'—that India's 'poverty and powerlessness' was caused by British rule became controversial (p. 47).

British colonial rule, according to Naoroji, drained India of its economic and moral wealth via (i) "excessive employment" of Britons in the civil service, (ii) outward remittances by those Britons, (iii) an unfavourable trade balance, and (iv) a large military which furthered the colonial agenda (p. 48, p. 63). The first, according to Naoroji, resulted in a "moral drain" because Indians were unable to obtain administrative experience (p. 64). Owing to this non-economic component, Naoroji maintained that the measurement of the drain in terms of money-flows was an underestimate. Naoroji argued that colonial policy resulted in a "loss of wealth, wisdom, and work to India" (p. 67). Or, as he puts it in his 1873 paper 'Poverty of India': "The candle burns at both ends, capital going on diminishing on the one hand, and labour thereby becoming less capable on the other, to reproduce as much before" (p. 66).

At the 1904 Amsterdam Socialist Congress, where he shared the stage with Luxemburg, Naoroji said that "Imperialism of brute force is barbarism. The Imperialism of civilization is the Imperialism of equal rights, equal duties, and equal freedoms" (p. 236). Domination of people is almost always associated with a domination of ideas. Colonial policy makers and administrators used, rather misused, the economics of Adam Smith. And, during famines in India, 'British officials effected an attitude of sheer indifference' (p. 17; also p. 51) because of their belief that the food markets would automatically adjust or equilibrate—a belief generated by the dominant *interpretation* of classical political economy. In this context, I found it odd that Patel does not mention Ambirajan's *Classical*

*Political Economy and British Policy in India* (1978), a thorough enquiry into the topic. Another notable omission is Dasgupta's *A History of Indian Economic Thought* (1993).

According to Patel, 'Naoroji stressed the inability of classical economic theories to explain the financial predicament of colonial India' (p. 65). Britons, noted Naoroji, "forgot that there is no such thing in India as the natural operation of economic laws" because of the economic drain (p. 65). The conclusions generated by *any* economic theory cannot be directly applied to the actual world, whether colonial, pre-colonial or post-colonial, because of the embedded power structures, notably caste system and patriarchy, in India.

Naoroji 'rejected certain principles of classical economics' and the example provided by Patel is that of wage determination; according to Naoroji, "the practical facts of the social resistances and frictions of people's necessities and circumstances" determine wages (p. 114). In fact, both Smith and Ricardo possess such a view of wage determination which challenges both Naoroji's and Patel's interpretation of classical economics. Perhaps, the reason for this misinterpretation owes to them equating classical economics with the economics of J. S. Mill. For Mill, the real wage is flexible and not inflexible/customary as it is in Smith and Ricardo (see Stirati 1994, p. 178).

Is there a link between wages and education? Yes. Smith sees education as necessary for all in liberal capitalism. He also notes that education should be affordable for all. Since wages are customary, it follows that educational provision must be discussed alongside our wages policy (for a detailed account, see Thomas 2019). For Naoroji, education reduces poverty (p. 15) and therefore he advocated free education for all, especially women (p. 20, p. 11; see also p. 39, p. 42, p. 188). As Naoroji wrote in his 1906 Calcutta Congress presidential speech, which was read out by Gopal Krishna Gokhale, "Education must be most vigorously disseminated among the people—free and compulsory primary education, and free higher education of every kind" (p. 248).

Patel's *Naoroji* is accessibly written for both academics and general readers and successfully communicates the core ethic of Naoroji: 'the politics of empathy', as Patel puts it (p. 210). Moreover, the excellent prose places us readers as if alongside Naoroji in his journey, replete with his vicissitudes of energy, dejection, passion, and worries. Given these strong traits, it is disappointing to see so many split words in a page as it negatively impacts readability; for example, on p. 151, there are 9 such instances. Finally, a separate bibliography would have been helpful.

Research in classical economics and history of economic thought challenges the still-dominant neoclassical or marginalist interpretations of 'classical economic theory'. A quote from Naoroji is perhaps opportune: a student of mathematics "is inured to strict inquiries, is enabled to guard himself against credulous simplicity, and the meanness of yielding a slavish submission to the absolute dictates of authority or any species of mental tyranny" (pp. 29–30). In any case, Patel's second chapter 'Of Poverty and Princes' can serve as a required

reading in a history of economic thought course. Biographies such as Patel's, I think, offer a natural space for the confluence and congregation of political economists, historians, and historians of economic thought.

## References

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Raravikar, A., *India's External Commercial Borrowing Features, Trends and Issues*, Ultimate Associates Publisher, Nashik, 2020, pp. 56, Price ₹ 100/-.

Foreign currency denominated borrowings such as external commercial borrowings (ECBs) can act as a double-edged sword for corporates in developing countries. Potential corporates can get these funds at a relatively low cost. These funds are available for longer maturities than domestic funds. However, ECBs can make balance sheets of corporates more vulnerable to exchange rate fluctuations. Any unanticipated change in the exchange rate of domestic currency, more particularly a sudden drop in the price of domestic currency, against foreign currency can adversely affect the value of outstanding borrowing of business firms under ECB relative to the firm's assets and income. That will in turn affect the debt repayment capacity of the firm, causing an extra pressure on asset quality of domestic banking sector. Therefore, understanding intricacies of ECB is very important for supporting and stabilizing growth of the economy.

The book has come in right time. Given the situation in the world amid Covid 19 pandemic spread and the challenges it posed to businesses in continuing their operations, ECBs provide eligible businesses an alternative source to acquire funds required as per their debt plan.

The book has five chapters and an epilogue. First chapter deals with conceptual framework of ECB and discusses merits and demerits of it. Second chapter provides trends and progress of ECB in India. Third chapter looks at the evolution of regulatory framework of RBI pertaining to ECB. Fourth chapter examines the issue of external debt management with a specific focus on ECB